Paramount Group, Inc.
Form 424B4
November 20, 2014
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**Filed Pursuant to Rule 424(b)(4)**
**Registration No. 333-198392**

**PROSPECTUS**

**131,000,000 Shares**

**Common Stock**

This is the initial public offering of the common stock of Paramount Group, Inc. We are selling 131,000,000 shares of our common stock.

The initial public offering price per share will be $17.50 per share. No public market currently exists for our common stock. Our common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange, or NYSE, under the symbol PGRE. Concurrently with this offering, we will sell shares of our common stock in private placements to certain of our continuing investors and their affiliates at a price per share equal to the public offering price shown below, including $51.0 million in shares of our common stock to certain family members and affiliates of our predecessor s founder, the late Professor Dr. h.c. Werner Otto.

We intend to elect to be treated and to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2014.

Shares of our common stock will be subject to the ownership and transfer limitations in our charter which are intended to assist us in qualifying and maintaining our qualification as a REIT, including, subject to certain exceptions, a 6.50% ownership limit. See Description of Capital Stock Restrictions on Ownership and Transfer.

**We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 24 of this prospectus to read about factors you should consider before buying shares of our common stock.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ 17.50 | $ 2,292,500,000 |

| | | |
|---|---|---|
| Underwriting discount(1) | $ 0.7875 | $ 103,162,500 |
| Proceeds, before expenses, to us | $ 16.7125 | $ 2,189,337,500 |

(1) We refer you to the section captioned Underwriting of this prospectus for additional information regarding underwriter compensation.

We have granted the underwriters an option for a period of 30 days after the date of this prospectus to purchase up to 19,650,000 additional shares of our common stock to cover over-allotments of shares, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of our common stock against payment in New York, New York on or about November 24, 2014.

*Joint Book-Running Managers*

**BofA Merrill Lynch** **Morgan Stanley** **Wells Fargo Securities**

**Deutsche Bank Securities**

**Citigroup** **Credit Suisse** **Goldman, Sachs & Co.**

**J.P. Morgan** **RBC Capital Markets** **UBS Investment Bank**

Prospectus dated November 18, 2014.

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give to you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or such other date as is specified in this prospectus.

### Industry and Market Data

We use market data and industry forecasts and projections in this prospectus. Except as specifically noted otherwise, we have obtained all of the information, except for data regarding our company, under Prospectus Summary Market

Information, under Industry and Market Data and under Business and Properties Submarket and Building Overviews and other market data and industry forecasts and projections contained in this prospectus under Business and Properties Our Competitive Strengths Strong Internal Growth Prospects and where otherwise indicated from market research prepared or obtained by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm, in connection with this offering. Such information is included herein in reliance on RCG s authority as an expert on such matters. See Experts. In addition, RCG in some cases has obtained market data and industry forecasts and projections

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from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projections or forecasts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

In this prospectus:

The term annualized rent refers to the annualized monthly contractual rent under commenced leases, and is calculated by multiplying cash base rent (before abatements) for a specified month by 12.

The term fully diluted basis assumes the exchange of all outstanding common units in our operating partnership, or common units, and all outstanding long-term incentive plan units in our operating partnership, or LTIP units, for shares of our common stock on a one-for-one basis, which is not the same as the meaning of fully diluted under GAAP.

The term GAAP refers to accounting principles generally accepted in the United States.

The term gross levered IRR, refers to the levered internal rate of return calculated by us for a fully divested property based on (i) equity invested and (ii) the value of total distributions from the property, less all sales costs, debt service and all other property-level fees where applicable, but before deduction of carried interests and asset management fees where applicable.

The term gross unlevered IRR, refers to the unlevered internal rate of return calculated by us for a fully divested property based on (i) the total amount invested, including both equity and debt, and (ii) the value of total distributions from the property plus interest payments on the debt, less all sales costs and all other property-level fees where applicable, but before deduction of carried interests and asset management fees where applicable.

The term our markets refers to New York City, Washington, D.C. and San Francisco.

The term our predecessor refers collectively to nine entities owned by the lineal descendants and surviving former spouse of the late Professor Dr. h.c. Werner Otto of Hamburg, Germany, or the Otto family, that will be contributing substantially all of their assets to us in the formation transactions described in this prospectus, including Paramount Group, Inc., a Delaware corporation, or our management company.

The term second generation lease refers to a lease for space that had not been vacant for more than 12 months.

The term Washington, D.C. refers, except as otherwise specified herein, to the metropolitan area of Washington, D.C.

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# PROSPECTUS SUMMARY

*You should read the following summary together with the more detailed information regarding our company and the historical and pro forma combined consolidated financial statements appearing elsewhere in this prospectus. You should carefully review the entire prospectus, including the risk factors, the combined consolidated financial statements and the notes thereto and the other documents to which this prospectus refers before making an investment decision. References in this prospectus to we, our, us and our company refer to (i) Paramount Group, Inc., a Maryland corporation, together with our consolidated subsidiaries including Paramount Group Operating Partnership LP, a Delaware limited partnership, which we refer to in this prospectus as our operating partnership, after giving effect to the formation transactions and concurrent private placements described in this prospectus and (ii) our predecessor. Unless the context otherwise requires or indicates, the information contained in this prospectus assumes (i) the formation transactions and concurrent private placements, as described under the caption Structure and Formation of Our Company beginning on page 249, have been completed, (ii) the 131,000,000 shares of our common stock to be sold in this offering are sold at $17.50 per share, (iii) no exercise by the underwriters of their option to purchase up to an additional 19,650,000 shares of our common stock to cover over-allotments, if any, (iv) all property information is as of September 30, 2014, and (v) all pro forma financial or other information set forth in this prospectus is presented on the basis, and after making the adjustments, described in our unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.*

## Our Company

We are one of the largest vertically-integrated real estate companies focused on owning, operating and managing high-quality, Class A office properties in select central business district, or CBD, submarkets of New York City, Washington, D.C. and San Francisco. As of September 30, 2014, our portfolio consisted of 12 Class A office properties with an aggregate of approximately 10.4 million rentable square feet that was 92.1% leased to 260 tenants. Our New York City portfolio accounted for 75.6% of our annualized rent as of September 30, 2014, while our Washington, D.C. and San Francisco portfolios accounted for 11.7% and 12.7%, respectively.

Our portfolio reflects our strategy, which has been consistent for nearly 20 years, of concentrating on select submarkets within leading gateway cities in the U.S. that have high barriers to entry, are supply constrained, exhibit strong economic characteristics and have a deep pool of prospective tenants in various industries with a strong demand for high-quality office space. Our properties are located in premier submarkets within midtown Manhattan, Washington, D.C. and San Francisco. Within these submarkets, our portfolio includes Class A office properties that are consistently among the most sought after addresses in the business community. As a result of the strong underlying fundamentals in our submarkets, the location and high-quality of our assets and our proven management capabilities, we believe that our portfolio is well positioned to provide continued cash flow growth and value creation.

We have a demonstrated expertise in asset management, property management, leasing, acquisitions, repositioning, redevelopment, investment management and financing. Since 1995, we have acquired 28 high-quality office properties with a total value of approximately $11.5 billion primarily in our markets. We have a well established reputation as a value-enhancing owner of Class A office properties in our markets and have a proven ability to redevelop and reposition acquired office properties to appeal to the most discerning tenants. Our organization brings an international understanding and sophistication to the marketing and management of our properties that resonates with our tenants, which include many of the world s leading companies. We have an unwavering commitment to superior tenant service, which helps us attract and retain high-quality tenants. We believe our recognized commitment to excellence and demonstrated expertise in the ownership, acquisition, redevelopment and management of Class A office properties will enable us to maximize the operating performance and growth of our portfolio.

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Our senior management team is led by Albert Behler, our Chairman, Chief Executive Officer and President, who joined our predecessor in 1991 and has over 34 years of experience in the commercial real estate industry. When Mr. Behler joined our predecessor, he repositioned our diverse portfolio of real estate assets to focus primarily on Class A office properties in select submarkets of New York City. Since 1995, we have expanded our investment focus to include Class A office properties in select submarkets of Washington, D.C. and San Francisco that exhibit investment characteristics similar to those in our New York City submarkets. Overall, our senior management team has an average of 26 years of commercial real estate experience and has been with our company for an average of 14 years. Our senior management team members are proven stewards of investor capital with a remarkable track record through numerous economic cycles and have raised approximately $3.7 billion in equity capital from institutions and high-net-worth individuals since 1995. From the beginning of 1995 through September 30, 2014, we have generated an aggregate gross unlevered IRR of 18.5% and an aggregate gross levered IRR of 28.4% on our 15 realized property investments, which represents a total of $2.2 billion of proceeds.

Our predecessor was originally established in 1978 by Professor Dr. h.c. Werner Otto of Hamburg, Germany to invest in U.S. real estate as part of a distinguished international group of companies he founded. Today, these companies include: (i) the Otto Group, which is the world s second largest online consumer retail vendor, one of the world s leading retail mail order companies and the owner of Crate and Barrel; (ii) ECE Projektmanagement G.m.b.H. & Co. KG, which is the leading company in the development, planning, construction, leasing and management of shopping centers in Europe; and (iii) Park Property Management, which is a recognized owner and operator of apartment properties in Canada. In addition, the Otto family successfully made a significant investment in DDR Corp. in 2009 during the height of the financial crisis.

Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, either directly or through its subsidiaries, and we will be the sole general partner of our operating partnership.

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## Our Properties

### *Our Portfolio Summary*

The following table provides information about our portfolio as of September 30, 2014.

| Property | Submarket | Rentable Square Feet [(1)] | Percent Leased [(2)] | Annualized Rent [(3)] | Annualized Rent Per Leased Square Foot [(4)] |
|---|---|---|---|---|---|
| **New York City:** | | | | | |
| 1633 Broadway | West Side | 2,643,065 | 97.7% | $ 151,307,586 | $ 63.96 |
| 1301 Avenue of the Americas | Sixth Ave./Rock Center | 1,767,992 | 81.8 | 101,270,844 | 70.74 |
| 31 West 52nd Street [(5)] | Sixth Ave./Rock Center | 786,647 | 100.0 | 54,243,225 | 71.32 |
| 1325 Avenue of the Americas | Sixth Ave./Rock Center | 814,892 | 94.6 | 40,838,719 | 59.03 |
| 900 Third Avenue | East Side | 596,270 | 95.2 | 37,943,860 | 67.58 |
| 712 Fifth Avenue [(6)] | Madison/Fifth Avenue | 543,341 | 98.4 | 50,083,098 | 96.22 |
| **Subtotal / Weighted Average** | | **7,152,207** | **93.5%** | **$ 435,687,332** | **$ 68.90** |
| **Washington, D.C.:** | | | | | |
| 425 Eye Street | East End | 380,090 | 87.4% | $ 13,553,608 | $ 42.93 |
| Liberty Place [(7)] | East End | 174,205 | 64.8[(8)] | 6,736,862 | 67.76 |
| 1899 Pennsylvania Avenue [(9)] | CBD | 192,481 | 71.9 | 10,849,671 | 80.96 |
| 2099 Pennsylvania Avenue [(10)] | CBD | 208,636 | 31.6 | 4,649,649 | 75.59 |
| Waterview | Rosslyn, VA | 647,243 | 98.9 | 31,212,577 | 46.90 |
| **Subtotal / Weighted Average** | | **1,602,655** | **80.5%** | **$ 67,002,369** | **$ 52.61** |
| **San Francisco:** | | | | | |
| One Market Plaza [(11)] | South Financial District | 1,611,125 | 97.2% | $ 73,301,800 | $ 59.00 |
| **Subtotal / Weighted Average** | | **1,611,125** | **97.2%** | **$ 73,301,800** | **$ 59.00** |
| **Portfolio Total / Weighted Average** | | **10,365,987** | **92.1%** | **$ 575,991,500** | **$ 65.20** |

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with either Real Estate Board of New York, or REBNY, or the Building Owners and Managers Association, or BOMA, 2010 measurement guidelines, and the square footages in the charts in this prospectus are shown on this basis. Total rentable square feet consists of 8,935,018 leased square feet, 375,743 square feet with respect to signed leases not commenced, 822,564 square feet available for lease, 26,417 building management use square feet, and 206,245 square feet from REBNY or BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(2) Based on leases signed as of September 30, 2014 and calculated as total rentable square feet less square feet available for lease divided by total rentable square feet.

(3) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the 12 months ended September 30, 2014. This amount reflects total cash and percentage rent before abatements. Abatements committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $18.1 million. Pro rata abatements for the nine months ended September 30, 2014 were $36.4 million.

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(4) Represents annualized rent (less $5,803,762 for parking space, $1,796,594 for storage space, $4,117,279 for theater space, $42,630 for signage revenue and $408,802 for roof revenue) divided by leased square feet (excluding 375,743 square feet with respect to signed leases not commenced, 73,209 square feet for parking space, 64,823 square feet for storage space, 145,192 square feet for theater space, 4,449 square feet for roof space and 26,417 square feet for building management space) as set forth in note (1) above for the total.

(5) We will own a 64.2% aggregate interest in this property through two joint ventures.

(6) We own a 50.0% interest in a joint venture that owns a fee interest in a portion of the property and a ground leasehold interest in a portion of the property with a remaining term of approximately 11 years (expiring January 1, 2025). The ground lease features an installment sales contract to purchase the fee interest in the property covered by the lease from the ground lessor on January 2, 2015, subject to certain terms and conditions, for $12.1 million. We have an option to postpone the closing date until January 2, 2025, and if so exercised, the purchase price at closing will be $13.1 million.

(7) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $1,592,015 of reimbursement revenue attributable to tenants as of September 30, 2014.

(8) Does not reflect a lease for 6,663 rentable square feet that was signed October 27, 2014, which would increase percent leased to 68.6%.

(9) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $4,017,272 of reimbursement revenue attributable to tenants as of September 30, 2014.

(10) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $1,615,458 of reimbursement revenue attributable to tenants as of September 30, 2014. The full amount was abated in September 2014.

(11) An independent third party global investment and advisory firm purchased a 49.0% interest in the joint venture that owns One Market Plaza on July 23, 2014. Upon completion of the formation transactions, we will own a 49.0% interest in the joint venture that owns One Market Plaza and we will indirectly wholly own the general partner of a limited partnership that owns a 2.0% interest in the joint venture that holds the property. As a result, we will effectively have 51.0% voting power in connection with the property.

In addition to our portfolio, we will own interests in and manage certain existing private equity real estate funds and other assets following the consummation of the formation transactions. For further details see Business and Properties Real Estate Funds, Property Management and Other Assets on page 210.

**Our Competitive Strengths**

We believe that we distinguish ourselves from other owners and operators of office properties through the following competitive strengths:

**Premier Portfolio of High-Quality Office Properties in Most Desirable Submarkets.** We have assembled a premier portfolio of Class A office properties located exclusively in carefully selected submarkets of New York City, Washington, D.C. and San Francisco. Our submarkets are among the strongest commercial real estate submarkets in the United States for office properties due to a combination of their high barriers to entry, constrained supply, strong economic characteristics and a deep pool of prospective tenants in various industries that have demonstrated a strong demand for high-quality office space. Our markets are international business centers, characterized by a broad tenant base with a highly educated workforce, a mature and functional transportation infrastructure and an overall amenity rich environment. These markets are home to a diverse range of large and growing enterprises in a variety of industries, including financial services, media and entertainment, consulting, legal and other professional services, technology, as well as federal government agencies.

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As a result of the above factors, the submarkets in which we are invested have generally outperformed the broader markets in which they are located. Within our targeted submarkets, we have assembled a portfolio of Class A office properties that are consistently among the most sought after addresses in the business community. According to RCG, given current market rents, construction costs and the lack of competitive development sites, most of our portfolio could not be replicated today on a cost-competitive basis, if at all. We believe the high-quality of our buildings, services and amenities, and their desirable locations should allow us to increase rents and occupancy to generate positive cash flow and growth.

**Deep Relationships with Diverse, High Credit-Quality Tenant Base.** We have long-standing relationships with high-quality tenants, including Allianz, Bank of America Corporation, Barclays plc, Clifford Chance US LLP, Commerzbank AG, Crédit Agricole Corporate & Investment Bank, Corporate Executive Board Company, Deloitte & Touche LLP, Showtime Networks Inc., TD Bank, N.A., Warner Music Group and the U.S. Federal Government. Approximately 64.4% of our annualized rent is derived from investment grade or nationally recognized tenants in their respective industries. As of September 30, 2014, our nearly 300 commercial tenant leases across our 260 tenants had an average size of approximately 31,100 rentable square feet. No tenant accounted for more than 5.1% of our annualized rent as of September 30, 2014.

**Strong Internal Growth Prospects.** We have substantial embedded rent growth within our portfolio as a result of the strong historical and projected future rental rate growth within our submarkets, contractual fixed rental rate increases included in our leases and incremental rent from the lease-up of our portfolio. As of September 30, 2014, the market rents for the office space in our portfolio for which leases had commenced were 15.4% higher than the annualized rent from the in-place leases for this space based on our internal estimates used for budgeting purposes. In addition, RCG projects average increases in Class A office rents in midtown Manhattan, Washington, D.C. and San Francisco ranging from 2.1% to 5.3% per year through 2018. As a result, as our leases expire, we expect to realize significant rent growth as we mark these leases to market. As of September 30, 2014, the average duration of our leases, excluding month-to-month leases, is 11.6 years with an average remaining term of 7.6 years. Over the term of these leases, we also have embedded rent growth resulting from the fixed rental rate increases, which typically range from 2.0% to 3.0% per year. Our portfolio is also 92.1% leased as of September 30, 2014; we believe this presents us with a meaningful growth opportunity as we lease-up our portfolio given the strong office market fundamentals in our target markets. In addition, we expect incremental rental revenue from two in-process renovation projects that are expected to add space for retail tenants, whose asking rents are generally above those of office tenants in our markets.

**Demonstrated Acquisition and Operational Expertise.** Over the past nearly 20 years, we have developed and refined our highly successful real estate investment strategy. We have a proven reputation as a value-enhancing, hands-on operator of Class A office properties. We target opportunities with a value-add component, where we can leverage our operating expertise, deep tenant relationships, and proactive approach to asset and property management. In certain instances, we may acquire properties with existing or expected future vacancy or with significant value embedded in existing below-market leases, which we will be able to mark-to-market over time. Even fully leased properties from time to time present us with value-enhancing opportunities which we have been able to capitalize on in the past.

**Value-Add Renovation and Repositioning and Development Capabilities.** We have expertise in renovating, repositioning and developing office properties, having made significant investments of over $100.0 million (excluding tenant improvement costs and leasing commissions) in four of our office properties since 1995. We have historically acquired well-located assets that have either suffered from a need for physical improvement to upgrade the property to Class A space, have been

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underperforming due to a lack of a coherent leasing and branding strategy or have been under-managed and could be immediately enhanced by our hands-on approach. We are experienced in upgrading, renovating and modernizing building lobbies, corridors, bathrooms, elevator cabs and base building systems and updating antiquated spaces to include new ceilings, lighting and other amenities. We have also successfully aggregated and are continuing to combine smaller spaces to offer larger blocks of space, including multiple floors, which are attractive to larger, higher credit-quality tenants. We believe that the post-renovation quality of our buildings and our hands-on asset and property management approach attract higher credit-quality tenants and allows us to grow cash flow.

**Seasoned and Committed Management Team with Proven Track Record.** Our senior management team, led by Albert Behler, our Chairman, Chief Executive Officer and President, has been in the commercial real estate industry for an average of 26 years, and has worked at our company for an average of 14 years. Our senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. We have developed relationships that enable us to secure high credit-quality tenants on attractive terms and provide us with potential off-market acquisition opportunities. We believe that our proven acquisition and operating expertise enables us to gain advantages over our competitors through superior acquisition sourcing, focused leasing programs, active asset and property management and first-class tenant service. Since 1995, members of our senior management team have raised approximately $3.7 billion in equity capital from institutional and high-net-worth investors. From the beginning of 1995 through September 30, 2014, we have generated an aggregate gross unlevered IRR of 18.5% and an aggregate gross levered IRR of 28.4% on our 15 realized property investments, which represents a total of $2.2 billion of proceeds. Upon completion of this offering, our senior management team is expected to own a significant amount of our common stock on a fully diluted basis, aligning their interests with those of our stockholders, and incentivizing them to maximize returns for our stockholders.

**Conservative Balance Sheet.** Over the past several decades, we have built strong relationships with numerous lenders, investors and other capital providers. Our financing track record and depth of relationships provide us with significant financial flexibility and capacity to fund future growth in both good and bad economic environments. As of September 30, 2014, we had a strong pro forma capital structure that supports this flexibility and growth. Our pro forma net debt to total enterprise value is 36.2% and pro forma net debt to annualized Adjusted EBITDA for the nine months ended September 30, 2014 is 7.6x, each calculated on a pro rata basis. Adjusting net debt to reflect reductions in cash subsequent to September 30, 2014, and EBITDA to include annualized revenue from leases signed but commencing after September 30, 2014, pro forma net debt to Adjusted EBITDA on a pro rata basis would have been 7.5x. On a pro forma basis as of September 30, 2014, approximately 90.0% of our debt will be fixed rate, we will have no debt maturities prior to December 2016 and the weighted average maturity of our pro forma indebtedness will be 3.3 years. Upon completion of this offering, we expect we will have an undrawn $1.0 billion senior unsecured revolving credit facility and approximately $66.2 million of Cash NOI from four unencumbered properties totaling 3.2 million square feet.

**Proven Investment Management Business.** We have a successful investment management business, where we serve as the general partner and property manager of private equity real estate funds for institutional investors and high-net-worth individuals with combined assets aggregating approximately $8.6 billion as of September 30, 2014. We have also entered into a number of joint ventures with institutional investors, high-net-worth individuals and other sophisticated real estate investors through which we and our funds have invested in real estate properties. As part of the formation transactions, we will acquire most of the assets held by our private equity real estate funds while also retaining our investment management platform pursuant to which we will continue to manage our existing funds and joint ventures that will continue holding assets following the formation transactions. Going forward, we expect our investment management business to be a complementary part of our overall real estate investment business that will focus primarily on debt and preferred equity investments and will not compete directly with our real estate investment business. The continuing fees that we will earn in connection with this business will enhance our potential for higher overall returns. Additionally, although we intend to directly fund our future real estate investments following deployment of our existing funds remaining committed equity capital, our existing investment management platform should enable us to more easily supplement our direct capital sources through strategic joint ventures or pursue opportunities through new private equity real estate funds where advantageous.

**Business and Growth Strategies**

Our primary business objective is to enhance stockholder value by increasing cash flow from operations. The strategies we intend to execute to achieve this goal include:

**Lease-up of Currently Available Space.** Given current demand for high-quality Class A office space in our submarkets, we believe that we are well positioned to achieve significant internal growth through the lease-up of existing space in our portfolio. As of September 30, 2014, we had approximately 822,564 rentable square feet available to lease in our portfolio. Approximately 321,708 rentable square feet, or 39.1% of the total available rentable square feet, is highly attractive space in our 1301 Avenue of the Americas property in the Sixth Avenue/Rockefeller Center submarket of midtown Manhattan, and approximately 196,929 square feet, or 23.9% of the total available rentable square feet, is highly desirable space in our 2099 and 1899 Pennsylvania Avenue properties in the CBD submarket of Washington, D.C. A large portion of the space we are currently marketing relates to one recent lease terminating at our 1301 Avenue of the Americas property, vacancy at our 2099 Pennsylvania Avenue property that was expected and underwritten at the time of acquisition in 2012 and recently vacated space in our 1899 Pennsylvania Avenue property, as we have aggregated available space to target a higher-caliber tenant commensurate with the quality and location of this property. We are well positioned to continue our predecessor s leasing momentum at these three properties and to increase revenue significantly over time. For example, if we were to achieve the submarket lease percentage at our asking rents for these three properties, we would generate potential incremental annualized rent of approximately $25.2 million per year. If we were to achieve average historical submarket lease percentages since 1999 at our 2015 asking rents for these properties, we would generate potential incremental annualized rent of approximately $28.8 million per year.

**Increase Existing Below-Market Rents.** We believe we can capitalize on our high-profile institutional-quality portfolio by realizing the substantial embedded rent growth within our portfolio resulting from the combination of the strong historical market rental rate growth in our submarkets and the long term nature of our existing office leases. For example, we expect to benefit from the re-leasing of approximately 2.7 million square feet, or 26.1%, of our office leases, through 2018, which we believe are currently at below-market rates. These expiring office leases represent weighted average rent at expiration of $73.66 per square foot, as compared to a weighted average estimated market rent at expiration of $86.54 per square foot based on our internal estimates used for budgeting purposes. Assuming we could re-lease the approximately 2.7 million square feet expiring through 2018 at the weighted average estimated market rent at expiration of $86.54 per square foot, we would generate potential incremental annual rental revenues of approximately $34.9 million per year. Overall, 81.5% of these expiring leases are from our midtown Manhattan properties. As older leases expire, we expect to generate additional rental revenue by (i) continuing to upgrade certain space to further increase its value and (ii) increasing the total rentable square footage of such space as a result of remeasurements and application of market loss factors to the space.

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**Disciplined Acquisition Strategy Focused on Premier Submarkets and Assets.** Since 1995, we have acquired 28 high-quality office properties with a total value of approximately $11.5 billion primarily in our targeted submarkets of New York City, Washington, D.C. and San Francisco. We intend to continue our core strategy of acquiring, owning and operating Class A office properties within submarkets that have high barriers to entry, are supply constrained, exhibit strong economic characteristics and have a pool of prospective tenants in various industries that have a strong demand for high-quality office space. We believe that owning the right assets within the leading submarkets of the best office markets in the United States will allow us to generate strong cash flow growth and attractive long-term returns. We seek to acquire properties that will command premium rental rates and maintain higher occupancy levels than other properties in our markets. We will pursue opportunities to acquire office properties, but will maintain a disciplined approach to ensure that our acquisitions meet our core strategy. We are a highly active market participant that reviews numerous acquisition opportunities annually; however, we are highly selective in the properties that we ultimately acquire. We intend to strategically increase our market share in our existing submarkets and selectively enter into other submarkets with similar characteristics. Our acquisition strategy will focus primarily on long-term growth and total return potential rather than short-term cash returns. We believe we can utilize our deep industry relationships and our expertise in redeveloping and repositioning office properties to identify acquisition opportunities where we believe we can increase occupancy and rental rates. Many of our predecessor s acquisitions have been sourced on an off-market basis. Additionally, we believe that our investment management platform will provide us access to valuable market intelligence via select debt investments, further supplementing our ability to identify attractive acquisition opportunities.

**Redevelopment and Repositioning of Properties.** We intend to redevelop or reposition certain properties that we currently own or that we acquire in the future, as needed. Prior to investment, we will apply rigorous underwriting analyses to determine whether additional investment in the property will improve occupancy and cash flow over the long term. By redeveloping and repositioning our properties, including creating additional amenities for our tenants, we endeavor to increase both occupancy and rental rates at these properties, thereby achieving superior risk-adjusted returns on our invested capital. We are currently embarking on redevelopment and repositioning projects at our One Market Plaza property in San Francisco and our 1633 Broadway property in New York. We estimate that the total cost for both of these projects will be approximately $40.0 million, of which $25.0 million relates to our One Market Plaza property and $20.0 million has been funded by us and our joint venture partner, and that we will achieve attractive risk-adjusted returns on this capital over time.

**Proactive Asset and Property Management.** We intend to continue our proactive asset and property management in order to increase occupancy and rental rates. We provide our own, fully integrated asset and property management, which includes in-house legal, marketing, accounting, finance and leasing departments for our portfolio and our own tenant improvement construction services. Our property management program includes cross functional training for best practices with a foundation that is rooted in our Property Management Standards, a set of internal policies and procedures that is shared across the platform. The development and retention of top performing property management personnel have been critical to our success. Our leasing infrastructure includes a dedicated team of personnel that focuses on our target market of high credit-quality tenants that typically seek a larger footprint and a customized build-out from a reputable and reliable landlord. We utilize our comprehensive building management services and our strong commitment to tenant and broker relationships to negotiate attractive leasing deals and to attract and retain high credit-quality tenants. We proactively manage our rent roll, maintain continuous communication with our tenants and foster strong tenant relationships by being responsive to tenant needs.

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## Market Information

### *New York City Market*

One of the world s premier gateway cities, New York City is an international hub for business, politics, education and culture as well as a choice location for companies, residents and tourists alike. With a high concentration of tenants in finance, entertainment, advertising and many other industries, New York City is one of the most well-known office markets in the world. The market s high barriers to entry, coupled with its wide array of industries with high demand for office space, provide stability through economic cycles and serve as a foundation for long-term growth. In addition, the lively, 24-7 environment attracts both domestic and international tourists, with more than 50 million visitors annually. New York s tourism and high-income resident base also support its status as one of the most expensive retail markets in the country.

RCG believes that the midtown Manhattan office market fundamentals should continue to benefit from its status as a world class office location. The midtown Manhattan office market has the highest asking rental rates and among the highest occupancy rates in the United States and is characterized by high barriers-to-entry, limited new supply and strong prospects for continued job creation. As a result, RCG expects the midtown Manhattan office market to continue its strong recovery in rent growth and upward trends in occupancy. These trends are shown in the graphs below:

RCG expects the overall attractiveness of a midtown Manhattan location will lead to strong absorption of vacant Class A space through the expansion of tenants in industries such as professional services, technology, media and fashion. As the U.S. economy improves and the impact of a new regulatory environment is absorbed, following the implementation of the Dodd Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank, RCG also expects increased office space demand from financial services firms. RCG projects a decline in the overall midtown Manhattan vacancy rate to 9.8% in 2018 from 11.0% in the third quarter of 2014. Already achieving the highest rents in the nation, midtown Manhattan office market rents are expected to grow 5.8% in 2015 and 6.5% in 2016. By the end of 2018, RCG expects midtown Manhattan office rents to reach an average of $88.53 per square foot. The weighted average Class A office rent in the third quarter of 2014 was $79.59 per square foot, and RCG expects this space to exhibit a comparable or stronger growth trend during the next five years. High-quality buildings in premier submarkets such as Madison/Fifth Avenue and Sixth Avenue/Rockefeller Center as well as other properties that can provide the flexibility of open floor plans should continue to command premium rents as tenants exhibit a sustained flight-to-quality trend in the coming years.

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***Washington, D.C. Market***

As the capital of the United States, Washington, D.C. is a gateway city that is famous throughout the world. Washington, D.C. is home to the White House, Congress and numerous international embassies. The city has a well-developed infrastructure, world-class museums and other cultural attractions and a number of highly-regarded universities. A lack of land, the high cost of construction and a strict regulatory environment lead to high barriers to new supply, while a large government presence and strong demand from tenants in a variety of industries support stability in the local office market.

While the District of Columbia already has some of the highest asking rental rates in the United States, RCG believes that, going forward, job growth and diminishing supply of available space in the District of Columbia office market will lead to increasing rent growth and occupancy, particularly in the most desirable submarkets and high-quality buildings. These trends are shown in the graphs below:

RCG believes that the District of Columbia office market is on track to generate positive absorption during the next five years because employment is expected to grow while the pace of new construction has ebbed, with a majority of the space currently under construction pre-leased. In addition to the decreased pace of construction, other projected economic indicators forecast a strong future for office activity. The expansion of private sector employers, aided by the growth of the region s technology cluster, should further stimulate office leasing activity through 2018. This growth will be enhanced with resolution of political gridlock and resumption of the historical pattern of public sector expansion. Relatively limited new supply and strong leasing activity should result in a gradual decline in the vacancy rate to 13.5% in 2018. Strong demand will drive overall rent growth in the years 2015-2018 at an average annual rate of 2.1% to $54.01 per square foot by 2018. Based on a continued flight-to-quality and a lower level of new supply coming online, RCG believes that Class A and trophy-class office rents should increase at an equivalent or faster pace. Also stemming from a flight-to-quality and more efficient space usage, highly desirable submarkets such as the CBD and East End, where our District of Columbia properties are located, should experience stronger demand than the overall District of Columbia office market.

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### *San Francisco Market*

The San Francisco Bay Area serves as a gateway city, the financial center of the West Coast of the United States and home to the high technology industry. A high-quality of life and plentiful job opportunities available in innovative industries attract talent from across the globe. Additionally, a cluster of top-tier research universities provides local employers with a steady pipeline of graduates. San Francisco s unique attributes and attractions also draw visitors from around the world. The region s advanced infrastructure, existing industry clusters and well-educated workforce support robust demand for office space throughout economic cycles, while high political and physical barriers to new supply limit the amount of new construction.

The San Francisco metro office market has among the highest asking rents and occupancy rates in the United States. The highly developed nature of the San Francisco CBD office market, coupled with high barriers to entry in the form of restrictive permitting, neighborhood resistance and high construction costs, results in a persistently low level of supply. RCG believes that continued growth of technology and its supporting industries should support sustained healthy market conditions in the San Francisco CBD office market during the next five years, allowing for a strong pace of rent appreciation and continued high occupancy. These trends are illustrated by the graphs below:

RCG forecasts extended tight market conditions through the next five years, although temporary upticks will likely result as new projects come online and are leased up gradually. From 2014 to 2018, the CBD vacancy rate is anticipated to remain in the 9% to 10% range. During the years 2015-2018, RCG projects that the average asking rental rate should increase at an average annual rate of 4.1%, reaching $69.71 per square foot in 2018. Based on shifting tenant preferences including a flight-to-quality, RCG expects that Class A space should record comparable or stronger rent appreciation during this time. Additionally, office landlords in the South Financial District submarket should disproportionately benefit from the propensity of tenants in the expanding technology industry to favor space south of Market Street, which is where our San Francisco property is located.

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**Summary Risk Factors**

An investment in our common stock involves various risks, and prospective investors are urged to carefully consider the matters discussed under Risk Factors prior to making an investment in our common stock. The following is a list of some of these risks.

- Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses and the overall market value of our assets, impair our ability to sell, recapitalize or refinance our assets and have an adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders.

- All of our properties are located in New York City, Washington, D.C. and San Francisco, and adverse economic or regulatory developments in these areas could negatively affect our results of operations, financial condition and ability to make distributions to our stockholders.

- We may be unable to renew leases, lease currently vacant space or vacating space on favorable terms or at all as leases expire, which could adversely affect our financial condition, results of operations and cash flow.

- Competition could limit our ability to acquire attractive investment opportunities and increase the costs of those opportunities, which may adversely affect us, including our profitability, and impede our growth.

- We are subject to risks involved in conducting real estate activity through joint ventures and private equity real estate funds.

- Contractual commitments with existing private equity real estate funds may limit our ability to acquire properties directly in the near term.

- Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock.

- Capital and credit market conditions may adversely affect our access to various sources of capital or financing and/or the cost of capital, which could impact our business activities, dividends, earnings and common stock price, among other things.

We may from time to time be subject to litigation, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

We depend on key personnel, including Albert Behler, our Chairman, Chief Executive Officer and President and the loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners and existing and prospective industry participants, which could negatively affect our financial condition, results of operations, cash flow and market value of our common stock.

The ability of stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders.

We did not negotiate the value of the properties and assets of our predecessor and the private equity real estate funds controlled by our management company at arm s-length as part of the formation transactions, and the consideration given by us in exchange for them may exceed their fair market value.

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We may assume unknown liabilities in connection with the formation transactions, which, if significant, could adversely affect our business.

We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

We may be unable to make distributions at expected levels, which could result in a decrease in the market value of our common stock.

We will owe certain taxes notwithstanding our qualification as a REIT.

REIT distribution requirements could adversely affect our liquidity and ability to execute our business plan.

**Structure and Formation of Our Company**

***Our Company and the Formation Transactions***

We were incorporated in Maryland as a corporation on April 14, 2014 to continue the business of our predecessor. Prior to or concurrently with the completion of this offering and the concurrent private placements, we will engage in a series of transactions through which we will acquire our initial portfolio of properties, substantially all of the other assets of our predecessor and our other initial assets and liabilities in exchange for an aggregate of 57,327,026 shares of our common stock, 46,810,117 common units and $223.6 million in cash. Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, Paramount Group Operating Partnership LP, a Delaware limited partnership, either directly or through its subsidiaries, and we will be the sole general partner of our operating partnership. Additionally, we will contribute the net proceeds from this offering and the concurrent private placements to our operating partnership in exchange for common units.

***Concurrent Private Placements***

Concurrently with the completion of this offering, certain members of the Otto family and their affiliates will acquire $51.0 million of our common stock in a private placement at a price per share equal to the public offering price. Additionally, concurrently with the completion of this offering, an entity controlled by Wilhelm von Finck, one of our continuing investors, has agreed to purchase $17.5 million of our common stock in a private placement at a price per share equal to the public offering price.

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*Our Structure*

The following diagram depicts our expected ownership structure upon completion of the formation transactions, this offering and the concurrent private placements. Our operating partnership will own the various properties in our portfolio directly or indirectly, and in some cases through special purpose entities that were created in connection with various financings. We refer to the persons and entities acquiring shares of our common stock or common units in the formation transactions as continuing investors.

(1) Excluding 5,714 LTIP units to be granted to Katharina Otto-Bernstein concurrently with the completion of this offering in connection with her service as a director.
(2) Including the amount of shares of our common stock that the directors and director nominees have expressed an intent to purchase in this offering as part of the reserved shares and excluding the share ownership of Katharina Otto-Bernstein, which is included in the Otto family. See Underwriting Reserved Shares. The directors and director nominees are under no obligation to purchase shares in this offering.
(3) Excluding the Otto family and members of our management and directors.
(4) Certain assets are held in joint ventures with third party investors.

***Benefits to Related Parties***

In connection with the formation transactions, this offering and the concurrent private placements, certain of our directors, director nominees, executive officers and our continuing investors will receive material financial and other benefits, including those set forth below.

Certain of our executive officers will receive 140,668 shares of our common stock and 2,277,368 common units in the formation transactions, representing in the aggregate approximately 0.1% of our shares of outstanding common stock and 1.0% of our shares of outstanding common stock on a fully diluted basis.

Members of the Otto family, who own and control our predecessor, will receive 41,842,298 shares of our common stock, representing in the aggregate approximately 21.8% of our shares of outstanding common stock and 17.1% of our shares of outstanding common stock on a fully diluted basis, and $28.0 million in cash.

We have entered into a stockholders agreement with Maren Otto, Katharina Otto-Bernstein and Alexander Otto providing these members of the Otto family with specified director nomination rights.

We have entered into registration rights agreements pursuant to which the members of the Otto family and certain affiliated entities receiving shares of our common stock in the formation transactions and concurrent private placements will have the right to cause us to register with the Securities and Exchange Commission, or the SEC, the resale of the shares of our common stock that they own from time to time and facilitate the offering and sale of such shares and we have agreed to register the resale or primary issuance of the shares of our common stock that continuing investors may receive in exchange for the common units that they receive in the formation transactions.

We currently anticipate that we will enter into employment agreements with certain of our executive officers and an executive severance plan for the benefit of certain of our executive officers that will take effect upon completion of this offering.

We will enter into indemnification agreements with each of our executive officers, directors and director nominees, whereby we will agree to indemnify our executive officers, directors and director nominees against all expenses and liabilities and pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the fullest extent permitted by Maryland law if they are made or threatened to be made a party to the proceeding by reason of their service to our company, subject to limited exceptions.

We generally have not granted any tax protection related to the sales of our assets. We have agreed to generally indemnify each of Maren Otto, Katharina Otto-Bernstein, Alexander Otto and an entity owned by Alexander Otto for specified incremental net tax liability actually incurred by such individual or entity as a result of our realization and distribution of taxable gains attributable to U.S. real property during the period commencing on the completion of the formation transactions and through December 31, 2014, unless such gain is triggered by a third party s actions. We do not expect to enter into any transactions during such period in which we would trigger these indemnification obligations.

We will issue an aggregate of 885,713 LTIP units, 5,714 shares of restricted stock and options to acquire 1,500,000 shares of our common stock, to our executive officers, directors, director nominees and other employees pursuant to the 2014 Equity Incentive Plan. We will also issue an aggregate of 4,057,143 LTIP units to our executive officers and other employees as one-time founders grants.

In connection with the formation transactions and the concurrent private placements, we will grant a waiver from the ownership limit contained in our charter to the lineal descendants of Professor Dr. h.c. Werner Otto, their spouses and controlled entities to own up to 22.0% of our outstanding common stock in the aggregate (which can be automatically increased to an amount greater than 22.0% to the extent that their aggregate ownership exceeds such percentage solely as a result of a repurchase by the company of its common stock).

**Distribution Policy**

We intend to pay regular quarterly distributions to holders of our common stock. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending on the last day of the then current fiscal quarter, based on $0.095 per share for a full quarter. On an annualized basis, this would be $0.38 per share, or an annual distribution rate of approximately 2.2% based on the initial public offering price. We intend to maintain a distribution rate for the 12 month period following completion of this offering that is at or above our initial distribution rate unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. We do not intend to reduce the expected distributions per share if the underwriters option to purchase additional shares of our common stock to cover over-allotments is exercised. Any future distributions we make will be at the discretion of our board of directors and will be dependent upon a number of factors, including prohibitions or restrictions under financing agreements or applicable law and other factors described herein.

**Our Tax Status**

We intend to elect to be treated and to qualify as a REIT for U.S. federal income tax purposes beginning with our taxable year ending December 31, 2014. We believe we have been organized, have operated and will operate in a manner that permits us to satisfy the requirements for taxation as a REIT under the applicable provisions of the Internal Revenue Code of 1986, as amended, or the Code. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our taxable income to our stockholders, computed without regard to the dividends paid deduction and excluding our net capital gain, plus 90% of our net income after tax from foreclosure property (if any), minus the sum of various items of excess non-cash income.

In any year in which we qualify as a REIT, we generally will not be subject to U.S. federal income tax on that portion of our taxable income or capital gain that is distributed to stockholders. If we lose our REIT status, and the statutory relief provisions of the Code do not apply, we will be subject to entity-level income tax, including any applicable alternative minimum tax, on our taxable income at regular U.S. corporate tax rates. Even if we qualify as a REIT, we will be subject to certain U.S. federal, state and local taxes on our income and property and on taxable income that we do not distribute to our stockholders. See U.S. Federal Income Tax Considerations.

### Restrictions on Ownership of Our Common Stock

Our charter prohibits any person or entity from actually or constructively owning shares in excess of 6.50% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock, or 6.50% in value of the aggregate of the outstanding shares of all classes and series of our stock. In connection with the formation transactions and the concurrent private placement to certain members of the Otto family and their affiliates, we will grant waivers from the ownership limit contained in our charter to the lineal descendants of Professor Dr. h.c. Werner Otto, their spouses and controlled entities to own up to 22.0% of our outstanding common stock in the aggregate (which can be automatically increased to an amount greater than 22.0% to the extent that their aggregate ownership exceeds such percentage solely as a result of a repurchase by the company of its common stock).

### Restrictions on Transfer and Certain Indemnity Obligations for Holders of Common Stock and Units

We, our executive officers, directors and director nominees and the continuing investors that are receiving shares of our common stock or common units in the formation transactions and the concurrent private placements have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, including common units, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, subject to certain exceptions. In addition, each person or entity receiving shares of our common stock or common units will be subject to indemnification obligations relating to New York real property transfer tax if such person or entity transfers more than 50.0% of the shares of our common stock or common units received in the formation transactions within two years after this offering. See Description of Capital Stock Restrictions on Ownership and Transfer.

### Conflicts of Interest

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its other partners under Delaware law and the partnership agreement in connection with the management of our operating partnership. Our fiduciary duties and obligations, as the general partner of our operating partnership, may come into conflict with the duties of our directors and officers to our company and our stockholders. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of common units, which would make those transactions less desirable to them.

We intend to adopt policies that are designed to reduce certain potential conflicts of interests. See Policies with Respect to Certain Activities Conflict of Interest Policies.

### Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We have not yet made a

decision as to whether we will take advantage of any or all of these exemptions. If we do take advantage of any of these exemptions, we do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to opt out of this extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds $1.0 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt or (iv) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

**Corporate Information**

Our principal executive offices are located at 1633 Broadway, Suite 1801, New York, NY 10019. Our telephone number is (212) 237-3100. We maintain a website at www.paramount-group.com. Information contained on, or accessible through our website is not incorporated by reference into and does not constitute a part of this prospectus or any other report or documents we file with or furnish to the SEC.

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## This Offering

| | |
|---|---|
| Common stock offered by us | 131,000,000 shares |
| Common stock to be outstanding after this offering | 192,247,023 shares [1] |
| Common stock and common units to be outstanding after this offering | 243,999,996 shares and common units [1][2] |
| Use of Proceeds | We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately $2.1 billion ($2.5 billion if the underwriters exercise in full their option to purchase up to an additional 19,650,000 shares of our common stock to cover over-allotments). In addition, we estimate that the net proceeds of the concurrent private placements will be approximately $68.5 million, resulting in total net proceeds of $2.2 billion. We will contribute the net proceeds from this offering and the concurrent private placements to our operating partnership in exchange for common units. We expect our operating partnership to use the net proceeds received from us to repay outstanding indebtedness and any applicable prepayment costs, exit fees, defeasance costs and settlement of interest rate swap liabilities associated with such repayment, and to pay cash consideration in connection with the formation transactions. We expect to use any remaining net proceeds for general corporate purposes, capital expenditures and potential future acquisitions. See Use of Proceeds. |
| Risk Factors | Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 24 and other information included in this prospectus before investing in our common stock. |
| Proposed NYSE Symbol | PGRE |

(1) Includes (a) 131,000,000 shares of our common stock to be issued in this offering, (b) 57,327,026 shares of our common stock to be issued in connection with the formation transactions, (c) 3,914,283 shares of our common stock to be issued in connection with the concurrent private placements and (d) 5,714 shares of restricted stock to be granted to a non-employee director concurrently with the completion of this offering. Excludes (i) 19,650,000 shares of our common stock issuable upon the exercise in full of the underwriters option to purchase an additional

19,650,000 shares from us to cover over-allotments, (ii) 1,500,000 shares underlying options granted to our executive officers and other employees prior to or concurrently with the completion of this offering, (iii) shares available for future issuance under our 2014 Equity Incentive Plan and (iv) 51,752,973 shares of our common stock that may be issued, at our option, upon exchange of 46,810,117 common units to be issued in the formation transactions and 4,942,856 common units that, subject to the satisfaction of certain conditions, are issuable upon conversion of 4,942,856 LTIP units to be granted to our executive officers, non-employee directors and employees concurrently with the completion of this offering.

(2) Includes 46,810,117 common units expected to be issued in the formation transactions and 4,942,856 LTIP units to be granted to our executive officers, non-employee directors and employees concurrently with the completion of this offering.

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## Summary Historical and Pro Forma Financial Data

The following table sets forth selected historical combined consolidated financial information and other data as of the dates and for the periods presented. The selected financial information as of December 31, 2013 and for the year ended December 31, 2013 has been derived from Paramount Predecessor s audited combined consolidated financial statements included elsewhere in this prospectus. The selected financial information as of September 30, 2014 and for the nine months ended September 30, 2014 has been derived from Paramount Predecessor s unaudited combined consolidated financial statements included elsewhere in this prospectus. This financial information and other data should be read in conjunction with the combined consolidated financial statements and notes thereto included in this prospectus.

The unaudited pro forma combined consolidated financial data for the nine months ended September 30, 2014 and for the year ended December 31, 2013, is presented as if this offering, the formation transactions, the concurrent private placements and the other adjustments described in the unaudited pro forma financial information beginning on page F-2 had occurred on September 30, 2014 for purposes of the pro forma combined consolidated balance sheet data, and as of January 1, 2013 for purposes of the pro forma combined consolidated statements of income. This pro forma financial information is not necessarily indicative of what Paramount Group, Inc. s actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent Paramount Group, Inc. s future financial position or results of operations.

The following table also sets forth combined property-level financial data based on financial information included in Paramount Predecessor s combined consolidated financial statements and Notes 3 and 4 thereto, which is presented for our properties on a combined basis for the nine months ended September 30, 2014 and 2013 and for the years ended December 31, 2013 and 2012. This property-level information does not purport to represent Paramount Predecessor s historical combined consolidated financial information and it is not necessarily indicative of our future results of operations. For example, we will not own 100.0% of all of our properties or consolidate the results of operations of all of our properties and, as a result, our results of operations going forward will differ from the property-level financial information shown below. However, in light of the significant differences that will exist between our future financial information and Paramount Predecessor s historical combined consolidated financial information and the fact that we will account for our investment in one property using the equity method of historical cost accounting, we believe that this presentation of property-level data will be useful to investors in understanding the historical performance of our properties on a property-level basis.

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You should read the following information in conjunction with the information contained in Structure and Formation of Our Company, Management s Discussion and Analysis of Financial Condition and Results of Operations, the combined consolidated financial statements and unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

| ($ in thousands) | (Pro Forma) For the nine months ended September 30, 2014 | (Historical) For the nine months ended September 30, 2014 | (Pro Forma) For the year ended December 31, 2013 | (Historical) For the year ended December 31, 2013 |
|---|---|---|---|---|
| **Statement of Operations Data:** | | | | |
| Revenues | | | | |
| Rental income | $ 388,665 | $ 25,087 | $ 498,209 | $ 30,406 |
| Tenant reimbursement income | 35,718 | 1,266 | 47,494 | 1,821 |
| Distributions from real estate fund investments | 12,126 | 16,333 | 15,205 | 29,184 |
| Realized and unrealized gains, net | 40,577 | 123,150 | 30,683 | 332,053 |
| Fee income | 8,129 | 25,510 | 8,904 | 26,426 |
| Other income | 12,485 | | 17,555 | |
| Total revenues | 497,700 | 191,346 | 618,050 | 419,890 |
| Expenses | | | | |
| Operating | 176,607 | 12,184 | 232,330 | 16,195 |
| Depreciation and amortization | 218,366 | 8,548 | 289,712 | 10,582 |
| General and administrative | 24,467 | 18,078 | 40,250 | 33,504 |
| Profit sharing compensation | | 11,624 | | 23,385 |
| Other | 5,172 | 5,172 | 4,633 | 4,633 |
| Total expenses | 424,612 | 55,606 | 566,925 | 88,299 |
| Operating income | 73,088 | 135,740 | 51,125 | 331,591 |
| Income from partially owned entities | 4,013 | 3,812 | 2,805 | 1,062 |
| Unrealized gain (loss) on interest rate swaps | 69,311 | (673) | 121,485 | 1,615 |
| Interest and other income | 1,527 | 1,707 | 8,870 | 9,407 |
| Interest expense | (126,316) | (23,802) | (167,732) | (29,807) |
| Net income before income taxes | 21,623 | 116,784 | 16,553 | 313,868 |
| Provision for income taxes | (394) | (7,925) | (316) | (11,029) |

| | | | | |
|---|---|---|---|---|
| Net income | 21,229 | 108,859 | 16,237 | 302,839 |
| Net income attributable to non-controlling interests in consolidated joint ventures and funds | (9,430) | (86,381) | (29,204) | (286,325) |
| Net income (loss) attributable to Paramount Group | 11,799 | $ 22,478 | (12,967) | $ 16,514 |
| Net (income) loss attributable to non-controlling interests in the Operating Partnership | (2,503) | | 2,750 | |
| Net income (loss) attributable to equity owners | $ 9,296 | | $ (10,217) | |

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| ($ in thousands) | (Pro Forma) For the nine months ended September 30, 2014 | (Historical) For the nine months ended September 30, 2014 | (Pro Forma) For the year ended December 31, 2013 | (Historical) For the year ended December 31, 2013 |
|---|---|---|---|---|
| **Balance Sheet Data (As of End of Period):** | | | | |
| Rental property, net | $ 7,408,355 | $ 415,387 | | $ 357,309 |
| Total assets | 8,728,976 | 3,119,632 | | 2,922,691 |
| Mortgage notes and loan payable | 2,878,885 | 497,982 | | 499,859 |
| Preferred equity obligation | | 112,688 | | 109,650 |
| Total liabilities | 3,415,928 | 954,817 | | 897,247 |
| Total equity | 5,313,048 | 2,164,815 | | 2,025,444 |
| **Other Data:** | | | | |
| Cash NOI [(1)(2)] | $ 224,010 | | $ 269,992 | |
| Pro Rata Share of Cash NOI [(1)(2)] | 210,680 | | 247,226 | |
| Adjusted EBITDA [(1)(3)] | 245,450 | | 308,452 | |
| Pro Rata Share of Adjusted EBITDA [(1)(3)] | 230,128 | | 279,971 | |
| FFO [(1)] | 243,754 | | 313,509 | |
| Core FFO [(1)] | 120,906 | | 135,830 | |

| | For the nine months ended September 30, 2014 | 2013 | For the year ended December 31, 2013 | 2012 |
|---|---|---|---|---|
| **Combined Property-Level Data:** | | | | |
| **Same Property Portfolio [(4)]:** | | | | |
| Cash NOI [(1)] | $ 249,657 | $ 215,173 | $ 299,412[(5)] | $ 316,000 |
| **Total Portfolio** | | | | |
| Net income | $ 47,337 | $ 58,253 | $ 68,980 | $ 63,471 |

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures on page 110 for a definition of this metric and reconciliation of this metric to the most directly comparable GAAP number and a statement of why our management believes the presentation of the metric provides useful information to investors and, to the extent material, any additional purposes for which management uses the metric.

(2) Cash NOI and Pro Rata Share of Cash NOI does not include the effect of $24.6 million and $14.3 million, respectively, of incremental annualized rent from leases signed as of October 27, 2014, that had not commenced as of September 30, 2014. Incremental annual GAAP revenue and our pro rata share of incremental annual GAAP

revenue from leases signed as of October 27, 2014, that had not commenced as of September 30, 2014 were $28.2 million and $16.4 million, respectively.

(3) Adjusted EBITDA and Pro Rata Share of Adjusted EBITDA does not include the effect of $28.2 million and $16.4 million, respectively, of incremental annual GAAP revenue from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014.

(4) The same property amounts for the years ended December 31, 2013 and 2012 include our 11 properties that were acquired or placed in service by our predecessor prior to January 1, 2012 and owned and in service through December 31, 2013, and as a result they exclude 2099 Pennsylvania Avenue which was acquired in January 2012. The same property amounts for the nine months ended September 30, 2014 and 2013 include our 12 properties that were acquired or placed in service by our predecessor prior to January 1, 2013 and owned and in service through September 30, 2014.

(5) Excluding the impact of 1301 Avenue of the Americas on the same property Cash NOI, due to the Dewey & LeBoeuf LLP lease termination and the effect of free rent from a large 2013 lease renewal, same property Cash NOI increases by $8.3 million.

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## Recent Developments

Our portfolio has continued to demonstrate positive growth in occupancy and rental rates in recent months. Total occupancy across our portfolio increased from 90.7% at June 30, 2014 to 92.1% at September 30, 2014. This increase includes the increase in occupancy of our One Market Plaza property, which increased from 89.4% at June 30, 2014 to 97.2% at September 30, 2014.

During the time period from January 1, 2014 to October 27, 2014, we executed 41 leases aggregating approximately 693,000 square feet, of which 26 leases aggregating approximately 438,000 square feet were second generation leases, for which we achieved a rental growth rate of 18.4% on a cash basis. During the time period from July 1, 2014 to October 27, 2014, we executed 19 leases aggregating approximately 466,000 square feet, of which 13 leases aggregating approximately 342,000 square feet were second generation leases, for which we achieved a rental growth rate of 22.0% on a cash basis.

During the nine months ended September 30, 2014, 39 leases commenced aggregating approximately 787,000 square feet, of which 25 leases aggregating approximately 414,000 square feet were second generation leases, for which we achieved rental rate growth of 13.7% on a cash basis. During the three months ended September 30, 2014, 13 leases commenced aggregating approximately 281,000 square feet, of which eight leases aggregating 198,000 square feet, were second generation leases, for which we achieved rental rate growth of 23.7% on a cash basis, driven in part, by 138,000 square feet of leasing activity at our One Market Plaza property.

Paramount Predecessor s same property Cash NOI increased by $34.5 million, or 16.0%, to $249.7 million for the nine months ended September 30, 2014 from $215.2 million for the nine months ended September 30, 2013. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operation Paramount Predecessor Property-Level Performance for a reconciliation of this metric to the most directly comparable GAAP number.

In September 2014, we acquired 50 Beale Street, in an off-market transaction, for $395.0 million, or approximately $596 per square foot, on behalf of a joint venture, which included one of our private real estate funds. We will have a 7.2% ownership interest in this private real estate fund upon completion of the formation transactions. See Business and Properties Real Estate Funds, Property Management and Other Assets. The office building has approximately 662,400 rentable square feet and is located in the South Financial District of San Francisco, one block from the future Transbay Transit Center. We believe there is significant potential upside to the NOI at this property due to below market leases and the repositioning of the property s plaza and lobby.

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# RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should carefully consider the following material risks, as well as the other information contained in this prospectus, before making an investment in our company. If any of the following risks actually occur, our business, financial condition and/or results of operations could be materially and adversely affected. In such an event, the trading price of our common stock could decline and you could lose part or all of your investment.*

## Risks Related to Real Estate

***Unfavorable market and economic conditions in the United States and globally and in the specific markets or submarkets where our properties are located could adversely affect occupancy levels, rental rates, rent collections, operating expenses, and the overall market value of our assets, impair our ability to sell, recapitalize or refinance our assets and have an adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders.***

Unfavorable market conditions in the areas in which we operate and unfavorable economic conditions in the United States and globally may significantly affect our occupancy levels, rental rates, rent collections, operating expenses, the market value of our assets and our ability to strategically acquire, dispose, recapitalize or refinance our properties on economically favorable terms or at all. Our ability to lease our properties at favorable rates may be adversely affected by increases in supply of office space in our markets and is dependent upon overall economic conditions, which are adversely affected by, among other things, job losses and unemployment levels, recession, stock market volatility and uncertainty about the future. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. We expect that any declines in our occupancy levels, rental revenues and/or the values of our buildings would cause us to have less cash available to pay our indebtedness, fund necessary capital expenditures and to make distributions to our stockholders, which could negatively affect our financial condition and the market value of our securities. Our business may be affected by the volatility and illiquidity in the financial and credit markets, a general global economic recession and other market or economic challenges experienced by the real estate industry or the U.S. economy as a whole. Our business may also be adversely affected by local economic conditions, as all of our revenues are derived from properties located in New York City, Washington, D.C. and San Francisco. Factors that may affect our occupancy levels, our rental revenues, our net operating income, or NOI, our funds from operations and/or the value of our properties include the following, among others:

- downturns in global, national, regional and local economic conditions;
- declines in the financial condition of our tenants, many of which are financial, legal and other professional firms, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or other reasons;
- the inability or unwillingness of our tenants to pay rent increases;

significant job losses in the financial and professional services industries, which may decrease demand for our office space, causing market rental rates and property values to be impacted negatively;

an oversupply of, or a reduced demand for, Class A office space;

changes in market rental rates in our markets; and

economic conditions that could cause an increase in our operating expenses, such as increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on-site associates and routine maintenance.

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***All of our properties are located in New York City, Washington, D.C. and San Francisco, and adverse economic or regulatory developments in these areas could negatively affect our results of operations, financial condition and ability to make distributions to our stockholders.***

All of our properties are located in New York City, in particular midtown Manhattan, as well as Washington, D.C. and San Francisco. As a result, our business is dependent on the condition of the economy in those cities, which may expose us to greater economic risks than if we owned a more geographically diverse portfolio. We are susceptible to adverse developments in the New York City, Washington, D.C. and San Francisco economic and regulatory environments (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation). Such adverse developments could materially reduce the value of our real estate portfolio and our rental revenues, and thus adversely affect our ability to service current debt and to pay dividends to stockholders.

***We are subject to risks inherent in ownership of real estate.***

Real estate cash flows and values are affected by a number of factors, including competition from other available properties and our ability to provide adequate property maintenance and insurance and to control operating costs. Real estate cash flows and values are also affected by such factors as government regulations (including zoning, usage and tax laws), interest rate levels, the availability of financing, property tax rates, utility expenses, potential liability under environmental and other laws and changes in environmental and other laws.

***A significant portion of our portfolio s annualized rent is generated from three properties.***

As of September 30, 2014, three of our properties, 1633 Broadway, 1301 Avenue of the Americas and One Market Plaza, together accounted for approximately 56.6% of our portfolio s annualized rent, and no other property accounted for more than 10.0% of our portfolio s annualized rent. Our results of operations and cash available for distribution to our stockholders would be adversely affected if 1633 Broadway, 1301 Avenue of the Americas or One Market Plaza were materially damaged or destroyed. Additionally, our results of operations and cash available for distribution to our stockholders would be adversely affected if a significant number of our tenants at these properties experienced a downturn in their business, which may weaken their financial condition and result in their failure to make timely rental payments, defaulting under their leases or filing for bankruptcy.

***We may be unable to renew leases, lease currently vacant space or vacating space on favorable terms or at all as leases expire, which could adversely affect our financial condition, results of operations and cash flow.***

As of September 30, 2014, we had approximately 822,564 rentable square feet of vacant space (excluding leases signed but not yet commenced) and leases representing 8.9% of the square footage of the properties in our portfolio will expire by the end of 2015 (including month-to-month leases). We cannot assure you expiring leases will be renewed or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates of our properties decrease, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available and soon-to-be-available space, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders would be adversely affected.

***The actual rents we receive for the properties in our portfolio may be less than estimated market rents, and we may experience a decline in realized rental rates from time to time, which could adversely affect our financial condition, results of operations and cash flow.***

Throughout this prospectus, we make certain comparisons between our in-place rents and our internal estimates of market rents for the office space in our portfolio used for budgeting purposes. As a result of potential factors, including competitive pricing pressure in our markets, a general economic downturn and the desirability of our properties compared to other properties in our markets, we may be unable to realize our estimated market rents across the properties in our portfolio. In addition, depending on market rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases. If we are unable to obtain sufficient rental rates across our portfolio, then our ability to generate cash flow growth will be negatively impacted.

***We are exposed to risks associated with property redevelopment and repositioning that could adversely affect us, including our financial condition and results of operations.***

To the extent that we continue to engage in redevelopment and repositioning activities with respect to our properties, we will be subject to certain risks, which could adversely affect us, including our financial condition and results of operations. These risks include, without limitation, (i) the availability and pricing of financing on favorable terms or at all; (ii) the availability and timely receipt of zoning and other regulatory approvals; (iii) the potential for the fluctuation of occupancy rates and rents at redeveloped properties, which may result in our investment not being profitable; (iv) start up, repositioning and redevelopment costs may be higher than anticipated; and (v) cost overruns and untimely completion of construction (including risks beyond our control, such as weather or labor conditions, or material shortages). These risks could result in substantial unanticipated delays or expenses and could prevent the initiation or the completion of redevelopment activities, any of which could have an adverse effect on our financial condition, results of operations, cash flow, the market value of our securities and ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

***We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect us, including our financial condition, results of operations and cash flow.***

In the event that there are adverse economic conditions in the real estate market and demand for office space decreases, with respect to our current vacant space and upon expiration of leases at our properties, we may be required to increase tenant improvement allowances or concessions to tenants, accommodate increased requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants, all of which could negatively affect our cash flow. In addition, a few of our existing properties are pre-war office properties, which may require frequent and costly maintenance in order to retain existing tenants or attract new tenants in sufficient numbers. If the necessary capital is unavailable, we may be unable to make these significant capital expenditures. This could result in non-renewals by tenants upon expiration of their leases and our vacant space remaining untenanted, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

***We depend on significant tenants in our office portfolio, which could cause an adverse effect on us, including our results of operations and cash flow, if any of our significant tenants were adversely affected by a material business downturn or were to become bankrupt or insolvent.***

Our rental revenue depends on entering into leases with and collecting rents from tenants. As of September 30, 2014, our six largest tenants together represented 26.3% of our total portfolio s annualized rent. As of September 30, 2014, The Corporate Executive Board Company, Barclays Capital Inc., Allianz Global Investors L.P., Crédit Agricole Corporate & Investment Bank, Clifford Chance US LLP and Commerzbank AG leased an aggregate of 2,379,343 rentable square feet of office space at four of our office properties, representing approximately 23.4% of the total rentable square feet in our portfolio. General and regional economic conditions may adversely affect our major tenants and potential tenants in our markets. Our major tenants may experience a material business downturn, which could potentially result in a failure to make timely rental payments and/or a default under their leases. In many cases, through tenant improvement allowances and other concessions, we have made substantial up front investments in the applicable leases that we may not be able to recover. In the event of a tenant default, we may experience delays in enforcing our rights and may also incur substantial costs to protect our investments.

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The bankruptcy or insolvency of a major tenant or lease guarantor may adversely affect the income produced by our properties and may delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums altogether. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages that is limited in amount and which may only be paid to the extent that funds are available and in the same percentage as is paid to all other holders of unsecured claims.

If any of our significant tenants were to become bankrupt or insolvent, suffer a downturn in their business, default under their leases, fail to renew their leases or renew on terms less favorable to us than their current terms, our results of operations and cash flow could be adversely affected.

***If our tenants are unable to secure the necessary financing to operate their businesses, we could be adversely affected.***

Many of our tenants rely on external sources of financing to operate their businesses. The U.S. may experience significant liquidity disruptions, resulting in the unavailability of financing for many businesses. If our tenants are unable to secure the necessary financing to continue to operate their businesses, they may be unable to meet their rent obligations or be forced to declare bankruptcy and reject their leases, which could adversely affect us.

***Our dependence on rental income may adversely affect us, including our profitability, our ability to meet our debt obligations and our ability to make distributions to our stockholders.***

A substantial portion of our income is derived from rental income from real property. See Business and Properties Overview Our Portfolio Summary. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be adversely affected if a significant number of our tenants, or any of our major tenants, (i) delay lease commencements, (ii) decline to extend or renew leases upon expiration, (iii) fail to make rental payments when due or (iv) declare bankruptcy. Any of these actions could result in the termination of the tenants leases with us and the loss of rental income attributable to the terminated leases. In these events, we cannot assure you that such tenants will renew those leases or that we will be able to re-lease spaces on economically advantageous terms or at all. The loss of rental revenues from our tenants and our inability to replace such tenants may adversely affect us, including our profitability, our ability to meet debt and other financial obligations and our ability to make distributions to our stockholders.

***Real estate investments are relatively illiquid and may limit our flexibility.***

Equity real estate investments are relatively illiquid, which may tend to limit our ability to react promptly to changes in economic or other market conditions. Our ability to dispose of assets in the future will depend on prevailing economic and market conditions. Our inability to sell our properties on favorable terms or at all could have an adverse effect on our sources of working capital and our ability to satisfy our debt obligations. In addition, real estate can at times be difficult to sell quickly at prices we find acceptable. The Code also imposes restrictions on REITs, which are not applicable to other types of real estate companies, on the disposal of properties. Furthermore, we will be subject to U.S. federal income tax at the highest regular corporate rate, which is currently 35%, on certain built-in gain recognized in connection with a taxable disposition of a number of our properties for a period of up to 10 years following the completion of the formation transactions, which may make an otherwise attractive disposition opportunity less attractive or even impractical. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the office buildings in our portfolio promptly in response to changes in economic or other conditions.

***Competition could limit our ability to acquire attractive investment opportunities and increase the costs of those opportunities, which may adversely affect us, including our profitability and impede our growth.***

We compete with numerous commercial developers, real estate companies and other owners of real estate for office buildings for acquisition and pursuing buyers for dispositions. We expect that other real estate investors, including insurance companies, private equity funds, sovereign wealth funds, pension funds, other REITs and other well-capitalized investors will compete with us to acquire existing properties and to develop new properties. Our markets are each generally characterized by high barriers-to-entry to construction and limited land on which to build new office space, which contributes to the competition we face to acquire existing properties and to develop new properties in these markets. This competition could increase prices for properties of the type we may pursue and adversely affect our profitability and impede our growth.

***Competition may impede our ability to attract or retain tenants or re-lease space, which could adversely affect our results of operations and cash flow.***

The leasing of real estate in our markets is highly competitive. The principal means of competition are rent charged, location, services provided and the nature and condition of the premises to be leased. If other lessors and developers of similar spaces in our markets offer leases at prices comparable to or less than the prices we offer, we may be unable to attract or retain tenants or re-lease space in our properties, which could adversely affect our results of operations and cash flow.

***The historical levered and unlevered IRR attributable to performance of certain past investments may not be indicative of our future results and may not be comparable to levered or unlevered IRR information provided by other companies.***

We have presented in this prospectus levered and unlevered IRR information relating to the historical performance of certain investments. When considering this information you should bear in mind that these historical results may not be indicative of the future results that you should expect from us. In particular, our results could vary significantly from the historical results. In addition, our levered and unlevered IRR may not be comparable to levered or unlevered IRR information provided by other companies that calculate this metric differently.

***We are subject to losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage.***

Our San Francisco properties are located in the general vicinity of active earthquake faults. Our New York City and Washington, D.C. properties are located in areas that could be subject to windstorm losses. Insurance coverage for earthquakes and windstorms can be costly because of limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. In addition, our New York City, Washington, D.C. and other properties may be subject to a heightened risk of terrorist attacks. We carry commercial general liability insurance, property insurance and terrorism insurance with respect to our properties with limits and on terms we consider commercially reasonable. We cannot assure you, however, that our insurance coverage will be sufficient or that any uninsured loss or liability will not have an adverse effect on our business and our financial condition and results of operations.

***We are subject to risks from natural disasters such as earthquakes and severe weather.***

Natural disasters and severe weather such as earthquakes, tornadoes, hurricanes or floods may result in significant damage to our properties. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. When we have geographic concentration of exposures, a single catastrophe (such as an earthquake, especially in the San Francisco Bay Area) or destructive weather event (such as a hurricane, especially in New York City or Washington, D.C. area) affecting a region may have a significant negative effect on our financial condition and results of operations. As a result, our operating and financial results may vary significantly from one period to the next. Our financial results may be adversely affected by our exposure to losses arising from natural disasters or severe weather. We also are exposed to risks associated with inclement winter weather, particularly in the Northeast states in which many of our properties are located, including increased need for maintenance and repair of our buildings.

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***Climate change may adversely affect our business.***

To the extent that climate change does occur, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage or a decrease in demand for our properties located in the areas affected by these conditions. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition or results of operations would be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties in order to comply with such regulations.

***Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.***

We have significant investments in large metropolitan markets that have been or may be in the future the targets of actual or threatened terrorism attacks, including New York City, Washington, D.C. and San Francisco. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower-profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also *We are subject to losses that are either uninsurable, not economically insurable or that are in excess of our insurance coverage*.

***We may become subject to liability relating to environmental and health and safety matters, which could have an adverse effect on us, including our financial condition and results of operations.***

Under various federal, state and/or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third-party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or from adjacent properties used for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract and/or retain tenants and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. See Business and Properties Regulation Environmental and Related Matters.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues. Indoor air quality issues also can stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders or that such costs, liabilities, or other remedial measures will not have an adverse effect on our financial condition and results of operations.

***We may incur significant costs complying with the Americans with Disabilities Act of 1990, or the ADA, and similar laws, which could adversely affect us, including our future results of operations and cash flow.***

Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. We have not conducted a recent audit or investigation of all of our properties to determine our compliance with the ADA. If one or more of our properties were not in compliance with the ADA, then we could be required to incur additional costs to bring the property into compliance. We cannot predict the ultimate amount of the cost of compliance with the ADA or similar laws. Substantial costs incurred to comply with the ADA and any other legislation could adversely affect us, including our future results of operations and cash flow.

***Our breach of or the expiration of our ground lease could adversely affect our results of operations.***

Our interest in one of our commercial office properties, 712 Fifth Avenue, New York, New York, is partially subject to a long-term leasehold of the land and the improvements, rather than a fee interest in the land and the improvements. If we are found to be in breach of this ground lease, we could lose the right to use part of the property. In addition, unless we purchase the underlying fee interest in the portion of the property covered by the lease or extend the terms of our lease for this portion of the property before expiration on terms significantly comparable to our current lease, we will lose our right to operate part of this property and our leasehold interest in part of this property or we will continue to operate it at much lower profitability, which would significantly adversely affect our results of operations. In addition, if we are perceived to have breached the terms of this lease, the fee owner may initiate proceedings to terminate the lease. The remaining term of this long-term lease, including unilateral extension rights available to us, is approximately 10 years (expiring January 1, 2025). The ground lease terms feature an installment sales contract to purchase the property on January 2, 2015, subject to certain terms and conditions, for $12.1 million. We have an option to postpone the closing date until January 2, 2025, and if so exercised, the purchase price at closing will be $13.1 million. Annualized rent from this property as of September 30, 2014 was approximately $50.1 million.

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***Our option property is subject to various risks and we may not acquire it.***

We have entered into an option to acquire 60 Wall Street, New York, New York. 60 Wall Street is exposed to many of the same risks that may affect the other properties in our portfolio. The terms of the option agreement relating to 60 Wall Street were not determined by arm s-length negotiations, and such terms may be less favorable to us than those that may have been obtained through negotiations with third parties. It may become economically unattractive to exercise our option with respect to 60 Wall Street. These risks could cause us to decide not to exercise our option to purchase this property in the future.

***We may be unable to identify and successfully complete acquisitions and, even if acquisitions are identified and completed, including potentially the option property, we may fail to successfully operate acquired properties, which could adversely affect us and impede our growth.***

Our ability to identify and acquire properties on favorable terms and successfully operate or redevelop them may be exposed to significant risks. Agreements for the acquisition of properties are subject to customary conditions to closing, including completion of due diligence investigations and other conditions that are not within our control, which may not be satisfied. In this event, we may be unable to complete an acquisition after incurring certain acquisition-related costs. In addition, if mortgage debt is unavailable at reasonable rates, we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all, including potentially the option property. We may spend more than budgeted to make necessary improvements or renovations to acquired properties and may not be able to obtain adequate insurance coverage for new properties. Further, acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures. We may also be unable to integrate new acquisitions into our existing operations quickly and efficiently, and as a result, our results of operations and financial condition could be adversely affected. Any delay or failure on our part to identify, negotiate, finance and consummate such acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, could impede our growth and have an adverse effect on us, including our financial condition, results of operations, cash flow and the market value of our securities.

***We may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.***

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

***Should we decide at some point in the future to expand into new markets, we may not be successful, which could adversely affect our financial condition, results of operations, cash flow and market value of our securities.***

If opportunities arise, we may explore acquisitions of properties in new markets. Each of the risks applicable to our ability to acquire and integrate successfully and operate properties in our current markets is also applicable in new markets. In addition, we will not possess the same level of familiarity with the dynamics and market conditions of the new markets we may enter, which could adversely affect the results of our expansion into those markets, and we may be unable to build a significant market share or achieve our desired return on our investments in new markets. If we are unsuccessful in expanding into new markets, it could adversely affect our financial condition, results of operations, cash flow, the market value of our securities and ability to satisfy our principal and interest obligations and to make distributions to our stockholders.

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***We may experience a decline in the fair value of our assets, which may have a material impact on our financial condition, liquidity and results of operations and adversely impact the market value of our securities.***

A decline in the fair market value of our assets may require us to recognize an other-than-temporary impairment against such assets under GAAP if we were to determine that we do not have the ability and intent to hold any assets in unrealized loss positions to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. In such event, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale, which may adversely affect our financial condition, liquidity and results of operations.

***We are subject to risks involved in real estate activity through joint ventures and private equity real estate funds.***

We have in the past, are currently and may in the future acquire and own properties in joint ventures and private equity real estate funds with other persons or entities when we believe circumstances warrant the use of such structures. Upon closing of this offering, we will manage private equity real estate funds holding U.S. operating or development properties with combined assets aggregating $1.5 billion. Joint venture and fund investments involve risks, including: the possibility that our partners might refuse to make capital contributions when due; that we may be responsible to our partners for indemnifiable losses; that our partners might at any time have business or economic goals that are inconsistent with ours; and that our partners may be in a position to take action or withhold consent contrary to our recommendations, instructions or requests. We and our respective joint venture partners may each have the right to trigger a buy-sell or forced sale arrangement, which could cause us to sell our interest, or acquire our partner s interest, or to sell the underlying asset, at a time when we otherwise would not have initiated such a transaction, without our consent or on unfavorable terms. In some instances, joint venture and fund partners may have competing interests in our markets that could create conflicts of interest. These conflicts may include compliance with the REIT requirements, and our REIT status could be jeopardized if any of our joint ventures or funds does not operate in compliance with the REIT requirements. Further, our joint venture and fund partners may fail to meet their obligations to the joint venture or fund as a result of financial distress or otherwise, and we may be forced to make contributions to maintain the value of the property. We will review the qualifications and previous experience of any co-venturers or partners, although we do not expect to obtain financial information from, or to undertake independent investigations with respect to, prospective co-venturers or partners. To the extent our partners do not meet their obligations to us or our joint ventures or funds or they take action inconsistent with the interests of the joint venture or fund, we may be adversely affected.

***Our joint venture partners in 31 West 52$^{nd}$ Street, 712 Fifth Avenue and One Market Plaza have forced sale rights as a result of which we may be forced to sell these assets to third parties at times or prices that may not be favorable to us.***

Our partners in the joint ventures that own 31 West 52$^{nd}$ Street, 712 Fifth Avenue and One Market Plaza have forced sale rights pursuant to which, after a specified period, each may require us either to purchase the property or attempt to sell the property to a third party. With respect to 31 West 52$^{nd}$, at any time, our joint venture partner shall have the right to cause a sale of the property by delivering a written notice to us designating the sales price and other material terms and conditions upon which our joint venture partner desires to cause a sale of the property. Upon receipt of the sale notice from the joint venture partner, we will have the right either to attempt to sell the property to a third party for not less than 95% of the sales price set forth in the sales notice, or to elect to purchase the interests of the joint venture partner for cash at a price equal to the amount the joint venture partner would have received if the property had been sold for the sales price set forth in the sales notice (and the joint venture paid any applicable financing breakage costs and transfer taxes, prepaid all liquidated liabilities of the joint venture and distributed the balance to the partners). With respect to 712 Fifth Avenue,

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beginning six years after the completion of this offering and any time thereafter, our joint venture partner may exercise a forced sale right by delivering a written notice to us designating the sales price and other material terms and conditions upon which our joint venture partner desires to cause a sale of the property. Upon receipt of such sales notice, we will have the obligation either to attempt to sell the property to a third party for not less than 95.0% of the designated sales price or to elect to purchase the interest of our joint venture partner for cash at a price equal to the amount our joint venture partner would have received if the property had been sold for the designated sales price (and the joint venture paid any applicable financing breakage costs, transfer taxes, brokerage fees and marketing costs, prepaid all liquidated liabilities of the joint venture and distributed the balance). With respect to One Market Plaza, at any time on or after March 31, 2021, our joint venture partner may exercise a forced sale right. Upon exercise of this right, we and our joint venture partner have 60 days to negotiate a mutually agreeable transaction regarding the property. If we cannot mutually agree upon a transaction, then we will work together in good faith to market the property in a commercially reasonable manner and neither we nor our joint venture partner will be allowed to bid on the property. If our joint venture partner, after consultation with us and a qualified broker, finds a third-party bid for the property acceptable, then the joint venture will cause the property to be sold. As a result of these forced sale rights, our joint venture partners could require us either to purchase their interests at an agreed upon price or to sell the properties held by our joint ventures to third parties. In the case of One Market Plaza, our joint venture partner could force us to sell this property to a third party on terms it deems acceptable. The exercise of these rights could adversely impact our company by requiring us to sell one or more of these properties to third parties at times or prices that may not be favorable to us.

***Contractual commitments with existing private equity real estate funds may limit our ability to acquire properties directly in the near term.***

Paramount Group Real Estate Fund VII, LP and its parallel fund, or Fund VII, is one of our private equity real estate funds and is actively engaged in acquisition activities. In connection with the formation of Fund VII, we agreed that we would make all investments that meet its stated investment objectives through Fund VII (provided that Fund VII is able to participate in the investment and subject to our ability to co-invest), until July 18, 2017, unless we, as the general partner of Fund VII, choose to extend it until July 18, 2018. Because of the exclusivity requirements of Fund VII, we may be required to acquire properties through this fund that we otherwise would have acquired through our operating partnership, which may prevent our operating partnership from acquiring attractive investment opportunities and adversely affect our growth prospects. Alternatively, we may choose to co-invest with Fund VII as a joint venture partner to the extent it is determined that it is in the best interest of Fund VII. In connection with any property that we co-invest in with Fund VII, Fund VII will have the authority, subject to our consent in limited circumstances, to make most of the decisions in connection with such property. Such authority in connection with a co-investment could subject us to the applicable risks described above. In September 2014, Fund VII acquired its first property.

Paramount Group Real Estate Fund VIII, LP and its parallel funds, or Fund VIII, is one of our private equity real estate funds currently in formation. After it holds its initial closing, Fund VIII will be actively engaged in pursuing a diversified portfolio of real estate and real estate-related assets and companies primarily consisting of acquiring and/or issuing loans to real estate and real estate-related companies or investing in their preferred equity. We expect that, subject to certain prior rights granted to other of our private equity real estate funds, we would make all investments that meet Fund VIII s stated investment objectives through Fund VIII (provided that Fund VIII is able to participate in the investment and subject to our right to co-invest), until the end of the fund s investment period, which will end three years after the fund s final closing. Assuming that the fund conducts an initial closing in the fourth quarter of 2014, and a final closing takes place approximately 18 months later, the fund s investment period would end during mid-2019, unless we, as the general partner of Fund VIII, choose to extend it an additional year. However, we will have the option (but not the obligation) of participating in each of Fund VIII s investments in debt and preferred equity for up to 25% of the total investment and in each of Fund VIII s equity investments for up to 50% of the total investment, and may, where it is attractive to us and determined to be in the best interest of Fund VIII, acquire greater percentages of a given

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investment opportunity. Because of the limited exclusivity requirements of Fund VIII, we may be required to acquire assets partially through this fund that we otherwise would have acquired solely through our operating partnership, which may prevent our operating partnership from acquiring attractive investment opportunities and adversely affect our growth prospects. In connection with certain assets that we co-invest in with Fund VIII specifically those where Fund VIII owns a majority of the joint venture it is expected that Fund VIII will have the authority, subject to our consent in limited circumstances, to make most of the decisions in connection with such asset. Such authority in connection with a co-investment could subject us to the applicable risks described above.

***We share control of some of our properties with other investors and may have conflicts of interest with those investors.***

While we make all operating decisions for certain of our joint ventures and private equity real estate funds, we are required to make other decisions jointly with other investors who have interests in the relevant property or properties. For example, the approval of certain of the other investors may be required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties, as well as bankruptcy decisions. We might not have the same interests as the other investors in relation to these decisions or transactions. Accordingly, we might not be able to favorably resolve any of these issues, or we might have to provide financial or other inducements to the other investors to obtain a favorable resolution.

In addition, various restrictive provisions and third-party rights provisions, such as consent rights to certain transactions, apply to sales or transfers of interests in our properties owned in joint ventures. Consequently, decisions to buy or sell interests in properties relating to our joint ventures may be subject to the prior consent of other investors. These restrictive provisions and third-party rights may preclude us from achieving full value of these properties because of our inability to obtain the necessary consents to sell or transfer these interests.

**Risks Related to Our Business and Operations**

***Capital and credit market conditions may adversely affect our access to various sources of capital or financing and/or the cost of capital, which could impact our business activities, dividends, earnings and common stock price, among other things.***

In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use third-party financing to fund acquisitions and to refinance indebtedness as it matures. As of September 30, 2014, on a pro forma basis and including debt of our unconsolidated joint ventures, we had $3.113 billion of total debt ($2.413 billion on a pro rata basis), substantially all of which was asset level debt, and we expect to have approximately $1.0 billion of available borrowing capacity, including amounts reserved for letters of credit, under the new revolving credit facility that we intend to enter into in connection with this offering. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our acquisition, development and redevelopment activity and/or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out less than 100% of our taxable income. To the extent that we are able and/or choose to access capital at a higher cost than we have experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing) our earnings per share and cash flow could be adversely affected. In addition, the price of our common stock may fluctuate significantly and/or decline in a high interest rate or volatile economic environment. If economic conditions deteriorate, the ability of lenders to fulfill their obligations under working capital or other credit facilities that we may have in the future may be adversely impacted.

***The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.***

The form, timing and/or amount of dividend distributions will be declared at the discretion of our board of directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements applicable to REITs under the Code and other factors as our board of directors may consider relevant.

***We may from time to time be subject to litigation, including litigation arising from the formation transactions, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.***

We are a party to various claims and routine litigation arising in the ordinary course of business. Some of these claims or others to which we may be subject from time to time, including claims arising from the formation transactions, may result in defense costs, settlements, fines or judgments against us, some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have an adverse impact on our financial position and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flow, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

***We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.***

Assets and entities that we have acquired or may acquire in the future may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses.

As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

***We depend on key personnel, including Albert Behler, our Chairman, Chief Executive Officer and President, and the loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners and existing and prospective industry participants, which could negatively affect our financial condition, results of operations, cash flow and market value of our common stock.***

There is substantial competition for qualified personnel in the real estate industry and the loss of our key personnel could have an adverse effect on us. Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Albert Behler, our Chairman, Chief Executive Officer and President, who has extensive market knowledge and relationships and exercises substantial influence over our acquisition, redevelopment, financing, operational and disposition activity. Among the reasons that Albert Behler is important to our success is that he has a national, regional and local industry reputation that

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attracts business and investment opportunities and assists us in negotiations with financing sources and industry personnel. If we lose his services, our business and investment opportunities and our relationships with such financing sources and industry personnel could diminish.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying or attracting investment opportunities and negotiating with sellers of properties. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners and industry participants, which could negatively affect our financial condition, results of operations and cash flow.

***Breaches of our data security could adversely affect our business, including our financial performance and reputation.***

We collect and retain certain personal information provided by our tenants and employees. While we have implemented a variety of security measures to protect the confidentiality of this information and periodically review and improve our security measures, we can provide no assurance that we will be able to prevent unauthorized access to this information. Any breach of our data security measures and/or loss of this information may result in legal liability and costs (including damages and penalties) that could adversely affect our business, including our financial performance and reputation.

***Our subsidiaries may be prohibited from making distributions and other payments to us.***

All of our properties are owned, and all of our operations are conducted, by our operating partnership and our other subsidiaries, joint ventures and private equity real estate funds. As a result, we depend on distributions and other payments from our operating partnership and our other subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of our subsidiaries to make such distributions and other payments depends on their earnings and cash flow and may be subject to statutory or contractual limitations. As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in or other lien on their assets and to any of such subsidiaries debt or other obligations that are senior to our claims.

## Risks Related to Our Organization and Structure

***The ability of stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law.***

There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following:

Our charter authorizes our board of directors to, without stockholder approval, amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock. We believe these charter provisions will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of our common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests.

In order to qualify as a REIT, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of any taxable year (beginning with our second taxable year as a REIT). In order to help us qualify as a REIT, our charter generally prohibits any person or entity from actually owning or being deemed to own by virtue of the applicable constructive ownership provisions, (i) more than 6.50% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock or (ii) more than 6.50% in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case, excluding any shares of our stock not treated as outstanding for U.S. federal income tax purposes. We refer to these restrictions as the ownership limits. These ownership limits may prevent or delay a change in control and, as a result, could adversely affect our stockholders ability to realize a premium for their shares of our common stock. In connection with the formation transactions and the concurrent private placement to certain members of the Otto family and their affiliates, our board of directors will grant waivers to the lineal descendants of Professor Dr. h.c. Werner Otto, their spouses and controlled entities to own up to 22.0% of our outstanding common stock in the aggregate (which can be automatically increased to an amount greater than 22.0% to the extent that their aggregate ownership exceeds such percentage solely as a result of a repurchase by the company of its common stock).

In addition, certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including the Maryland business combination and control share provisions. See Material Provisions of Maryland Law and Our Charter and Bylaws.

As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combinations between us and any other person or entity from the business combination provisions of the MGCL. Our bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with any such resolution (including an amendment to that bylaw provision), which we refer to as an opt in to the business combination provisions, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock. In addition, as permitted by the MGCL, our bylaws contain a provision exempting from the control share acquisition provisions of the MGCL any and all acquisitions by any person of shares of our stock. This bylaw provision may be amended, which we refer to as an opt in to the control share acquisition provisions, only with the affirmative vote of a majority of the votes cast on such an amendment by holders of outstanding shares of our common stock.

Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price.

In addition, the provisions of our charter on the removal of directors and the advance notice provisions of our bylaws, among others, could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest.

Each item discussed above may delay, deter or prevent a change in control of our company, even if a proposed transaction is at a premium over the then-current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions.

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***Our board of directors may change our policies without stockholder approval.***

Our policies, including any policies with respect to investments, leverage, financing, growth, debt and capitalization, will be determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors will also establish the amount of any dividends or other distributions that we may pay to our stockholders. Our board of directors or the committees or officers to which such decisions are delegated will have the ability to amend or revise these and our other policies at any time without stockholder vote. Accordingly, our stockholders will not be entitled to approve changes in our policies, and, while not intending to do so, we may adopt policies that may have an adverse effect on our financial condition and results of operations.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions that you do not believe are in your best interests.***

Maryland law provides that a director has no liability in that capacity if he or she satisfies his or her duties to us and our stockholders. Upon completion of this offering, as permitted by the MGCL, our charter will limit the liability of our directors and officers to us and our stockholders for money damages to the maximum extent permitted by Maryland law. Under current Maryland law and our charter, our directors and officers will not have any liability to us or our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or

- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter will authorize us to obligate us, and our bylaws will require us, to indemnify our directors for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our charter and bylaws will also authorize us to indemnify our officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law and indemnification agreements that we have entered into with our executive officers will require us to indemnify such officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited with respect to directors and may be limited with respect to officers. In addition, we will be obligated to advance the defense costs incurred by our directors and our executive officers pursuant to indemnification agreements, and may, in the discretion of our board of directors, advance the defense costs incurred by our officers, our employees and other agents, in connection with legal proceedings.

***Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders.***

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any of its partners, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we will have duties and obligations to our operating partnership and its limited partners under Delaware law as modified by the partnership agreement of our operating partnership in connection with the management of our operating partnership as the sole general partner. The limited partners of our operating partnership expressly will acknowledge that the general partner of our operating partnership will be acting for the benefit of our operating partnership, the limited partners and our stockholders collectively. When deciding whether to cause our operating partnership to take or decline to take any actions, the general partner will be under no obligation to give priority to the separate interests of (i) the limited partners of our operating partnership (including, without limitation, the tax interests of our limited partners, except as provided in a separate written agreement) or (ii) our stockholders. Nevertheless, the duties and obligations of the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company and our stockholders.

***If there are deficiencies in our disclosure controls and procedures or internal control over financial reporting, we may be unable to accurately present our financial statements, which could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity.***

As a publicly-traded company, we will be required to report our financial statements on a consolidated basis. Effective internal controls are necessary for us to accurately report our financial results. Section 404 of the Sarbanes-Oxley Act of 2002 will require us to evaluate and report on our internal control over financial reporting and have our independent registered public accounting firm issue an opinion with respect to the effectiveness of our internal control over financial reporting. There can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Furthermore, as we grow our business, our internal controls will become more complex, and we may require significantly more resources to ensure our internal controls remain effective. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations that could require a restatement, failing to meet our public company reporting obligations and causing investors to lose confidence in our reported financial information. These events could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity.

***We did not negotiate the value of the properties and assets of our predecessor and the private equity real estate funds controlled by our management company at arm s-length as part of the formation transactions, and the consideration given by us in exchange for them may exceed their fair market value.***

We did not negotiate the value of the properties and assets of our predecessor and the private equity real estate funds controlled by our management company at arm s-length as part of the formation transactions. In addition, the value of the shares of our common stock and the common units that we will issue in exchange for these properties and assets will increase or decrease if our common stock price increases or decreases. The initial public offering price of shares of our common stock was determined in consultation with the underwriters. As a result, the value of the consideration given by us for the properties and assets of our predecessor and the private real estate funds controlled by our management company may exceed their fair market value or the value that a third party would have paid for these properties and assets.

***We may assume unknown liabilities in connection with the formation transactions, which, if significant, could adversely affect our business.***

As part of the formation transactions, we (through corporate acquisitions and contributions to our operating partnership) will acquire the properties and assets of our predecessor and certain other assets, subject to existing liabilities, some of which may be unknown at the time this offering is consummated. Each of the entities comprising our predecessor and the private equity real estate funds controlled by our management company from whom we are acquiring assets in the formation transactions will make representations, warranties and covenants to us regarding the entities and assets we are acquiring in the formation transactions. In order to provide us with indemnification in connection with breaches of these representations, warranties or covenants, the owners of our management company have agreed to place $19.0 million of our common stock, based on the initial public offering price, that they are otherwise entitled to receive into an escrow from which we will be entitled to indemnification for breaches of representations, warranties and covenants made by any of these entities. In addition, in connection with each of these acquisitions, 1.5% of the common stock or common units that we are issuing in the acquisition will be placed into an escrow from which we will be entitled to indemnification for breaches of such representations, warranties or covenants made by the applicable entity in the acquisition. These indemnification escrows will remain in place for one year following the completion of the offering after which, if no indemnification claims have been made, the escrowed amounts will be released, except that each person or entity will be permitted to have such shares of our common stock or common units released from escrow by posting satisfactory alternative collateral. The third parties from whom we are acquiring assets in the formation transactions will also make representations, warranties and covenants to us and provide us with indemnification or remain subject to state law claims for breaches of such representations, warranties or covenants pursuant to the individually negotiated terms of the agreements with each of these parties. Because many liabilities, including tax liabilities, may not be identified within such period, we may have no recourse for such liabilities. Any unknown or unquantifiable liabilities that we assume in connection with the formation transactions for which we have no or limited recourse could adversely affect us. See *We may become subject to liability relating to environmental and health and safety matters, which could have an adverse effect on us, including our financial condition and results of operations* as to the possibility of undisclosed environmental conditions potentially affecting the value of the properties in our portfolio.

***Certain members of our senior management team exercised significant influence with respect to the terms of the formation transactions, including the economic benefits they will receive, as a result of which the consideration given by us may exceed the fair market value of the properties.***

We did not conduct arm s-length negotiations with the continuing investors that are members of our senior management team with respect to all of the terms of the formation transactions. In the course of structuring the formation transactions, certain members of our senior management team had the ability to influence the type and level of benefits that they and our other officers will receive from us. In addition, certain members of our senior management team had substantial pre-existing ownership interests in our predecessor and will receive substantial economic benefits as a result of the formation transactions. As a result, the terms of the formation transactions may not be as favorable to us as if all of the terms were negotiated at arm s-length. In addition, the terms of the option agreement relating to the option property also were not determined by arm s-length negotiations, and such terms may be less favorable to us than those that may have been obtained through negotiations with third parties.

***We may pursue less vigorous enforcement of terms of certain formation transaction agreements because of conflicts of interest with certain members of our senior management team and our board of directors, which could have an adverse effect on our business.***

Certain members of our senior management team and our board of directors have ownership interests in our predecessor and the private equity real estate funds controlled by our management company that we will acquire in the formation transactions upon completion of this offering. As part of the formation transactions, we will be indemnified for certain claims made with respect to breaches of such representations, warranties or covenants by certain contributing entities following the completion of this offering. Such indemnification is limited, however, and we are not entitled to any other indemnification in connection with the formation transactions. See *We may assume unknown liabilities in connection with the formation transactions, which, if significant, could adversely affect our business* above. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with our executive officers given their significant knowledge of our business, relationships with our customers and significant equity ownership in us and members of our board of directors, and this could have an adverse effect on our business.

**Risks Related to Our Indebtedness and Financing**

***We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.***

As of September 30, 2014, on a pro forma basis, our total indebtedness, including indebtedness of our unconsolidated joint ventures, was approximately $3.113 billion ($2.413 billion on a pro rata basis). As of September 30, 2014, on a pro forma basis, substantially all of our debt was asset level debt, and we expect to have approximately $1.0 billion of available borrowing capacity, including amounts reserved for letters of credit, under the new senior unsecured revolving credit facility that we intend to enter into in connection with this offering.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and redevelopment activities, or meet the REIT distribution requirements imposed by the Code. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;

- make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;

- force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100% tax on income from prohibited transactions, discussed below in U.S. Federal Income Tax Considerations ) or in violation of certain covenants to which we may be subject;

- subject us to increased sensitivity to interest rate increases;

- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;

- limit our ability to withstand competitive pressures;

- limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

- reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and/or

- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

If any one of these events were to occur, our financial condition, results of operations, cash flow and trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code, and, in the case of some of our properties, expose us to entity-level sting tax. See U.S. Federal Income Tax Considerations Classification and Taxation of Paramount Group, Inc. as a REIT Sting Tax on Built-in Gains of Former C Corporation Assets.

***As leases expire, we may be unable to refinance current or future indebtedness on favorable terms, if at all.***

We may not be able to refinance existing debt on terms as favorable as the terms of existing indebtedness, or at all, including as a result of increases in interest rates or a decline in the value of our portfolio or portions thereof. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, our operating cash flow will not be sufficient in all years to repay all maturing debt. As a result, certain of our other debt may cross default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Indebtedness to be Outstanding After this Offering. We also may be forced to limit distributions and may be unable to meet the REIT distribution requirements imposed by the Code. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations and could adversely affect our ability to make distributions to our stockholders.

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***We may not have sufficient cash flow to meet the required payments of principal and interest on our debt or to pay distributions on our shares at expected levels.***

In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our shares at expected levels. In this regard, we note that in order for us to continue to qualify as a REIT, we are required to make annual distributions generally equal to at least 90% of our taxable income, computed without regard to the dividends paid deduction and excluding net capital gain. In addition, as a REIT, we will be subject to U.S. federal income tax to the extent that we distribute less than 100% of our taxable income (including capital gains) and will be subject to a 4% nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified by the Code. These requirements and considerations may limit the amount of our cash flow available to meet required principal and interest payments.

If we are unable to make required payments on indebtedness that is secured by a mortgage on our property, the asset may be transferred to the lender with a consequent loss of income and value to us, including adverse tax consequences related to such a transfer.

***Our debt agreements include restrictive covenants, requirements to maintain financial ratios and default provisions which could limit our flexibility, our ability to make distributions and require us to repay the indebtedness prior to its maturity.***

The mortgages on our properties contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. As of September 30, 2014, on a pro forma basis and including debt of our unconsolidated joint ventures, we had $3.113 billion of total debt ($2.413 billion on a pro rata basis), substantially all of which was asset level debt. Additionally, our debt agreements contain customary covenants that, among other things, restrict our ability to incur additional indebtedness and, in certain instances, restrict our ability to engage in material asset sales, mergers, consolidations and acquisitions, and restrict our ability to make capital expenditures. These debt agreements, in some cases, also subject us to guarantor and liquidity covenants and our future senior unsecured revolving credit facility will, and other future debt may, require us to maintain various financial ratios. Some of our debt agreements contain certain cash flow sweep requirements and mandatory escrows, and our property mortgages generally require certain mandatory prepayments upon disposition of underlying collateral. Early repayment of certain mortgages may be subject to prepayment penalties.

***Variable rate debt is subject to interest rate risk that could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt.***

As of September 30, 2014, on a pro forma basis, $262.4 million of our outstanding consolidated debt was subject to instruments which bear interest at variable rates, and we may also borrow additional money at variable interest rates in the future. Unless we have made arrangements that hedge against the risk of rising interest rates, increases in interest rates would increase our interest expense under these instruments, increase the cost of refinancing these instruments or issuing new debt, and adversely affect cash flow and our ability to service our indebtedness and make distributions to our stockholders, which could adversely affect the market price of our common stock. Based on our aggregate variable rate debt outstanding as of September 30, 2014, on a pro forma basis, an increase of 100 basis points in interest rates would result in a hypothetical increase of approximately $2.3 million in interest expense on an annual basis, net of amounts attributable to noncontrolling interests in consolidated subsidiaries. The amount of this change includes the benefit of swaps and caps we currently have in place.

***Hedging activity may expose us to risks, including the risks that a counterparty will not perform and that the hedge will not yield the economic benefits we anticipate, which could adversely affect us.***

We may, in a manner consistent with our qualification as a REIT, seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that

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counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligation under the hedging agreement. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

When a hedging agreement is required under the terms of a mortgage loan, it is often a condition that the hedge counterparty maintains a specified credit rating. With the current volatility in the financial markets, there is an increased risk that hedge counterparties could have their credit rating downgraded to a level that would not be acceptable under the loan provisions. If we were unable to renegotiate the credit rating condition with the lender or find an alternative counterparty with acceptable credit rating, we could be in default under the loan and the lender could seize that property through foreclosure, which could adversely affect us.

***Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.***

The REIT provisions of the Code limit our ability to hedge our liabilities. Generally, income from a hedging transaction we enter into either to manage risk of interest rate changes with respect to borrowings incurred or to be incurred to acquire or carry real estate assets, or to manage the risk of currency fluctuations with respect to any item of income or gain (or any property which generates such income or gain) that constitutes qualifying income for purposes of the 75% or 95% gross income tests applicable to REITs, does not constitute gross income for purposes of the 75% or 95% gross income tests, provided that we properly identify the hedging transaction pursuant to the applicable sections of the Code and Treasury Regulations. To the extent that we enter into other types of hedging transactions, or fail to make the proper tax identifications, the income from those transactions is likely to be treated as non-qualifying income for purposes of both gross income tests. As a result of these rules, we may need to limit our use of otherwise advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary, or TRS. The use of a TRS could increase the cost of our hedging activities (because our TRS would be subject to tax on income or gain resulting from hedges entered into by it) or expose us to greater risks than we would otherwise want to bear. In addition, net losses in any of our TRSs will generally not provide any tax benefit except for being carried forward for use against future taxable income in the TRSs.

***Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.***

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the distribution requirements applicable to REITs under the Code and, in the case of some of our properties, expose us to entity-level sting tax. See U.S. Federal Income Tax Considerations Classification and Taxation of Paramount Group, Inc. as a REIT Sting Tax on Built-in Gains of Former C Corporation Assets.

***High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.***

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to make distributions necessary to meet the distribution requirements imposed on REITs under the Code.

### Risks Related to this Offering and Our Common Stock

***There has been no public market for our common stock and an active trading market for our common stock may not develop or be sustained following this offering.***

There has not been any public market for our common stock, and an active trading market may not develop or be sustained. Shares of our common stock may not be able to be resold at or above the initial public offering price. Our common stock has been approved for listing, subject to official notice of issuance, on the NYSE under the symbol PGRE. The initial public offering price of our common stock has been determined by agreement among us and the underwriters, but our common stock may trade below the initial public offering price following the completion of this offering. See Underwriting. The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

***The market price and trading volume of our common stock may be volatile following this offering and the concurrent private placements.***

Even if an active trading market develops for our common stock, the trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the trading price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations, NOI or income estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;

changes in market valuations of similar companies;

adverse market reaction to any additional debt we incur in the future;

additions or departures of key management personnel;

actions by institutional stockholders;

speculation in the press or investment community;

the realization of any of the other risk factors presented in this prospectus;

the extent of investor interest in our securities;

the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

our underlying asset value;

investor confidence in the stock and bond markets, generally;

changes in tax laws;

future equity issuances;

failure to meet income estimates;

failure to meet and maintain REIT qualifications; and

general market and economic conditions.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

***We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an emerging growth company as defined in the JOBS Act. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds $1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt or (iv) the date on which we are deemed to be a large accelerated filer under the Exchange Act. We may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions and benefits under the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile and decline significantly.

***The market value of our common stock may decline due to the large number of our shares eligible for future sale.***

The market value of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering or upon exchange of common units, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of our common stock in the future at a time and at a price that we deem appropriate. Upon completion of this offering and the concurrent private placements, we will have a total of 192,247,023 shares of our common stock outstanding (or 211,897,023 shares of our common stock assuming the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments), including 5,714 shares of restricted common stock intended to be granted to a non-employee director pursuant to the 2014 Equity Incentive Plan. The 131,000,000 shares of our common stock sold in this offering (or 150,650,000 shares of our common stock assuming the underwriters exercise in full their option to purchase additional shares of our common stock to cover over-allotments) will be freely transferable without restriction or further registration under the Securities Act, by persons other than our directors, director nominees and executive officers and the continuing investors. See Shares Eligible for Future Sale.

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The 61,241,309 shares of our common stock that will be held by our continuing investors and their affiliates who are acquiring shares of common stock in the concurrent private placement immediately following the completion of the offering, the formation transactions and the concurrent private placements will be restricted securities within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144. All of these shares of our common stock will be eligible for future sale following the expiration of the 180-day lock-up period and certain of such shares held by our continuing investors will have registration rights pursuant to registration rights agreements that we will enter into with those investors. Pursuant to the registration rights agreement we will enter into with members of the Otto family and certain affiliated entities receiving shares of our common stock in the formation transactions and concurrent private placements, the parties to this agreement may, 14 months following the completion of this offering and under certain circumstances, demand that we register the resale and/or facilitate an underwritten offering of their shares; provided that the demand relates to shares having a market value of at least $40 million and that such parties may not make more than two such demands in any consecutive 12-month period. When the restrictions under the lock-up arrangements expire or are waived, the related shares of common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock will be available for sale or resale, as the case may be, and such sales or resales, or the perception of such sales or resales, could depress the market price for our common stock. In addition, from and after 14 months following the closing of this offering, limited partners of our operating partnership, other than us, will have the right to require our operating partnership to redeem part or all of their 46,810,117 common units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the election to redeem, or, at our election, shares of our common stock on a one-for-one basis. Furthermore, to the extent a holder transfers more than 50% of the common stock or common units that it receives in connection with the formation transactions within two years of the completion of this offering, the holder generally will be required to bear additional New York City and State real property transfer taxes attributable to such holder based on the holder s transfer. See Shares Eligible For Future Sale Registration Rights and Certain Relationships and Related Transactions Registration Rights.

***Future issuances of debt securities and equity securities may negatively affect the market price of shares of our common stock and, in the case of equity securities, may be dilutive to existing stockholders.***

Upon completion of this offering, our charter will provide that we may issue up to 900,000,000 shares of our common stock, $0.01 par value per share, and up to 100,000,000 shares of preferred stock, $0.01 par value per share. Moreover, under Maryland law and our charter, our board of directors has the power to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue without stockholder approval. See Description of Capital Stock. Similarly, the partnership agreement of our operating partnership authorizes us to issue an unlimited number of additional common units, which may be exchangeable for shares of our common stock. In addition, upon completion of this offering and taking into account the initial grant of equity awards under the 2014 Equity Incentive Plan, equity awards representing 15,501,430 share equivalents will be available for future issuance under the 2014 Equity Incentive Plan (with full value awards counting as one share equivalent and options counting as one-half of a share equivalent).

In the future, we may issue debt or equity securities or incur other financial obligations, including stock dividends and shares that may be issued in exchange for common units and equity plan shares/units. Upon liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before common stockholders. We are not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities (including common units and convertible preferred units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of our common stock. Any convertible preferred units would have, and any series or class of our preferred stock would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders.

***Increases in market interest rates may have an adverse effect on the value of our common stock as prospective purchasers of our common stock may expect a higher dividend yield and increased borrowing costs may decrease our funds available for distribution.***

The market price of our common stock will generally be influenced by the dividend yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of shares of our common stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

***We may be unable to make distributions at expected levels, which could result in a decrease in the market value of our common stock.***

Our estimated initial annual distributions represent 76.9% of our pro forma cash available for distribution for the 12 month period ending September 30, 2015, as adjusted, as calculated in Distribution Policy. Accordingly, we may be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, reduce the amount of such distributions, or issue stock dividends. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than we expect, our inability to make the expected distributions could result in a decrease in the market price of our common stock. In addition, if we make stock dividends in lieu of cash distributions it may have a dilutive effect on the holdings of our stockholders. In the event the underwriters option to purchase additional shares of our common stock to cover over-allotments is exercised, pending investment of the proceeds from this offering and the concurrent private placements, our ability to pay such distributions out of cash from our operations may be further adversely affected. In addition, we may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market value of our common stock.

***A portion of our distributions may be treated as a return of capital for U.S. federal income tax purposes, which could reduce the basis of a stockholder s investment in shares of our common stock and may trigger taxable gain.***

A portion of our distributions may be treated as a return of capital for U.S. federal income tax purposes. As a general matter, a portion of our distributions will be treated as a return of capital for U.S. federal income tax purposes if the aggregate amount of our distributions for a year exceeds our current and accumulated earnings and profits for that year. To the extent that a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a holder s adjusted tax basis in the holder s shares, and to the extent that it exceeds the holder s adjusted tax basis will be treated as gain resulting from a sale or exchange of such shares. See U.S. Federal Income Tax Considerations.

***Your investment has various tax risks.***

Although provisions of the Code generally relevant to an investment in shares of our common stock are described in U.S. Federal Income Tax Considerations, you should consult your tax advisor concerning the effects of U.S. federal, state, local and foreign tax laws to you with regard to an investment in shares of our common stock.

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## Risks Related to Our Status as a REIT

***Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock.***

We intend to elect and to qualify to be treated as a REIT commencing with our taxable year ending December 31, 2014. The Code generally requires that a REIT distribute at least 90% of its taxable income (without regard to the dividends paid deduction and excluding net capital gains) to stockholders annually, and a REIT must pay tax at regular corporate rates to the extent that it distributes less than 100% of its taxable income (including capital gains) in a given year. In addition, a REIT is required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. To avoid entity-level U.S. federal income and excise taxes, we anticipate distributing at least 100% of our taxable income.

We believe that we have been and are organized, and have operated and will operate, in a manner that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2014. However, we cannot assure you that we have been and are organized and have operated or will operate as such. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there may only be limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. We have not requested and do not intend to request a ruling from the Internal Revenue Service, or the IRS, that we qualify as a REIT. The complexity of these provisions and of the applicable Treasury Regulations is greater in the case of a REIT that, like us, will acquire assets from taxable C corporations in tax-deferred transactions and holds its assets through one or more partnerships. Moreover, in order to qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding stock, the absence of inherited retained earnings from non-REIT periods and the amount of our distributions. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT gross income and quarterly asset requirements also depends upon our ability to manage successfully the composition of our gross income and assets on an ongoing basis. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for U.S. federal income tax purposes or the U.S. federal income tax consequences of such qualification. Accordingly, it is possible that we may not meet the requirements for qualification as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT, we would not be allowed to deduct distributions to stockholders in computing our taxable income. If we were not entitled to relief under the relevant statutory provisions, we would also be disqualified from treatment as a REIT for the four subsequent taxable years. If we fail to qualify as a REIT, we would be subject to entity-level income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate tax rates. As a result, the amount available for distribution to holders of our common stock would be reduced for the year or years involved, and we would no longer be required to make distributions. In addition, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and adversely affect the value of our common stock.

***The opinion of our tax counsel regarding our status as a REIT does not guarantee our ability to qualify as a REIT.***

Our tax counsel, Goodwin Procter LLP, has rendered an opinion to us to the effect that (i) commencing with our taxable year ending December 31, 2014 we have been organized in conformity with the requirements for qualification as a REIT and (ii) our prior and proposed organization, ownership and method of operation as represented by management have enabled and will enable us to satisfy the requirements for qualification and taxation as a REIT commencing with our taxable year ending December 31, 2014. This opinion was based on representations made by us as to certain factual matters relating to our organization and our prior and intended or expected manner of operation. Goodwin Procter LLP has not verified those representations, and their opinion assumes that such representations and covenants are accurate and complete, that we have operated and will operate in accordance with such representations and covenants and that we will take no action inconsistent with our status as a REIT. In addition, this opinion was based on the law existing and in effect as of its date and does not cover subsequent periods. Our qualification and taxation as a REIT will depend on our ability to meet on a continuing basis, through actual operating results, asset composition, distribution levels, diversity of share ownership and the various qualification tests imposed under the Code discussed below. Goodwin Procter LLP has not reviewed and will not review our compliance with these tests on a continuing basis. Accordingly, the opinion of our tax counsel does not guarantee our ability to qualify as or remain a REIT, and no assurance can be given that we will satisfy such tests for our taxable year ending December 31, 2014 or for any future period. Also, the opinion of Goodwin Procter LLP is not binding on the U.S. Internal Revenue Service, or the IRS, or any court, and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to U.S. federal income tax laws, any of which could be applied retroactively. Goodwin Procter LLP has no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law.

***We may owe certain taxes notwithstanding our qualification as a REIT.***

Even if we qualify as a REIT, we will be subject to certain U.S. federal, state and local taxes on our income and property, on taxable income that we do not distribute to our stockholders, on net income from certain prohibited transactions, and on income from certain activities conducted as a result of foreclosure. We may, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. In addition, we expect to provide certain services that are not customarily provided by a landlord, hold properties for sale and engage in other activities (such as a portion of our management business) through one or more TRSs, and the income of those subsidiaries will be subject to U.S. federal income tax at regular corporate rates. Furthermore, to the extent that we conduct operations outside of the United States, our operations would subject us to applicable foreign taxes, regardless of our status as a REIT for U.S. tax purposes.

In the case of assets we acquire on a tax-deferred basis from certain corporations controlled by the Otto family and Wilhelm von Finck (which we collectively refer to as the family corporations ) as part of the formation transactions, we also will be subject to U.S. federal income tax, sometimes called the sting tax, at the highest regular corporate tax rate, which is currently 35%, on all or a portion of the gain recognized from a taxable disposition of any such assets occurring within the 10-year period following the acquisition date, to the extent of the asset s built-in gain based on the fair market value of the asset on the acquisition date in excess of our initial tax basis in the asset. Gain from a sale of such an asset occurring after the 10-year period ends will not be subject to this sting tax. We currently do not expect to dispose of any asset if the disposition would result in the imposition of a material sting tax liability under the above rules. We cannot, however, assure you that we will not change our plans in this regard. We estimate the maximum amount of built-in gain potentially subject to the sting tax is approximately $745.8 million, which corresponds to a maximum potential tax of approximately $241.5 million (based on current tax rates and the valuation of the properties based on the estimated price per share of this offering or negotiated prices).

As part of the formation transactions, we intend to acquire assets of the family corporations through mergers, stock acquisition and similar transactions. As a result of those acquisitions, we will inherit any liability for the unpaid taxes of the family corporations for periods prior to the acquisitions. In each case, our acquisition of assets is intended to qualify as a tax-deferred acquisition for the family corporation. As a result, none of the corporations is expected to recognize gain or loss for U.S. federal income tax purposes in the formation transactions. If for any reason our acquisition of a family corporation s assets failed to qualify for tax-deferred treatment, the corporation generally would recognize gain for U.S. federal income tax purposes to the extent that the fair market value of our stock (and any cash) issued in exchange for the stock of the family corporation or the corporation s assets, plus debt assumed, exceeded the corporation s adjusted tax basis in its assets. We would inherit the resulting tax liability of the family corporation. In several of the formation transactions, the acquired family corporation will recognize gain for U.S. federal income tax purposes unless the acquisition qualifies as a tax-deferred reorganization within the meaning of Section 368(a) of Code. The requirements of tax-deferred reorganizations are complex, and it is possible that the IRS could interpret the applicable law differently and assert that one or more of the acquisitions failed to qualify as a reorganization under Section 368(a) of the Code. Moreover, under the investment company rules under Section 368 of the Code, certain of the acquisitions could be taxable if the acquired corporation is an investment company under such rules. If any such acquisition failed to qualify for tax-free reorganization treatment we could incur significant U.S. federal income tax liability.

Our operating partnership will have, and various predecessor partnerships whose assets will be acquired in the formation transactions, have, limited partners that are non-U.S. persons. Such non-U.S. persons are subject to a variety of U.S. withholding taxes, including with respect to certain aspects of the formation transactions, that the relevant partnership must remit to the U.S. Treasury. A partnership that fails to remit the full amount of withholding taxes is liable for the amount of the under withholding, as well as interest and potential penalties. As a potential successor to certain of the private equity real estate funds controlled by our predecessor, our operating partnership could be responsible if the private equity real estate funds failed to properly withhold for prior periods. Although we believe that we and our predecessor partnerships have complied and will comply with the applicable withholding requirements, the determination of the amounts to be withheld is a complex legal determination, depends on provisions of the Code and the applicable Treasury Regulations that have little guidance and the treatment of certain aspects of the formation transactions under the withholding rules may be uncertain. Accordingly, we may interpret the applicable law differently from the IRS and the IRS may seek to recover additional withholding taxes from us.

***If we recognize and distribute taxable gain from U.S. real property interests during the remainder of 2014, we generally will be required to indemnify certain of our continuing investors for specified tax liabilities resulting from the recognition and distribution of such gain, which could be significant.***

We have agreed to indemnify each of Maren Otto, Katharina Otto-Bernstein, Alexander Otto and an entity owned by Alexander Otto for specified incremental net tax liability actually incurred by such individual or entity for the taxable year of the closing or subsequent years as a result of our realization and distribution of taxable gains attributable to U.S. real property interests during the period commencing on the completion of the formation transactions and through December 31, 2014, except as a result of certain excluded events, such as gain caused by an unaffiliated third party s actions or exercise of its rights, including, a third party s exercise of buy-sell or forced sale rights. The amount of potential indemnity is not tied to the amount of the actual gain distribution to them in 2014. While we intend to operate in a manner so as to not recognize a gain from the sale or exchange of a U.S real property interest during the remainder of 2014 or to distribute any such gains, if we were to recognize and distribute such a gain to Maren Otto, Katharina Otto-Bernstein, Alexander Otto or the entity owned by Alexander Otto during the remainder of 2014, we could incur significant indemnification obligations.

***If our operating partnership is treated as a corporation for U.S. federal income tax purposes, we will cease to qualify as a REIT.***

We believe our operating partnership qualifies and will continue to qualify as a partnership for U.S. federal income tax purposes. Assuming that it qualifies as a partnership for U.S. federal income tax purposes, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, its partners, including us, generally are required to pay tax on their respective allocable share of our operating partnership s income. No assurance can be provided, however, that the IRS will not challenge our operating partnership s status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, therefore, cease to qualify as a REIT, and our operating partnership would become subject to U.S. federal, state and local income tax. The payment by our operating partnership of income tax would reduce significantly the amount of cash available to our partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us. See U.S. Federal Income Tax Considerations Classification and Taxation of Paramount Group, Inc. as a REIT Tax Aspects of Our Operating Partnership.

***There are uncertainties relating to our distribution of non-REIT earnings and profits.***

To qualify as a REIT, we must not have any non-REIT accumulated earnings and profits, as measured for U.S. federal income tax purposes, at the end of any REIT taxable year. Such non-REIT earnings and profits generally will include any accumulated earnings and profits of the family corporations acquired by us (or whose assets we acquire) in the formation transactions. Thus, we will have to distribute any such non-REIT accumulated earnings and profits that we inherit from the family corporations in the formation transactions prior to the end of our first taxable year as a REIT, which we expect will be the taxable year ending December 31, 2014. We believe that the family corporations will have made sufficient distributions prior to the formation transactions and that we will make sufficient distributions in 2014 following the formation transactions so that we do not have any undistributed non-REIT earnings and profits at the end of 2014. However, the determination of the amounts of any such non-REIT earnings and profits is a complex factual and legal determination, especially in the case of corporations, such as the family corporations, that have been in operation for many years. If it is subsequently determined that we had undistributed non-REIT earnings and profits as of the end of our first taxable year as a REIT or at the end of any subsequent taxable year, we could fail to qualify as a REIT.

***Dividends payable by REITs generally do not qualify for reduced tax rates.***

The maximum U.S. federal income tax rate for certain qualified dividends payable to U.S. stockholders that are individuals, trusts and estates generally is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates and therefore may be subject to a 39.6% maximum U.S. federal income tax rate on ordinary income when paid to such stockholders. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates or are otherwise sensitive to these lower rates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

***Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or liquidate certain of our investments.***

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may, for instance, hinder our ability to make certain otherwise attractive investments or undertake other activities that might otherwise be beneficial to us and our stockholders, or may require us to borrow or liquidate investments in unfavorable market conditions and, therefore, may hinder our investment performance.

As a REIT, at the end of each calendar quarter, at least 75% of the value of our assets must consist of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than cash, cash items, government securities, securities issued by a TRS and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than cash, cash items, government securities, securities issued by a TRS and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. After meeting these requirements at the close of a calendar quarter, if we fail to comply with these requirements at the end of any subsequent calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

***We may be subject to a 100% penalty tax on any prohibited transactions that we enter into, or may be required to forego certain otherwise beneficial opportunities in order to avoid the penalty tax on prohibited transactions.***

If we are found to have held, acquired or developed property primarily for sale to customers in the ordinary course of business, we may be subject to a 100% prohibited transactions tax under U.S. federal tax laws on the gain from disposition of the property unless the disposition qualifies for one or more safe harbor exceptions for properties that have been held by us for at least two years and satisfy certain additional requirements (or the disposition is made through a TRS and, therefore, is subject to corporate U.S. federal income tax).

Under existing law, whether property is held primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances. We intend to hold, and, to the extent within our control, to have any joint venture to which our operating partnership is a partner hold, properties for investment with a view to long-term appreciation, to engage in the business of acquiring, owning, operating and developing the properties, and to make sales of our properties and other properties acquired subsequent to the date hereof as are consistent with our investment objectives (and to hold investments that do not meet these criteria through a TRS). Based upon our investment objectives, we believe that overall, our properties (other than certain interests we intend to hold through a TRS) should not be considered property held primarily for sale to customers in the ordinary course of business. However, it may not always be practical for us to comply with one of the safe harbors, and, therefore, we may be subject to the 100% penalty tax on the gain from dispositions of property if we otherwise are deemed to have held the property primarily for sale to customers in the ordinary course of business.

The potential application of the prohibited transactions tax could cause us to forego potential dispositions of other property or to forego other opportunities that might otherwise be attractive to us, or to hold investments or undertake such dispositions or other opportunities through a TRS, which would generally result in corporate income taxes being incurred.

***REIT distribution requirements could adversely affect our liquidity and adversely affect our ability to execute our business plan.***

In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to modify our business plans. Our cash flow from operations may be insufficient to fund required distributions, for example, as a result of differences in timing between our cash flow, the receipt of income for GAAP purposes and the recognition of income for U.S. federal income tax purposes, the effect of non-deductible capital expenditures, the creation of reserves, payment of required debt service or amortization payments, or the need to make additional investments in qualifying real estate assets. The insufficiency of our cash flow to cover our distribution requirements could require us to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions or capital expenditures or used for the repayment of debt, (iv) pay dividends in the form of taxable stock dividends or (v) use cash reserves, in order to comply with the REIT distribution requirements. As a result, compliance with the REIT distribution requirements could adversely affect the market value of our common stock. The inability of our cash flow to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities. In addition, if we are compelled to liquidate our assets to repay obligations to our lenders or make distributions to our stockholders, we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as property held primarily for sale to customers in the ordinary course of business, and, in the case of some of our properties, we may be subject to an entity-level sting tax. See U.S. Federal Income Tax Considerations Classification and Taxation of Paramount Group, Inc. as a REIT Sting Tax on Built-in Gains of Former C Corporation Assets.

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***The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.***

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U.S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our stockholders.

***Our ability to provide certain services to our tenants may be limited by the REIT rules, or may have to be provided through a TRS.***

As a REIT, we generally cannot provide services to our tenants other than those that are customarily provided by landlords, nor can we derive income from a third party that provides such services. If we forego providing such services to our tenants, we may be at disadvantage to competitors who are not subject to the same restrictions. However, we can provide such non-customary services to tenants or share in the revenue from such services if we do so through a TRS, though income earned through the TRS will be subject to corporate income taxes.

***Although our use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain our qualification as a REIT, there are limits on our ability to own TRSs, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.***

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT s assets may consist of securities of one or more TRSs. In addition, rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are treated as not being conducted on an arm s-length basis.

We intend to jointly elect with one or more companies for those companies to be treated as a TRS under the Code for U.S. federal income tax purposes. These companies and any other TRSs that we form will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification. Although we will monitor the aggregate value of the securities of such TRSs and intend to conduct our affairs so that such securities will represent less than 25% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

***Possible legislative, regulatory or other actions could adversely affect our stockholders and us.***

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect our stockholders or us. In recent years, many such changes have been made and changes are likely to continue to occur in the future. We cannot predict whether, when, in what form, or with what effective dates, tax laws, regulations and rulings may be enacted, promulgated or decided, which could result in an increase in our, or our stockholders , tax liability or require changes in the manner in which we operate in order to minimize increases in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income and/or be subject to additional restrictions. These increased tax costs could, among other things, adversely affect our financial condition, the results of operations and the amount of cash available for the payment of dividends.

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Stockholders are urged to consult with their own tax advisors with respect to the impact that recent legislation may have on their investment and the status of legislative, regulatory or administrative developments and proposals and their potential effect on their investment in our shares. In particular, certain members of Congress recently circulated a draft of proposed legislative changes to the REIT rules that, if ultimately adopted, could adversely affect our REIT status, including reducing the maximum amount of our gross asset value in TRSs from 25% to 20%. That discussion draft also included provisions that, if enacted in their current form (and with the proposed retroactive effective dates), would make our acquisitions of the family corporations taxable events, subjecting us to material corporate tax liability.

***Our property taxes could increase due to property tax rate changes or reassessment, which could impact our cash flow.***

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. In particular, our portfolio of properties may be reassessed as a result of this offering. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past and such increases may not be covered by tenants pursuant to our lease agreements. If the property taxes we pay increase, our financial condition, results of operations, cash flow, per share trading price of our common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. In particular, statements relating to our liquidity and capital resources, portfolio performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including market conditions and demographics) are forward-looking statements. We caution investors that any forward-looking statements presented in this prospectus are based on management s beliefs and assumptions made by, and information currently available to, management. When used, the words anticipate, believe, expect, intend, may, might, p estimate, project, should, will, would, result and similar expressions that do not relate solely to historical mat intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements.

Some of the risks and uncertainties that may cause our actual results, performance, liquidity or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- unfavorable market and economic conditions in the United States and globally and in New York City, Washington, D.C. and San Francisco;
- risks associated with our high concentrations of properties in New York City, Washington, D.C., and San Francisco;
- risks associated with ownership of real estate;
- decreased rental rates or increased vacancy rates;
- the risk we may lose a major tenant;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments;
- intense competition in the real estate market that may limit our ability to attract or retain tenants or re-lease space;
- insufficient amounts of insurance;

uncertainties and risks related to adverse weather conditions, natural disasters and climate change;

risks associated with actual or threatened terrorist attacks;

exposure to liability relating to environmental and health and safety matters;

high costs associated with compliance with the ADA;

the risk associated with potential breach or expiration of our ground lease;

failure of acquisitions to yield anticipated results;

risks associated with real estate activity through our joint ventures and private equity real estate funds;

general volatility of the capital and credit markets and the market price of our common stock;

exposure to litigation or other claims;

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- loss of key personnel;
- risks associated with breaches of our data security;
- risks associated with our substantial indebtedness;
- failure to refinance current or future indebtedness on favorable terms, or at all;
- failure to meet the restrictive covenants and requirements in our existing debt agreements;
- fluctuations in interest rates and increased costs to refinance or issue new debt;
- risks associated with derivatives or hedging activity;
- risks associated with high mortgage rates or the unavailability of mortgage debt which make it difficult to finance or refinance properties and could subject us to foreclosure;
- risks associated with future sales of our common stock by our continuing investors or the perception that our continuing investors intend to sell substantially all of the shares of our common stock that they hold;
- risks associated with the market for our common stock;
- failure to qualify as a REIT;
- compliance with REIT requirements, which may cause us to forgo otherwise attractive opportunities or liquidate certain of our investments; or
- any of the other risks included in this prospectus, including those set forth under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business and Properties.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law.

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## USE OF PROCEEDS

We estimate that we will receive gross proceeds from this offering of approximately $2.3 billion, or approximately $2.6 billion if the underwriters option to purchase additional shares of our common stock to cover over-allotments is exercised in full. After deducting the underwriting discount and commissions and estimated offering expenses, we expect to receive net proceeds from this offering of approximately $2.1 billion, or approximately $2.5 billion if the underwriters option to purchase additional shares of our common stock to cover over-allotments is exercised in full. In addition, concurrently with this offering, we will sell shares of our common stock in private placements to certain of our continuing investors and their affiliates at a price per share equal to the public offering price, and we estimate that we will receive net proceeds of $68.5 million from these private placements, resulting in total net proceeds of $2.2 billion.

We will contribute the net proceeds from this offering and the concurrent private placements to our operating partnership in exchange for common units. The following table sets forth the estimated sources and estimated uses of funds by our operating partnership that we expect in connection with this offering, the formation transactions and the concurrent private placements. Exact payment amounts may differ from estimates due to amortization of principal, additional borrowings and incurrence of additional transaction expenses.

| **Sources (in thousands)** | | **Uses (in thousands)** | |
|---|---|---|---|
| Gross proceeds from this offering | $ 2,292,500 | Repayment of outstanding indebtedness (including applicable debt prepayment costs, exit fees, defeasance costs and settlement of interest rate swap liabilities)[1] | $ 2,166,811 |
| Gross proceeds from the concurrent private placements | 68,500 | Cash consideration in connection with the formation transactions | 223,645 |
| Cash and cash equivalents | 199,467 | Transaction expenses (including underwriters discount and commissions of $103,163, transfer taxes of $27,174 and other costs, net, of $39,674 incurred in connection with this offering, the formation transactions and the concurrent private placements) | 170,011 |
| **Total Sources** | $ 2,560,467 | **Total Uses** | $ 2,560,467 |

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(1) The following table describes the indebtedness that we would intend to repay (based on September 30, 2014 balances) with the net proceeds from this offering.

| Property | Fixed / Floating Rate | Current Annual Interest Rate | Maturity Date | Repayment (in thousands) |
|---|---|---|---|---|
| **1301 Avenue of the Americas** | | | | |
| First lien mortgage | 5.37% | 5.37% | 1/11/2016 | $ 420,784 |
| Senior mezzanine | LIBOR + 175bps | 1.94% | 1/11/2016 | 63,820 |
| Junior mezzanine | LIBOR + 220bps | 5.27% | 1/11/2016 | 538,000 |
| Zero coupon | 8.00% | 8.00% | 1/11/2016 | 98,539 |
| Line of credit | LIBOR + 220bps | 2.39% | 1/11/2016 | 28,438 |
| **2099 Pennsylvania Avenue** | LIBOR + 450bps | 4.65% | 11/30/2015 | 125,188 |
| **425 Eye Street** | LIBOR + 335bps | 3.50% | 5/1/2016[1] | 124,000 |
| **Fund I** | | | | |
| Fund-level loan | LIBOR + 130bps | 1.74% | 11/5/2016 | 84,122 |
| Fund-level loan | LIBOR + 150bps | 2.78% | 11/5/2016 | 20,000 |
| **Fund III** | | | | |
| Fund-level loan | LIBOR + 130bps | 1.77% | 7/3/2017 | 136,989 |
| Fund-level loan | LIBOR + 150bps | 1.73% | 6/12/2017 | 27,398 |
| Fund-level loan | LIBOR + 150bps | 3.01% | 12/12/2015 | 6,323 |
| **1325 Avenue of the Americas** | 4.95% | 4.95% | 5/1/2026 | 220,000 |
| **1633 Broadway** | | | | |
| Preferred Equity | 8.50% | 8.50% | 7/27/2016 | 225,376 |
| **Total Principal Repayment** | | | | **2,118,977** |
| Settlement of interest rate swap liabilities | | | | 15,606 |
| Debt repayment fees | | | | 32,228 |
| **TOTAL:** | | | | **$ 2,166,811** |

(1) The loan has two one-year extension options to extend the maturity date to 5/1/2018.

We expect to use any remaining net proceeds, including any proceeds from the exercise of the underwriters over-allotment option, for general working capital purposes, capital expenditures and potential future acquisitions. Pending the application of the net proceeds, we will invest the net proceeds in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our qualification as a REIT.

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# DISTRIBUTION POLICY

We intend to pay regular quarterly distributions to holders of our common stock. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending on the last day of the then current fiscal quarter, based on $0.095 per share for a full quarter. On an annualized basis, this would be $0.38 per share, or an annual distribution rate of approximately 2.2% based on the initial public offering price. This initial annual distribution rate will represent approximately 76.9% of estimated cash available for distribution for the 12 month period ending September 30, 2015, as adjusted to exclude certain items we do not expect to recur during the 12 month period following September 30, 2014, and reflect certain assumptions regarding our future cash flows during this period as presented in the table and footnotes below.

Estimated cash available for distribution for the 12 month period ending September 30, 2015, as adjusted, does not include the effect of any changes in our working capital. This number also does not reflect the amount of cash to be used for investing, acquisition and other activities during the 12 month period following September 30, 2014, other than a reserve for recurring capital expenditures. It also does not reflect the amount of cash to be used for financing activities during the 12 month period following September 30, 2014, other than scheduled loan principal amortization payments on mortgage and other indebtedness that will be outstanding upon completion of this offering. Any such investing and/or financing activities may have a material effect on our cash available for distribution. Because we have made the assumptions set forth above in calculating cash available for distribution for the 12 month period ending September 30, 2015, as adjusted, we do not intend this number to be a projection or forecast of our actual results of operations, FFO or our liquidity, and have calculated this number for the sole purpose of determining our estimated initial annual distribution rate. Our estimated cash available for distribution for the 12 month period ending September 30, 2015, as adjusted, should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make other distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain a distribution rate for the 12 month period following completion of this offering that is at or above our initial distribution rate unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in determining our initial distribution rate. Any future distributions we make will be at the discretion of our board of directors and will be dependent upon a number of factors, including prohibitions or restrictions under financing agreements or applicable law and other factors described below. We do not intend to reduce the expected distributions per share if the underwriters option to purchase additional shares of our common stock to cover over-allotments is exercised. We will be subject to prohibitions if we are in default under the senior unsecured revolving credit facility we intend to enter into in connection with this offering as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Overview.

We cannot assure you that our estimated distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any distributions we pay in the future will depend upon our actual results of operations, liquidity, cash flows, financial conditions, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations, liquidity, cash flows and financial conditions will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our ability to pay dividends and make other distributions to our stockholders, please see Risk Factors.

U.S. federal income tax law requires that a REIT distribute annually at least 90% of its taxable income (without regard to the dividends paid deduction and excluding net capital gains) and that it pay U.S. federal income tax at regular corporate rates to the extent that it distributes annually less than 100% of its taxable income (including capital gains). In addition, a REIT is required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, please see U.S. Federal Income Tax Considerations. We anticipate that our cash available for distribution will be sufficient to enable us to meet the annual distribution requirements applicable to REITs and to avoid or minimize the imposition of U.S. federal income and excise taxes. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax, and we may need to borrow funds or dispose of assets to make such distributions.

It is possible that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for U.S. federal income tax purposes. Therefore, a portion of our distributions may represent a return of capital for U.S. federal income tax purposes. That portion of our distributions in excess of our current and accumulated earnings and profits will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent that portion of our distributions do not exceed the stockholder s adjusted tax basis in the stockholder s common stock, but rather will reduce the adjusted basis of the common stock. As a result, the gain recognized on a subsequent sale of that common stock or upon our liquidation will be increased (or a loss decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see U.S. Federal Income Tax Considerations.

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The following table describes our pro forma net income for the 12 month period ended September 30, 2014, and the adjustments we have made to calculate our estimated cash available for distribution for the 12 month period ending September 30, 2015, as adjusted (amounts in thousands, except per share amounts):

| | |
|---|---|
| **Pro forma net income for the 12 months ended December 31, 2013** | $ 16,237 |
| Less: pro forma net income for the nine months ended September 30, 2013 | (10,198) |
| Add: pro forma net income for the nine months ended September 30, 2014 | 21,229 |
| **Pro forma net income for the 12 months ended September 30, 2014** | 27,268 |
| Add: Pro forma real estate depreciation and amortization | 300,944 |
| Add: Net increases in contractual rent income[(1)] | 66,399 |
| Less: Net decreases in contractual rent income due to lease expirations, assuming renewals consistent with historical data[(2)] | (21,903) |
| Less: Net effects of straight-lining rental income[(3)] | (58,097) |
| Add: Net effects of above-and below market lease amortization | 5,666 |
| Add: Non-cash compensation expense | 4,650 |
| Less: Realized and unrealized gain from real estate fund investments[(4)] | (60,922) |
| Less: Unrealized gain on interest rate swaps[(5)] | (98,165) |
| Add: Amortization of deferred financing charges and non-cash interest expense [(6)] | 2,776 |
| **Estimated cash flow from operating activities for the 12 months ending September 30, 2015** | 168,616 |
| Less: Estimated annual provision for recurring tenant improvements and leasing commissions[(7)] | (41,045) |
| Less: Estimated annual provision for recurring capital expenditures[(8)] | (3,278) |
| Less: Scheduled debt principal payments[(9)] | (1,135) |
| **Estimated cash available for distribution for the 12 months ending September 30, 2015** | $ 123,158 |
| Our share of estimated cash available for distribution[(10)] | 95,001 |
| Non-controlling interests share of estimated cash available for distribution[(11)] | 28,157 |
| **Total estimated initial annual distributions to stockholders** | $ 73,054 |
| Payout ratio based on our share of estimated cash available for distribution[(12)] | 76.9% |

(1) Represents the sum of (i) rent income from contractual rent increases and renewals of $77,524, less (ii) rent abatements of $18,916 associated with in-place leases, plus (iii) contractual rent income from uncommenced leases of $10,705, less (iv) rent abatements totaling $2,914 associated with uncommenced leases, all for the period from October 1, 2014 through September 30, 2015.

(2) Represents estimated net decreases in contractual rent revenue during the 12 months ending September 30, 2015 due to lease expirations, assuming a renewal rate of 51.8% based on expiring square feet, which was our historical renewal rate during the periods set forth below, and rental rates on renewed leases equal to the in-place rates for such leases at expiration. This adjustment gives effect only to expirations net of estimated renewals, and does not take into account new leasing.

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| | Total Expirations (Sq. Ft.) | Bankruptcy / Terminated Leases (Sq. Ft.) | Available to be Renewed (Sq. Ft.) | Renewed Leases (Sq. Ft.) | Renewal Rate (%) | New Leases (Sq. Ft.) | Total Amount Leased (Sq. Ft.) |
|---|---|---|---|---|---|---|---|
| Q3 2014 | 205,798 | 26,578 | 179,220 | 16,122 | 9.0% | 264,666 | 280,788 |
| Q2 2014 | 80,258 | 8,803 | 71,455 | 28,621 | 40.1 | 39,620 | 68,241 |
| Q1 2014 | 154,657 | 15,309 | 139,348 | 33,746 | 24.2 | 403,803 | 437,549 |
| Q4 2013 | 73,106 | | 73,106 | 9,947 | 13.6 | 79,485 | 89,432 |
| Q3 2013 | 164,622 | 29,037 | 135,585 | 100,100 | 73.8 | 197,976 | 298,076 |
| Q2 2013 | 436,689 | 37,521 | 399,168 | 94,480 | 23.7 | 92,130 | 186,610 |
| Q1 2013 | 801,118 | 17,424 | 783,694 | 489,333 | 62.4 | 154,163 | 643,496 |
| Q4 2012 | 40,324 | | 40,324 | 34,341 | 85.2 | 33,276 | 67,617 |
| Q3 2012 | 290,529 | 19,477 | 271,052 | 245,094 | 90.4 | 285,557 | 530,651 |
| Q2 2012 | 456,843 | 428,237 | 28,606 | 25,475 | 89.1 | 140,578 | 166,053 |
| Q1 2012 | 172,581 | 62,535 | 110,046 | 79,168 | 71.9 | 104,599 | 183,767 |
| | 2,876,525 | 644,921 | 2,231,604 | 1,156,427 | 51.8% | 1,795,853 | 2,952,280 |

(3) Represents the conversion of estimated rental revenues for the 12 months ended September 30, 2014 from a straight-line basis to a cash basis.

(4) Represents the pro forma realized and non-cash unrealized appreciation in the fair value of our private equity real estate fund investments for the 12 months ended September 30, 2014. We have excluded the gain from real estate fund investments given that the amount recognized in one period is not representative of amounts that may be recognized in future periods, as these gains are significantly influenced by changes in market conditions from period to period and other future events impacting value.

(5) Represents the pro forma non-cash unrealized appreciation in the fair value of our interest rate swaps that are not designated as hedges for the 12 months ended September 30, 2014. We have excluded the gain on interest rate swaps given that the amount recognized in one period is not representative of amounts that may be recognized in future periods, as these gains are significantly influenced by changes in market conditions and market interest rates from period to period and other future events impacting value.

(6) Represents pro forma non-cash amortization of financing costs and non-cash interest expense for the 12 months ended September 30, 2014.

(7) Provision for tenant improvements and leasing commissions includes (i) $55,866 in contractually committed tenant improvement or leasing commission costs to be paid or incurred in the 12 months ending September 30, 2015 related to any new leases or lease renewals entered into as of October 27, 2014 and (ii) estimated tenant improvements and leasing commissions of $11,664 for the estimated lease renewals described in footnote (2) above based on tenant improvements and leasing commissions for renewal leases across our portfolio in the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014, less (iii) $26,485 of restricted cash available for such costs. During the 12 months ending September 30, 2015, we expect to have additional tenant improvement and leasing commission expenditures related to new leasing that occurs after September 30, 2014. Any increases in such expenditures would be directly related to such new leasing in that such expenditures would only be committed to when a new lease is signed. Except for the estimate of tenant improvements and leasing commissions for the estimated lease renewals described in footnote (2) above, increases in expenditures for tenant improvements and leasing commissions for new and renewal leases are not included herein.

**Year Ended December 31,**

| | 2011 | 2012 | 2013 | Nine Months Ended September 30, 2014 | Weighted Average January 1, 2011 - September 30, 2014 |
|---|---|---|---|---|---|
| Total average tenant improvements and leasing commissions per square foot | $ 34.67 | $ 12.17 | $ 35.54 | $ 18.51 | $ 28.43 |

(8) Represents weighted average recurring capital expenditures per square foot for the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014 multiplied by the square

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footage in our initial portfolio. Recurring capital expenditures is defined as expenditures made in respect of a property for maintenance of such property and replacement of items due to ordinary wear and tear including, but not limited to, mechanical systems, HVAC systems, roof replacements and other structural systems. The following table sets forth our pro forma recurring capital expenditures (dollar amounts in thousands, except per square foot amounts):

| | Year Ended December 31, 2011 | 2012 | 2013 | Nine Months Ended September 30, 2014 | Weighted Average January 1, 2011 - September 30, 2014 |
|---|---|---|---|---|---|
| Recurring capital expenditures | $ 1,674,107 | $ 5,083,722 | $ 4,554,926 | $ 1,276,494 | |
| Total square feet | 10,157,351 | 10,365,987 | 10,365,987 | 10,365,987 | |
| Recurring capital expenditures per square foot | $ 0.16 | $ 0.49 | $ 0.44 | $ 0.12 | $ 0.32 |

(9) Represents scheduled principal amortization during the 12 month period ending September 30, 2015 after giving effect to the repayment of $2,119.0 million of debt that we intend to repay using net proceeds from this offering and the concurrent private placements.

(10) Our share of estimated cash available for distribution and estimated initial annual cash distributions to our stockholders is based on an estimated approximately 78.8% aggregate partnership interest in our operating partnership.

(11) Includes share of estimated cash available for distribution from both non-controlling interests in the operating partnership and non-controlling interests from consolidated joint ventures at 31 West 52nd Street and One Market Plaza.

(12) Calculated as estimated initial annual distribution divided by our share of estimated cash available for distribution for the 12 months ending September 30, 2015.

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# CAPITALIZATION

The following table sets forth as of September 30, 2014:

- the actual capitalization of our predecessor;

- our pro forma capitalization as of September 30, 2014, adjusted to give effect to the formation transactions and the other adjustments described in the unaudited pro forma financial information beginning on page F-2 but before this offering, the concurrent private placements and the use of net proceeds from this offering and the concurrent private placements as set forth in Use of Proceeds ; and

- our capitalization on a pro forma basis as of September 30, 2014, adjusted to give effect to the formation transactions, this offering, the concurrent private placements, the use of net proceeds from this offering and the concurrent private placements as set forth in Use of Proceeds and the other adjustments described in the unaudited pro forma financial information beginning on page F-2.

You should read this table in conjunction with Use of Proceeds, Selected Historical and Pro Forma Financial Data, and Management s Discussion and Analysis of Financial Condition and Results of Operations and the combined consolidated financial statements and unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus (in thousands, except per share).

| | As of September 30, 2014 | | |
|---|---|---|---|
| | Paramount Predecessor Historical | Company Pro Forma Prior to this Offering and the Concurrent Private Placements | Company Pro Forma |
| Debt: | | | |
| Mortgage notes and loans payable | $ 497,982 | $ 4,772,486 | $ 2,878,885 |
| Preferred equity obligation | 112,688 | 225,376 | |
| Loans payable to non-controlling interests | 41,408 | 41,408 | 41,408 |
| | 652,078 | 5,039,270 | 2,920,293 |
| Equity: | | | |
| Shareholders equity | 300,229 | 2,479,463 | 3,720,885 |
| Non-controlling interests joint ventures and funds | 1,864,586 | 686,486 | 686,486 |
| Non-controlling interests operating partnership | | | 905,677 |
| Total equity | 2,164,815 | 3,165,949 | 5,313,048 |

| | | | |
|---|---|---|---|
| **Total capitalization** | $ 2,816,893 | $ 8,205,219 | $ 8,233,341 |

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## DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate increase in the net tangible book value of their common stock from the initial public offering price. At September 30, 2014, we had a consolidated net tangible book value of approximately $0.5 billion, or $12.99 per share of our common stock held by continuing investors. After giving effect to this offering, the formation transactions, the concurrent private placements and the other adjustments described in the unaudited pro forma financial information beginning on page F-2, the pro forma net tangible book value at September 30, 2014 attributable to common stockholders would have been $4.3 billion, or $17.72 per share of our common stock. This amount represents an immediate increase in net tangible book value of $4.73 per share to certain continuing investors and an immediate increase (accretion) in the pro forma net tangible book value of $(0.22) per share from the initial public offering price of $17.50 per share of our common stock to new public investors. The following table illustrates this per-share increase:

| | | |
|---|---|---|
| Initial public offering price per share | | $ 17.50 |
| Net tangible book value per share before the formation transactions, this offering and the concurrent private placements (1) | $ 12.99 | |
| Net increase in pro forma net tangible book value per share attributable to the formation transactions, this offering and the concurrent private placements | $ 4.73 | |
| Pro forma net tangible book value per share after the formation transactions, this offering and the concurrent private placements (2) | | $ 17.72 |
| Increase in pro forma net tangible book value per share to new investors (3) | | $ (0.22) |

(1) Net tangible book value per share of our common stock before the formation transactions, this offering and the concurrent private placements is determined by dividing net tangible book value based on September 30, 2014 net book value of the tangible assets (consisting of total assets less intangible assets, which comprises deferred financing and leasing costs, acquired above-market leases and acquired in place lease value, net of liabilities to be assumed, excluding acquired below-market leases and acquired above-market ground leases) of our predecessor, less the portion attributable to non-controlling interests, by the number of shares of our common stock received by certain contributors in the formation transactions in exchange for their equity interests in our predecessor, assuming the conversion into shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(2) Based on pro forma net tangible book value of approximately $5.0 billion, less $0.7 billion attributable to non-controlling interests in joint ventures and funds, divided by the sum of shares of our common stock and common units to be outstanding after this offering and the concurrent private placements, not including shares of our common stock issuable upon the conversion of unvested LTIP units and shares of our common stock issuable upon the exercise of options to purchase shares of our common stock to be granted under our 2014 Equity Incentive Plan.

(3) The increase is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation transactions, this offering and the concurrent private placements and other pro forma adjustments from the initial public offering price paid by a new investor for a share of our common stock.

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The table below summarizes (i) the difference between the number of shares of common stock and common units in our operating partnership to be received by continuing investors in the formation transactions and the number of shares to be received by new investors purchasing shares in this offering, and (ii) the difference between our pro forma net tangible book value as of September 30, 2014 after giving effect to the formation transactions and other pro forma adjustments but prior to this offering and the concurrent private placements and the total consideration paid in cash by the new investors purchasing shares in this offering on an aggregate and per share/unit basis (amounts in thousands, expect share amounts).

| | Shares/Common Units Issued | | Pro Forma Net Tangible Book Value of Contribution/Cash | | Average Price Per Share/ Unit |
|---|---|---|---|---|---|
| | Number | Percentage | Amount | Percentage | |
| Shares of common stock and common units in our operating partnership issued in connection with the formation transactions and the concurrent private placements | 108,051,426 | 44.3% | $ 2,031,946 | 47.0%[1] | $ 18.81 |
| LTIP units/shares of restricted stock to be granted to executive officers, non-employee directors and employees in connection with this offering | 4,948,570 | 2.0% | | | |
| New investors in this offering | 131,000,000 | 53.7% | 2,292,500 | 53.0% | $ 17.50 |
| **Total / Average** | 243,999,996 | 100.0% | $ 4,324,446 | 100.0% | $ 17.72 |

(1) Represents our pro forma net tangible book value as of September 30, 2014 after giving effect to the formation transactions and other pro forma adjustments but prior to this offering and the concurrent private placements.

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## SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table sets forth selected historical combined consolidated financial information and other data as of the dates and for the periods presented. The selected financial information as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 has been derived from Paramount Predecessor s audited combined consolidated financial statements included elsewhere in this prospectus. The selected financial information as of September 30, 2014 and 2013 has been derived from Paramount Predecessor s unaudited combined consolidated financial statements included elsewhere in this prospectus. This financial information and other data should be read in conjunction with the audited combined consolidated financial statements and notes thereto included in this prospectus.

The unaudited pro forma combined consolidated financial data for the nine months ended September 30, 2014 and for the year ended December 31, 2013, is presented as if this offering, the formation transactions, the concurrent private placements and the other adjustments described in the unaudited pro forma financial information beginning on page F-2 had occurred on September 30, 2014 for purposes of the pro forma combined consolidated balance sheet data and as of January 1, 2013 for purposes of the pro forma combined consolidated statements of income. This pro forma financial information is not necessarily indicative of what Paramount Group, Inc. s actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent Paramount Group, Inc. s future financial position or results of operations.

The following table also sets forth combined property-level financial data based on financial information included in Paramount Predecessor s combined consolidated financial statements and Notes 3 and 4 thereto, which is presented for our properties on a combined basis for the nine months ended September 30, 2014 and 2013 and for the years ended December 31, 2013 and 2012. This property-level information does not purport to represent Paramount Predecessor s historical combined consolidated financial information and it is not necessarily indicative of our future results of operations. For example, we will not own 100.0% of all of our properties or consolidate the results of operations of all of our properties and, as a result, our results of operations going forward will differ from the property-level financial information shown below. However, in light of the significant differences that will exist between our future financial information and Paramount Predecessor s historical combined consolidated financial information and the fact that we will account for our investment in one property using the equity method of historical cost accounting, we believe that this presentation of property-level data will be useful to investors in understanding the historical performance of our properties on a property-level basis.

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You should read the following summary selected historical and pro forma financial information in conjunction with the information contained in Structure and Formation of Our Company, Management s Discussion and Analysis of Financial Condition and Results of Operations, the combined consolidated financial statements and the unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

| ($ in thousands) | (Pro Forma) For the nine months ended September 30, 2014 | (Historical) For the nine months ended September 30, 2014 | 2013 | (Pro Forma) For the year ended December 31, 2013 | 2013 | (Historical) For the year ended December 31, 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| **Statement of Operations Data:** | | | | | | | |
| Revenues | | | | | | | |
| Rental income | $ 388,665 | $ 25,087 | $ 22,758 | $ 498,209 | $ 30,406 | $ 29,773 | $ 29,187 |
| Tenant reimbursement income | 35,718 | 1,266 | 1,268 | 47,494 | 1,821 | 1,543 | 1,004 |
| Distributions from real estate fund investments | 12,126 | 16,333 | 21,074 | 15,205 | 29,184 | 31,326 | 15,128 |
| Realized and unrealized gains, net | 40,577 | 123,150 | 132,171 | 30,683 | 332,053 | 161,199 | 533,819 |
| Fee income | 8,129 | 25,510 | 16,729 | 8,904 | 26,426 | 22,974 | 26,802 |
| Other income | 12,485 | | | 17,555 | | | |
| Total revenues | 497,700 | 191,346 | 194,000 | 618,050 | 419,890 | 246,815 | 605,940 |
| Expenses | | | | | | | |
| Operating | 176,607 | 12,184 | 10,761 | 232,330 | 16,195 | 15,402 | 14,656 |
| Depreciation and amortization | 218,366 | 8,548 | 7,864 | 289,712 | 10,582 | 10,104 | 10,701 |
| General and administrative | 24,467 | 18,078 | 18,444 | 40,250 | 33,504 | 28,374 | 25,556 |
| Profit sharing compensation | | 11,624 | 10,476 | | 23,385 | 17,554 | 78,354 |
| Other | 5,172 | 5,172 | 3,176 | 4,633 | 4,633 | 6,569 | 5,312 |
| Total expenses | 424,612 | 55,606 | 50,721 | 566,925 | 88,299 | 78,003 | 134,579 |
| Operating income | 73,088 | 135,740 | 143,279 | 51,125 | 331,591 | 168,812 | 471,361 |
| Income from partially owned entities | 4,013 | 3,812 | (150) | 2,805 | 1,062 | 3,852 | 5,448 |
| Unrealized gain (loss) on interest | 69,311 | (673) | 866 | 121,485 | 1,615 | 6,969 | (273) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| rate swaps | | | | | | | |
| Interest and other income | 1,527 | 1,707 | 6,798 | 8,870 | 9,407 | 4,431 | 1,887 |
| Interest expense | (126,316) | (23,802) | (22,260) | (167,732) | (29,807) | (37,342) | (34,497) |
| Net income before income taxes | 21,623 | 116,784 | 128,533 | 16,553 | 313,868 | 146,722 | 443,926 |
| Provision for income taxes | (394) | (7,925) | (6,509) | (316) | (11,029) | (6,984) | (42,973) |
| Net income | 21,229 | 108,859 | 122,024 | 16,237 | 302,839 | 139,738 | 400,953 |
| Net income attributable to non-controlling interests in consolidated joint ventures and funds | (9,430) | (86,381) | (113,253) | (29,204) | (286,325) | (137,443) | (347,075) |
| Net income (loss) attributable to Paramount Group | 11,799 | $ 22,478 | $ 8,771 | (12,967) | $ 16,514 | $ 2,295 | $ 53,878 |
| Net (income) loss attributable to non-controlling interests in the Operating Partnership | (2,503) | | | 2,750 | | | |
| Net income (loss) attributable to equity owners | $ 9,296 | | | $ (10,217) | | | |
| **Balance Sheet Data (As of End of Period):** | | | | | | | |
| Rental property, net | $ 7,408,355 | $ 415,387 | | | $ 357,309 | $ 366,430 | |
| Total assets | 8,728,976 | 3,119,632 | | | 2,922,691 | 2,611,727 | |
| Mortgage notes and loan payable | 2,878,885 | 497,982 | | | 499,859 | 517,494 | |
| Preferred equity obligation | | 112,688 | | | 109,650 | 105,433 | |
| Total liabilities | 3,415,928 | 954,817 | | | 897,247 | 873,501 | |
| Total equity | 5,313,048 | 2,164,815 | | | 2,025,444 | 1,738,226 | |
| **Other Data:** | | | | | | | |
| Cash NOI (1)(2) | $ 224,010 | | | 269,992 | | | |
| Pro Rata share of Cash NOI (1)(2) | 210,680 | | | 247,226 | | | |
| Adjusted EBITDA (1)(3) | 245,450 | | | 308,452 | | | |
| | 230,128 | | | 279,971 | | | |

| | | |
|---|---|---|
| Pro Rata Share of Adjusted EBITDA (1)(3) | | |
| FFO (1) | 243,754 | 313,509 |
| Core FFO (1) | 120,906 | 135,830 |

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| | For the nine months ended September 30, | | For the year ended December 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2013 | 2012 |
| **Combined Property-Level Data:** | | | | |
| **Same Property Portfolio** [4] | | | | |
| Cash NOI [1] | $ 249,657 | $ 215,173 | $ 299,412[5] | $ 316,000 |
| **Total Portfolio** | | | | |
| Net income | $ 47,337 | $ 58,253 | $ 68,980 | $ 63,471 |

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operation Non-GAAP Financial Measures on page 110 for a definition of this metric and reconciliation of this metric to the most directly comparable GAAP number and a statement of why our management believes the presentation of the metric provides useful information to investors and, to the extent material, any additional purposes for which management uses the metric.

(2) Cash NOI and Pro Rata Share of Cash NOI does not include the effect of $24.6 million and $14.3 million, respectively, of incremental annualized rent from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014. Incremental annual GAAP revenue and our pro rata share of incremental annual GAAP revenue from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014 were $28.2 million and $16.4 million, respectively.

(3) Adjusted EBITDA and Pro Rata Share of Adjusted EBITDA do not include the effect of $28.2 million and $16.4 million, respectively, of incremental annual GAAP revenue from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014.

(4) The same property amounts for the years ended December 31, 2013 and 2012 include our 11 properties that were acquired or placed in service by our predecessor prior to January 1, 2012 and owned and in service through December 31, 2013, and as a result they exclude 2099 Pennsylvania Avenue which was acquired in January 2012. The same property amounts for the nine months ended September 30, 2014 and 2013 include our 12 properties that were acquired or placed in service by our predecessor prior to January 1, 2013 and owned and in service through September 30, 2014.

(5) Excluding the impact of 1301 Avenue of the Americas on the same property Cash NOI, due to the Dewey & LeBoeuf LLP lease termination and the effect of free rent from a large 2013 lease renewal, same property Cash NOI increases by $8.3 million.

## MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our results of operations and financial condition in conjunction with Paramount Predecessor s historical combined consolidated financial statements and related notes, our unaudited pro forma combined consolidated financial statements and related notes, Risk Factors, Selected Historical and Pro Forma Financial Data, and Business and Properties included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this prospectus entitled Risk Factors and Cautionary Statement Regarding Forward-Looking Statements. As used in this section, when used in a historical context, we, us, and our refers to Paramount Predecessor.*

### Overview

We are one of the largest vertically-integrated real estate companies focused on owning, operating and managing high-quality, Class A office properties in select CBD submarkets of New York City, Washington, D.C. and San Francisco. As of September 30, 2014, our portfolio consisted of 12 Class A office properties with an aggregate of approximately 10.4 million rentable square feet that was 92.1% leased to 260 tenants. Our New York City portfolio accounted for 75.6% of annualized rent as of September 30, 2014, while our Washington, D.C. and San Francisco portfolios accounted for 11.7% and 12.7%, respectively.

Paramount Group, Inc. was incorporated in Maryland as a corporation on April 14, 2014 to continue the business of our predecessor, which was originally established in 1978 by Professor Dr. h.c. Werner Otto of Hamburg, Germany. We will conduct all of our business activities through our operating partnership, of which we are the sole general partner. We intend to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2014.

#### *Our Predecessor*

Paramount Predecessor is a combination of entities controlled by members of the Otto family that hold various assets, including interests in the following 12 properties which will be contributed to us in connection with the formation transactions: (i) one wholly owned property (Waterview), (ii) two partially owned properties (1325 Avenue of the Americas and 712 Fifth Avenue), and (iii) nine properties wholly or partially owned by private equity real estate funds controlled by these entities, including one property (900 Third Avenue) that is also partially owned directly by these entities. Paramount Predecessor controls nine primary private equity real estate funds, including the funds that will contribute their interests in properties described above to us, as well as their associated parallel funds. Paramount Predecessor also includes the management business that sponsored these funds and manages their real estate interests. In connection with the formation transactions, Paramount Predecessor will contribute to us the general partner interests in all of the private equity real estate funds that will continue holding assets following the formation transactions and its management business.

The results of the private equity real estate funds controlled by Paramount Predecessor are included in Paramount Predecessor s historical combined consolidated financial statements, with the interests of third-party investors in these funds reflected as non-controlling interests. Historically, with one exception, these funds have qualified as investment companies pursuant to Accounting Standards Codification 946 *Financial Services Investment Companies*, or ASC

946, and, as a result, Paramount Predecessor s historical combined consolidated financial statements have accounted for these funds using the specialized accounting applicable to investment companies. In accordance with investment company accounting, the investments of the funds that qualify as investment companies are reflected on Paramount Predecessor s combined consolidated balance sheets at fair value as opposed to historical cost, less accumulated depreciation and impairments, if any. In addition,

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Paramount Predecessor s combined consolidated statements of income do not reflect revenues and other income or operating and other expenses from the operations underlying these investments. Instead, these statements of income reflect the change in fair value of these funds investments, whether realized or unrealized, and distributions received by these funds from their investments.

***Formation Transactions***

Upon the consummation of the formation transactions, this offering and the concurrent private placements, substantially all of the assets of Paramount Predecessor and all of the assets of four of the primary private equity real estate funds that it controls (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, will be contributed to us in exchange for a combination of shares of our common stock, common units and cash. These transactions will be accounted for as transactions among entities under common control. However, as the assets that we acquire from the private equity real estate funds that Paramount Predecessor controls will no longer be held by funds which qualify for investment company accounting, we will account for these assets following the formation transactions using consolidated historical cost accounting, including the fund investments that had previously been accounted for using fair market value accounting. Moving from investment company accounting to historical cost accounting will result in a significant change in the presentation of our consolidated financial statements following the formation transactions, and our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of Paramount Predecessor. Additionally, as part of our formation transactions, we will also acquire the interests of certain unaffiliated third parties in 1633 Broadway, 31 West 52nd Street and 1301 Avenue of the Americas in exchange for a combination of shares of our common stock, common units and cash.

The following table sets forth information regarding our combined ownership percentage and accounting treatment for each of our properties before the formation transactions (on a historical combined consolidated basis as of September 30, 2014) and after the formation transactions.

| Property | Rentable Square Feet | Pre-Formation Transactions Ownership Percentage | Pre-Formation Transactions Accounting Treatment (1) | Post-Formation Transactions Ownership Percentage | Post-Formation Transactions Accounting Treatment (1) |
|---|---|---|---|---|---|
| ***Wholly/Partially Owned Properties (Pre-Formation Transactions):*** | | | | | |
| Waterview | 647,243 | 100.0% | Historical Cost | 100.0% | Historical Cost |
| 1325 Avenue of the Americas | 814,892 | 50.0 | Equity Method | 100.0 | Historical Cost |
| 712 Fifth Avenue | 543,341 | 50.0 | Equity Method | 50.0 | Equity Method |
| ***Fund Properties (Pre-Formation Transactions):*** | | | | | |
| 1633 Broadway | 2,643,065 | 75.5% | Investment Company | 100.0% | Historical Cost |
| 900 Third Avenue | 596,270 | 100.0 | Investment Company/ Equity Method(2) | 100.0 | Historical Cost |
| 31 West 52nd Street | 786,647 | 62.3 | Investment Company | 64.2 | Historical Cost |
| 1301 Avenue of the Americas | 1,767,992 | 75.5 | Investment Company | 100.0 | Historical Cost |
| One Market Plaza | 1,611,125 | 100.0 | Investment Company | 49.0(3) | Historical Cost |
| Liberty Place | 174,205 | 100.0 | Investment Company | 100.0 | Historical Cost |

| | | | | | |
|---|---|---|---|---|---|
| 1899 Pennsylvania Avenue | 192,481 | 100.0 | Investment Company | 100.0 | Historical Cost |
| 2099 Pennsylvania Avenue | 208,636 | 100.0 | Investment Company | 100.0 | Historical Cost |
| 425 Eye Street | 380,090 | 100.0 | Investment Company | 100.0 | Historical Cost |

(1) Historical Cost refers to consolidated historical cost accounting; Equity Method refers to the equity method of historical cost accounting; Investment Company refers to consolidated fair market value accounting.

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(2) 900 Third Avenue is currently held in a joint venture between entities owned by the Otto family that are included in Paramount Predecessor, which own an approximately 11.8% interest in this joint venture, and private equity real estate funds controlled by Paramount Predecessor, which own the remaining approximately 88.2% of this joint venture. As a result, in Paramount Predecessor s combined consolidated financial statements, the approximately 11.8% interest is accounted for using the equity method of historical cost accounting and the approximately 88.2% interest is accounted for using investment company accounting.

(3) An independent third party global investment and advisory firm purchased a 49.0% interest in the joint venture that owns One Market Plaza on July 23, 2014. Upon completion of the formation transactions, we will own a 49.0% interest in the joint venture that owns One Market Plaza and we will indirectly wholly own the general partner of a limited partnership that will own a 2.0% interest in the joint venture that holds the property. As a result, we will effectively have 51.0% voting power in connection with the property.

In order to provide investors with more meaningful information regarding Paramount Predecessor s historical results of operations, we are also presenting a discussion of the historical property-level results of operations of these properties on a combined basis based on the financial information included in Paramount Predecessor s historical combined consolidated financial statements and Notes 3 and 4 thereto.

Following the formation transactions, our consolidated financial statements will continue to include the private equity real estate funds that we control that will continue holding assets following the formation transactions, which are described in detail in Business and Properties Real Estate Funds, Property Management and Other Assets. We will continue to include these funds in our consolidated financial statements using investment company accounting, excluding Paramount Group Residential Development Fund, LP, or RDF, which is accounted for using consolidated historical cost accounting; however, as our actual economic interest in these funds is relatively small, most of the impact of these funds assets, liabilities and results of operations will be attributable to third-party investors and reflected as non-controlling interest. We will also continue to receive fee income from the property management and asset management services that we provide to these funds and joint ventures pursuant to which we will hold certain of our properties. We will also have the right to receive incentive distributions based on the performance of these funds and certain joint ventures. Following the completion of the formation transactions, we intend to directly fund our future real estate investments following deployment of our existing funds remaining committed equity capital.

***Segments***

We will operate, and Paramount Predecessor historically has operated, an integrated business that consists of three reportable segments: owned properties, managed funds and a management company. Each individual property and each individual fund represents a different operating segment. All owned properties and managed funds have been aggregated as reportable segments as the individual properties and funds do not meet the quantitative and qualitative requirements to be disclosed separately. Our owned properties segment consists of properties in which we directly or indirectly own an interest, other than properties that we own solely through an interest in our private equity real estate funds. Prior to the formation transactions, our interests in Waterview, 1325 Avenue of the Americas, 712 Fifth Avenue and a portion of our interest in 900 Third Avenue were the only interests in our properties reflected in this segment of Paramount Predecessor s operations. Following the formation transactions, we will have 12 properties in this segment. Our managed funds segment consists of the results of our private equity real estate funds. Prior to the formation transactions, this segment included the results of all of the private equity real estate funds that we controlled. Following the formation transactions, this segment will only include the results of the private equity real estate funds that we control that will continue holding assets following the formation transactions. Our management company segment consists of our property management and asset management business and certain general and administrative level functions, including legal and accounting.

**Results of Operations Paramount Predecessor**

The following discussion is based on Paramount Predecessor s combined consolidated statements of income for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011.

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***Comparison of Results of Operations for the Nine Months Ended September 30, 2014 and 2013***

The following table summarizes the combined consolidated historical results of operations of our predecessor for the nine months ended September 30, 2014 and 2013 and our combined consolidated pro forma results of operations for the nine months ended September 30, 2014 (dollar amounts in thousands). As noted above, our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of our predecessor. All pro forma financial information in this table is presented on the basis, and after making the adjustments, described in our unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

| | Nine Months Ended September 30, | | | | |
|---|---|---|---|---|---|
| | Pro Forma | Historical | | | |
| | 2014 | 2014 | 2013 | Change | % Change |
| **Revenues:** | | | | | |
| Rental income | $ 388,665 | $ 25,087 | $ 22,758 | $ 2,329 | 10.2% |
| Tenant reimbursement income | 35,718 | 1,266 | 1,268 | (2) | (0.2%) |
| Distributions from real estate fund investments | 12,126 | 16,333 | 21,074 | (4,741) | (22.5%) |
| Realized and unrealized gains, net | 40,557 | 123,150 | 132,171 | (9,021) | (6.8%) |
| Fee income | 8,129 | 25,510 | 16,729 | 8,781 | 52.5% |
| Other income | 12,485 | | | | |
| **Total revenues** | **497,700** | **191,346** | **194,000** | **(2,654)** | **(1.4%)** |
| **Expenses:** | | | | | |
| Operating | 176,607 | 12,184 | 10,761 | 1,423 | 13.2% |
| Depreciation and amortization | 218,366 | 8,548 | 7,864 | 684 | 8.7% |
| General and administrative | 24,467 | 18,078 | 18,444 | (366) | (2.0%) |
| Profit sharing compensation | | 11,624 | 10,476 | 1,148 | 11.0% |
| Other | 5,172 | 5,172 | 3,176 | 1,996 | 62.8% |
| **Total expenses** | **424,612** | **55,606** | **50,721** | **4,885** | **9.6%** |
| **Operating income** | **73,088** | **135,740** | **143,279** | **(7,539)** | **(5.3%)** |
| Income (loss) from partially owned entities | 4,013 | 3,812 | (150) | 3,962 | 2641.3% |
| Unrealized gain (loss) on interest rate swaps | 69,311 | (673) | 866 | (1,539) | (177.7%) |
| Interest and other income | 1,527 | 1,707 | 6,798 | (5,091) | (74.9%) |
| Interest expense | (126,316) | (23,802) | (22,260) | (1,542) | 6.9% |
| **Net income before income taxes** | **21,623** | **116,784** | **128,533** | **(11,749)** | **(9.1%)** |
| Provision for income taxes | (394) | (7,925) | (6,509) | (1,416) | 21.8% |
| **Net income** | **21,229** | **108,859** | **122,024** | **(13,165)** | **(10.8%)** |
| Net income attributable to non-controlling interests in consolidated joint ventures and funds | (9,430) | (86,381) | (113,253) | 26,872 | (23.7%) |

| | | | | | |
|---|---|---|---|---|---|
| **Net income attributable to Paramount Group** | **11,799** | **$ 22,478** | **$ 8,771** | **$ 13,707** | **156.3%** |
| Net income attributable to non-controlling interests in this Operating Partnership | (2,503) | | | | |
| **Net income attributable to equity owners** | **$ 9,296** | | | | |

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*Rental Income*

Rental income included in historical results is attributable to Waterview, which is the only property for which direct property operations are reflected in the historical condensed combined consolidated financial statements of our predecessor, as well as parking income received from a parking garage acquired by our residential development fund, RDF, in March 2014. Rental income was $25.1 million in the nine months ended September 30, 2014, compared to $22.7 million in the prior year s nine months, an increase of $2.4 million, or 10.2%. This increase was primarily attributable to rental income from the parking garage acquired by RDF in March 2014.

On a pro forma basis, rental income was $388.7 million for the nine months ended September 30, 2014, and represents rental income from the 11 properties that we will account for using consolidated historical cost accounting upon the completion of the formation transactions.

*Tenant Reimbursement Income*

Tenant reimbursement income was $1.3 million in each of the nine months ended September 30, 2014 and 2013, and is solely attributable to reimbursement income from Waterview. Generally, under our leases, we are entitled to reimbursement from our tenants for increases in real estate tax and operating expenses associated with the property over the amounts incurred for those expenses in the first, or base year, of the respective leases.

On a pro forma basis, tenant reimbursement income was $35.7 for the nine months ended September 30, 2014, and represents tenant reimbursement income from the 11 properties that we will account for using consolidated historical cost accounting upon the completion of the formation transactions.

*Distributions from Real Estate Fund Investments*

Distributions from real estate fund investments comprise distributions received by our private equity real estate funds and were $16.3 million in the nine months ended September 30, 2014, compared to $21.1 million in the prior year s nine months, a decrease of $4.7 million, or 22.5%. This decrease was primarily attributable to the elimination of distributions from 1633 Broadway as cash was retained in 2014 in order to fund leasing costs at the property.

As we will acquire all of the assets of four of our primary private equity real estate funds (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, our future distributions from real estate fund investments will differ significantly from historical amounts.

On a pro forma basis, distributions from real estate fund investments were $12.1 million in the nine months ended September 30, 2014, and represents distributions from the private equity real estate funds that we will continue to manage following the formation transactions.

*Realized and Unrealized Gains, Net*

Realized and unrealized gains, net consist of the net realized and unrealized appreciation in the fair value of our private equity real estate fund investments. The value of our funds investments are impacted by a variety of factors including changes in existing and projected net operating incomes and cash flows, ongoing capital projects, leasing related expenditures, and changes in the key assumptions used in projecting likely prices achievable through third-party asset sales. These key assumptions, which vary from property to property, market to market and period to period, include indicators such as rental growth rates, leasing velocities and occupancy levels, as well as investment factors such as prevailing and projected investment capitalization and discount rates and likely holding periods. See

Note 11 to Paramount Predecessor s historical condensed combined consolidated financial statements. Realized and unrealized gains, net were $123.2 million in the nine months ended September 30, 2014, compared to $132.2 million in the prior year s nine months, a decrease of $9.0 million, or 6.8%. This decrease was primarily attributable to market fundamentals in 2014 as compared to 2013. While market fundamentals continued to improve during 2014, they did so at a slower pace as compared to 2013.

As we will acquire all of the assets of four of our primary private equity real estate funds (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, our future realized and unrealized gains will differ significantly from historical amounts as the accounting for the assets acquired from the funds in connection with the formation transactions will change from investment company accounting to historical cost accounting.

On a pro forma basis, realized and unrealized gains, net were $40.5 million in the nine months ended September 30, 2014, and represent realized and unrealized gains from the private equity real estate funds that we will continue to manage following the formation transactions.

*Fee Income*

Fee income, which represents property management fees, asset management fees, construction management fees and leasing fees, as well as income from the acquisition, disposition or financing of a property, was $25.5 million in the nine months ended September 30, 2014, compared to $16.7 million in the prior year s nine months, an increase of $8.8 million, or 52.5%. This increase was primarily attributable to (i) higher acquisition and disposition fees of $5.5 million, due to an increase in the aggregate amount of transactions executed during the nine months ended September 30, 2014, as compared to the prior year s nine months, and (ii) higher construction fees of $1.8 million.

The amount of our fee income following the completion of the formation transactions will be less than our predecessor s historical fee income, as we will cease earning fees from private equity real estate funds and other entities that will be dissolved and fee income from the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions, will be eliminated in consolidation.

On a pro forma basis, fee income was $8.1 million for the nine months ended September 30, 2014.

*Other Income*

Other income consists of charges to tenants for certain items such as overtime heating and cooling, freight elevator services and other similar items. We had no other income in each of the nine months ended September 30, 2014 and 2013, as there were no such charges to tenants at Waterview.

On a pro forma basis, other income was $12.5 million for the nine months ended September 30, 2014, and represents charges to tenants at the 11 properties that we will account for using the consolidated historical cost accounting upon completion of the formation transactions.

*Operating Expenses*

Operating expenses included in historical results comprise of cleaning, security, repairs and maintenance, utilities, property administration, real estate taxes, management fees and other operating expenses at Waterview and the parking garage acquired by RDF in March 2014 as well as the costs of providing certain leasing, property and construction management services to the portfolio of properties owned by our predecessor and the private real estate funds that it controls. Operating expenses were $12.2 million in the nine months ended September 30, 2014, compared to $10.8 million in the prior year s nine months, an increase of $1.4 million, or 13.2%. This increase was primarily attributable to an increase in the cost of providing management services and operating expenses related to the parking garage acquired by RDF in March 2014.

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On a pro forma basis, operating expenses were $176.6 million for the nine months ended September 30, 2014, and represent the operating expenses of the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Depreciation and Amortization*

Depreciation and amortization included in historical results was attributable to Waterview and the parking garage acquired by RDF in March 2014. Depreciation and amortization was $8.5 million in the nine months ended September 30, 2014, compared to $7.8 million in the prior year s nine months, an increase of $0.7 million, or 8.7%. This increase was primarily attributable to the parking garage acquired by RDF in March 2014.

On a pro forma basis, depreciation and amortization was $218.4 million for the nine months ended September 30, 2014, and represents depreciation and amortization on the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*General and Administrative*

General and administrative expenses consist of employee salaries and related costs, professional fees and other administrative costs. General and administrative expenses also include income or expense from the mark-to-market of investments in our deferred compensation plan (for which there is a corresponding increase or decrease in interest and other income). Under this deferred compensation plan, participants are permitted to defer a portion of their income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the participants. We typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each participant. This enables us to generally match our liabilities to the participants under the deferred compensation plan with equivalent assets and thereby limit our market risk. General and administrative expenses were $18.0 million in the nine months ended September 30, 2014, compared to $18.4 million in the prior year s nine months, a decrease of $0.4 million, or 2.0%. The nine months ended September 30, 2014 and 2013, includes $1.1 million and 3.7 million, respectively, of expense from the mark-to-market of investments in our deferred compensation plan. Excluding these expenses, general and administrative expenses were $16.9 million in the nine months ended September 30, 2014, compared to $14.7 million in the prior year s nine months, an increase of $2.2 million, or 14.9%. This increase was primarily attributable to legal and other transaction costs as well as an increase in salaries and related costs.

On a pro forma basis, general and administrative expenses were $24.5 million for the nine months ended September 30, 2014.

*Profit Sharing Compensation*

Profit sharing compensation represents a portion of fee income and real estate appreciation attributable to our private equity real estate fund business which is payable to certain management employees through profit sharing arrangements. These arrangements will cease upon the completion of the formation transactions and our future compensation structure will differ significantly from historical practice. Profit sharing compensation was $11.6 million in the nine months ended September 30, 2014, compared to $10.5 million in the prior year s nine months, an increase of $1.1 million, or 11.0%. This increase was primarily attributable to unrealized gains on the real estate investments held by our funds.

*Other Expenses*

Other expenses, which comprise acquisition pursuit costs, fund formation costs, capital raising costs and organization costs, were $5.2 million in the nine months ended September 30, 2014, compared to $3.2 million in the prior year s nine months, an increase of $2.0 million, or 62.8%. This increase was primarily due to increased legal and other costs associated with the formation of a new private equity real estate fund as well as the residual capital raise for two existing funds.

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On a pro forma basis, other expenses were $5.2 million.

*Income from Partially Owned Entities*

Income from partially owned entities comprises income from equity investments in 1325 Avenue of the Americas, 712 Fifth Avenue and 900 Third Avenue. We have included a detailed discussion of the results of operations of these properties, together with our other properties, under Results of Operations Paramount Predecessor Property Level Performance. In the nine months ended September 30, 2014, we recognized $3.8 million of income from partially owned entities, compared to a $0.2 million loss in the prior year s nine months, an increase in income of $4.0 million. This increase was attributable to higher income of $2.6 million at 712 Fifth Avenue and $1.4 million at 1325 Avenue of the Americas.

Following the formation transactions, we will own 100% of 1325 Avenue of the Americas and 900 Third Avenue. Accordingly, we will consolidate the results of operations of these properties rather than account for it under the equity method of historical cost accounting.

On a pro forma basis, income from partially owned entities, which will consist primarily of our interest in 712 Fifth Avenue, was $4.0 million for the nine months ended September 30, 2014.

*Unrealized Gain (Loss) on Interest Rate Swaps*

In the nine months ended September 30, 2014, we recognized a $0.7 million loss on interest rate swaps, compared to $0.8 million gain in the prior year s nine months, a decrease in income of $1.5 million. This decrease was primarily attributable to a decrease in the interest rate indexes to which rates are tied. These swaps all relate to the debt of certain private equity real estate funds that will contribute their property interests to us in connection with the formation transactions and will be repaid in full with the proceeds from this offering and the concurrent private placements.

On a pro forma basis, unrealized gains on interest rate swaps were $69.3 million for the nine months ended September 30, 2014, and represent gains on interest rate swaps of the 11 properties we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Interest and Other Income*

Interest and other income was $1.7 million in the nine months ended September 30, 2014, compared to $6.8 million in the prior year s nine months, a decrease of $5.1 million, or 74.9%. This decrease was primarily due to (i) a decrease of $2.6 million from the mark-to-market of investments in our deferred compensation plan (for which there is a corresponding decrease in general and administrative expenses), and (ii) $2.1 million of interest income in 2013 from new investors in one of our private equity real estate funds in connection with their initial capital contributions.

On a pro forma basis, interest and other income was $1.5 million for the nine months ended September 30, 2014.

*Interest Expense*

Interest expense included in our historical results relates to interest incurred on the Waterview mortgage, the fund-level debt of the private equity real estate funds that we control, preferred equity in the joint venture holding 1633 Broadway, and a loan to a feeder vehicle for RDF. See Note 8 to Paramount Predecessor s condensed combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus, for further details.

Interest expense was $23.8 million in the nine months ended September 30, 2014, compared to $22.3 million in the prior year s nine months, an increase of $1.5 million, or 6.9%. This increase was primarily due to interest on the $41.4 million loan to the feeder vehicle for RDF in January 2014.

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On a pro forma basis, interest expense was $126.3 million for the nine months ended September 30, 2014, and represents interest on the mortgage debt that we will assume relating to the 11 properties that we will account for using consolidated historical cost accounting upon the completion of the formation transactions.

*Provision for Income Taxes*

Provision for income taxes was $7.9 million in the nine months ended September 30, 2014, compared to $6.5 million in the prior year s nine months, an increase of $1.4 million, or 21.8%.

On a pro forma basis, provision for income taxes was $0.4 million for the nine months ended September 30, 2014.

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***Comparison of Results of Operations for the Years Ended December 31, 2013 and December 31, 2012***

The following table summarizes the combined consolidated historical results of operations of our predecessor for the years ended December 31, 2013 and December 31, 2012 and our combined consolidated pro forma results of operations for the year ended December 31, 2013 (dollar amounts in thousands). As noted above, our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of our predecessor. All pro forma financial information in this table is presented on the basis, and after making the adjustments, described in our unaudited pro forma combined consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | Pro Forma | Historical | | | |
| | 2013 | 2013 | 2012 | Change | % Change |
| **Revenues:** | | | | | |
| Rental income | $ 498,209 | $ 30,406 | $ 29,773 | $ 633 | 2.1% |
| Tenant reimbursement income | 47,494 | 1,821 | 1,543 | 278 | 18.0% |
| Distributions from real estate fund investments | 15,205 | 29,184 | 31,326 | (2,142) | (6.8%) |
| Realized and unrealized gains, net | 30,683 | 332,053 | 161,199 | 170,854 | 106.0% |
| Fee income | 8,904 | 26,426 | 22,974 | 3,452 | 15.0% |
| Other income | 17,555 | | | | |
| **Total Revenues** | **618,050** | **419,890** | **246,815** | **173,075** | **70.1%** |
| **Expenses:** | | | | | |
| Operating | 232,330 | 16,195 | 15,402 | 793 | 5.1% |
| Depreciation and amortization | 289,712 | 10,582 | 10,104 | 478 | 4.7% |
| General and administrative | 40,250 | 33,504 | 28,374 | 5,130 | 18.1% |
| Profit sharing compensation | | 23,385 | 17,554 | 5,831 | 33.2% |
| Other | 4,633 | 4,633 | 6,569 | (1,936) | (29.5%) |
| **Total Expenses** | **566,925** | **88,299** | **78,003** | **10,296** | **13.2%** |
| **Operating income** | **51,125** | **331,591** | **168,812** | **162,779** | **96.4%** |
| Income from partially owned entities | 2,805 | 1,062 | 3,852 | (2,790) | (72.4%) |
| Unrealized gain on interest rate swaps | 121,485 | 1,615 | 6,969 | (5,354) | (76.8%) |
| Interest and other income | 8,870 | 9,407 | 4,431 | 4,976 | 112.3% |
| Interest expense | (167,732) | (29,807) | (37,342) | 7,535 | (20.2%) |
| **Net income before income taxes** | **16,553** | **313,868** | **146,722** | **167,146** | **113.9%** |
| Provision for income taxes | (316) | (11,029) | (6,984) | (4,045) | 57.9% |
| **Net income** | **16,237** | **302,839** | **139,738** | **163,101** | **116.7%** |
| Net income attributable to non-controlling interests in consolidated joint ventures and funds | (29,204) | (286,325) | (137,443) | (148,882) | 108.3% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net (loss) income attributable to Paramount Group** | | **(12,967)** | **$** | **16,514** | **$** | **2,295** | **$** | **14,219** | **619.6%** |
| Net loss attributable to non-controlling interests in the Operating Partnership | | 2,750 | | | | | | | |
| **Net loss attributable to equity owners** | **$** | **(10,217)** | | | | | | | |

*Rental Income*

Rental income included in historical results is solely attributable to Waterview, which is the only property for which direct property operations are reflected in the historical combined consolidated financial statements of our predecessor. Rental income increased by $0.6 million, or 2.1%, to $30.4 million for the year ended December 31, 2013 from $29.8 million for the year ended December 31, 2012, due to consumer price index increases under the terms of the principal lease for space at Waterview.

On a pro forma basis, for the year ended December 31, 2013, rental income was $498.2 million, reflecting rental income from the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Tenant Reimbursement Income*

Tenant reimbursement income included in historical results is solely attributable to Waterview. Tenant reimbursement income increased by $0.3 million, or 18.0%, to $1.8 million for the year ended December 31, 2013 from $1.5 million for the year ended December 31, 2012. This increase resulted primarily from an increase in real estate taxes at Waterview.

On a pro forma basis, for the year ended December 31, 2013, tenant reimbursement income was $47.5 million, representing tenant reimbursement income for the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Distributions from Real Estate Fund Investments*

Distributions from real estate fund investments decreased by $2.1 million, or 6.8%, to $29.2 million for the year ended December 31, 2013 from $31.3 million for the year ended December 31, 2012. This decrease was primarily due to a reduction in distributions from 1633 Broadway as cash was retained in 2013 in order to fund leasing costs at the property.

As we will acquire all of the assets of four primary private equity real estate funds (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, our future distributions from real estate fund investments will differ significantly from historical amounts. Future distributions from real estate fund investments will be comprised of distributions received from the private equity real estate funds that we will continue to manage following the formation transactions and any new funds that we may sponsor from time to time.

On a pro forma basis, for the year ended December 31, 2013, distributions from real estate fund investments were $15.2 million.

*Realized and Unrealized Gains, Net*

Realized and unrealized gains, net increased by $170.9 million, or 106.0%, to $332.1 million for the year ended December 31, 2013 from $161.2 million for the year ended December 31, 2012 due primarily to an increase in the value of our funds investments. The value of our funds investments is impacted by a variety of factors including changes in existing and projected net operating incomes and cash flows, ongoing capital projects, leasing related expenditures, and changes in key assumptions used in projecting likely price achievable through third-party asset sales. These key assumptions include indicators such as rental growth rates, leasing velocity and occupancy levels, as well as investment factors such as prevailing and projected investment capitalization and discount rates. The increase in value was largely the result of increased net operating income resulting from improved leasing occupancy levels as well as a decrease in the assumed capitalization rates as real estate investment markets continued to recover from the impacts of the recession and sub-prime crisis. See Note 12 to Paramount Predecessor s historical combined consolidated financial statements.

As we will acquire all of the assets of four of the primary private equity real estate funds that we control (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, our future net change in unrealized gains will differ significantly from historical amounts as the accounting for the assets acquired from the funds that will contribute their property interests to us in connection with the formation transactions will change from investment company accounting to historical cost accounting. Future amounts will only reflect the realized and unrealized gains or losses of the investments of the private equity real estate funds that we will continue to manage following the formation transactions and any new funds that we may sponsor from time to time.

On a pro forma basis, for the year ended December 31, 2013, realized and unrealized gains, net was $30.7 million.

*Fee Income*

Fee income increased by $3.4 million, or 15.0%, to $26.4 million for the year ended December 31, 2013 from $23.0 million for the year ended December 31, 2012. This increase was primarily attributable to higher construction management fees and property management fees aggregating $5.3 million associated with increased leasing activity in 2013 and higher financing fees of $0.6 million, partially offset by lower acquisition and disposition fees of $2.7 million due to a reduction in the aggregate amount of transactions executed in 2013 from the prior year.

On a pro forma basis, for the year ended December 31, 2013, fee income was $8.9 million.

*Other Income*

Other income consists of charges to tenants for certain items such as overtime heating and cooling, freight elevator services and other similar items. Since our historical results include the results solely attributable to Waterview, we had no other income in the years ended December 31, 2013 and December 31, 2012 as there were no such services provided to tenants at the property.

On a pro forma basis, for the year ended December 31, 2013, other income was $17.6 million. This reflects the other income from the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Operating Expenses*

Operating expenses included in historical results are comprised of the cleaning, security, repairs and maintenance, utilities, property administration, real estate taxes, management fees and other operating expenses at Waterview as well as costs of providing certain leasing, property and construction management services to the portfolio of properties owned by Paramount Predecessor and the private real estate funds that it controls. Operating expenses increased by $0.8 million, or 5.1%, to $16.2 million for the year ended December 31, 2013 from $15.4 million for the year ended December 31, 2012, primarily due to higher real estate taxes at Waterview and increases in the cost of providing leasing services to the portfolio.

On a pro forma basis, for the year ended December 31, 2013, operating expenses were $232.3 million, reflecting the operating expenses from the 11 properties that we will account for using consolidated historical cost accounting upon completion of the formation transactions.

*Depreciation and Amortization*

Depreciation and amortization included in historical results was primarily attributable to Waterview. Depreciation and amortization increased by $0.5 million, or 4.7%, to $10.6 million for the year ended December 31, 2013 from $10.1 million for the year ended December 31, 2012. The increase was primarily due to a reduction in depreciation expense in 2012 from an adjustment to the tenant improvements and accumulated depreciation balances due to a refund received at Waterview, which did not recur in 2013.

On a pro forma basis, for the year ended December 31, 2013, depreciation and amortization was $289.7 million, reflecting the depreciation and amortization from the 11 properties that we will account for using consolidated historical cost accounting upon the completion of its formation transactions.

*General and Administrative*

General and administrative expenses increased by $5.1 million, or 18.1%, to $33.5 million for the year ended December 31, 2013 from $28.4 million for the year ended December 31, 2012. The 2013 and 2012 amounts include approximately $5.5 million and $2.1 million, respectively, of expense related to the increased value of the marketable securities underlying deferred compensation plan obligations. Under this deferred compensation plan, participants are permitted to defer a portion of their income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the participants. We typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each participant. This enables us to generally match our liabilities to the participants under the deferred compensation plan with equivalent assets and thereby limit our market risk. The performance of these investments is recorded in interest and other income, which correspondingly includes approximately $5.5 million and $2.1 million related to this plan in 2013 and 2012, respectively. General and administrative expenses, net of these costs, increased by $1.7 million, or 6.3%, to $28.0 million in 2013 from $26.3 million in 2012. This was primarily attributable to an increase in salaries and related costs.

On a pro forma basis, for the year ended December 31, 2013, general and administrative expense was $40.3 million. This amount includes $5.5 million of expense related to our deferred compensation plan, which is entirely offset by income from the mark-to-market of the assets in the plan that is included in Interest and other income. Excluding this item, general and administrative expenses for the year ended December 31, 2013 were $34.8 million on a pro forma basis.

*Profit Sharing Compensation*

Profit sharing compensation represents a portion of fee income and real estate appreciation attributable to our private equity real estate fund business which is payable to certain management employees through profit sharing arrangements. These arrangements will cease upon the completion of the formation transactions and our future compensation structure will differ significantly from historical practice. Profit sharing compensation increased by $5.8 million, or 33.2%, to $23.4 million for the year ended December 31, 2013 from $17.6 million for the year ended December 31, 2012. This increase was primarily attributable to increases in the unrealized gains on the real estate investments held by our funds.

*Other Expenses*

Other expenses includes acquisition pursuit costs, fund formation costs and capital raising costs. Other expenses decreased by $2.0 million, or 29.5%, to $4.6 million for the year ended December 31, 2013 from $6.6 million for the year ended December 31, 2012. This decrease was primarily due to reduced costs associated with the formation of and capital raising for private equity real estate funds.

On a pro forma basis, for the year ended December 31, 2013, other expenses was $4.6 million.

*Income from Partially Owned Entities*

Income from partially owned entities is comprised of income from equity investments in 1325 Avenue of the Americas, 712 Fifth Avenue and 900 Third Avenue. We have included a detailed discussion of the results of operations of these properties, together with our other properties, under Results of Operations Paramount Predecessor Property-Level Performance. Income from partially owned entities decreased by $2.8 million, or 72.4%, to $1.1 million for the year ended December 31, 2013 compared to $3.9 million for the year ended December 31, 2012. This reduction was primarily due to a $1.7 million decrease attributable to our investment in 1325 Avenue of the Americas and a $1.1 million decrease attributable to our investment in 900 Third Avenue. The reduction attributable to our investment in 1325 Avenue of the Americas is primarily due to reduced net income at the property as a result of a decrease in rental rates received in connection with the renewal of a large specialty convention space lease in the lower floors of the building. The decrease attributable to our investment in 900 Third Avenue is primarily due to a reduction in the amount of distributions that we received from the property. See

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Note 4 of Paramount Predecessor s historical combined consolidated financial statements. Following the formation transactions, we will own 100% of 900 Third Avenue and 1325 Avenue of the Americas. Accordingly, the results of operations of these properties will be included in our consolidated financial statements using consolidated historical cost accounting rather than the equity method of historical cost accounting.

On a pro forma basis, income from partially owned entities, which is primarily attributable to our interest in 712 Fifth Avenue, was $2.8 million for the year ended December 31, 2013.

*Unrealized Gain on Interest Rate Swaps*

Unrealized gain on interest rate swaps decreased by $5.4 million, or 76.8%, to $1.6 million for the year ended December 31, 2013 from $7.0 million for the year ended December 31, 2012. This decrease was primarily attributable to a decrease in the length of remaining terms of the various swap instruments and an increase in the interest rate indexes to which rates are tied. These swaps all relate to the debt of certain private equity real estate funds that will contribute their property interests to us in connection with the formation transactions and will be repaid in full with the proceeds from this offering and the concurrent private placements.

On a pro forma basis, for the year ended December 31, 2013, we had a $121.5 million unrealized gain on interest rate swaps relating to the mortgage debt associated with the 11 properties we will account for using consolidated historical cost accounting and the anticipated settlement of interest rate swap liabilities in connection with this offering and the concurrent private placements.

*Interest and Other Income*

Interest and other income increased by $5.0 million, or 112.3%, to $9.4 million for the year ended December 31, 2013 from $4.4 million for the year ended December 31, 2012, primarily due to an increase of approximately $3.4 million of income related to the increased value of the marketable securities underlying deferred compensation plan obligations, which corresponded to the increase in general and administrative expense relating to these plan obligations, and an increase of approximately $2.1 million of interest income received from new investors in one of our private equity real estate funds in connection with their initial capital contributions.

On a pro forma basis, for the year ended December 31, 2013, interest and other income was $8.9 million. This amount includes $5.5 million of income related to our deferred compensation plan, which is entirely offset by expense from the mark-to-market of the liabilities in the plan that is included in General and administrative expenses. Excluding this item, interest and other income for the year ended December 31, 2013 was $3.4 million on a pro forma basis.

*Interest Expense*

Interest expense included in our historical results relates to interest incurred on the Waterview mortgage, the fund-level debt of the private equity real estate funds that we control and preferred equity in the joint venture holding 1633 Broadway. Interest expense decreased by $7.5 million, or 20.2%, to $29.8 million for the year ended December 31, 2013 from $37.3 million for the year ended December 31, 2012. This decrease was primarily due to the maturity of fund swap contracts which were then converted to lower floating interest rates, and lower average outstanding loan balances for 2013 as compared to 2012.

On a pro forma basis, for the year ended December 31, 2013, interest expense was $167.7 million, reflecting interest on the mortgage debt associated with the 11 properties that we will account for using consolidated historical cost accounting.

*Provision for Income Taxes*

Provision for income taxes increased by $4.0 million, or 57.9%, to $11.0 million for the year ended December 31, 2013 from $7.0 million for the year ended December 31, 2012. This increase resulted primarily

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from higher taxable income in 2013 from certain contingent fees which had been deferred from prior years, and a taxable gain on the sale of a property in 2013.

On a pro forma basis, for the year ended December 31, 2013, the provision for income taxes was $0.3 million.

***Comparison of Results of Operations for the Years Ended December 31, 2012 and December 31, 2011***

The following table summarizes the combined consolidated historical results of operations of Paramount Predecessor for the years ended December 31, 2012 and December 31, 2011 (dollar amounts in thousands). As noted above, our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of Paramount Predecessor.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2012** | **2011** | **Change** | **% Change** |
| **Revenues:** | | | | |
| Rental income | $ 29,773 | $ 29,187 | $ 586 | 2.0% |
| Tenant reimbursement income | 1,543 | 1,004 | 539 | 53.7% |
| Distributions from real estate fund investments | 31,326 | 15,128 | 16,198 | 107.1% |
| Realized and unrealized gains, net | 161,199 | 533,819 | (372,620) | (69.8%) |
| Fee income | 22,974 | 26,802 | (3,828) | (14.3%) |
| **Total revenues** | **246,815** | **605,940** | **(359,125)** | **(59.3%)** |
| **Expenses:** | | | | |
| Operating | 15,402 | 14,656 | 746 | 5.1% |
| Depreciation and amortization | 10,104 | 10,701 | (597) | (5.6%) |
| General and administrative | 28,374 | 25,556 | 2,818 | 11.0% |
| Profit sharing compensation | 17,554 | 78,354 | (60,800) | (77.6%) |
| Other | 6,569 | 5,312 | 1,257 | 23.7% |
| **Total expenses** | **78,003** | **134,579** | **(56,576)** | **(42.0%)** |
| **Operating income** | **168,812** | **471,361** | **(302,549)** | **(64.2%)** |
| Income from partially owned entities | 3,852 | 5,448 | (1,596) | (29.3%) |
| Unrealized gain (loss) on interest rate swaps | 6,969 | (273) | 7,242 | 2652.7% |
| Interest and other income | 4,431 | 1,887 | 2,544 | 134.8% |
| Interest expense | (37,342) | (34,497) | (2,845) | 8.2% |
| **Net income before income taxes** | **146,722** | **443,926** | **(297,204)** | **(66.9%)** |
| Provision for income taxes | (6,984) | (42,973) | 35,989 | (83.7%) |
| **Net income** | **139,738** | **400,953** | **(261,215)** | **(65.1%)** |
| Net income attributable to non-controlling interests in consolidated joint ventures and funds | (137,443) | (347,075) | 209,632 | (60.4%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net income attributable to Paramount Group** | **$** | **2,295** | **$** | **53,878** | **$ (51,583)** | **(95.7%)** |

*Rental Income*

Rental income included in historical results is solely attributable to Waterview, which is the only property for which direct property operations are reflected in the historical combined consolidated financial statements of our predecessor. Rental income increased by $0.6 million, or 2.0%, to $29.8 million for the year ended December 31, 2012 from $29.2 million for the year ended December 31, 2011, due to consumer price index increases under the terms of the principal lease for space at Waterview.

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*Tenant Reimbursement Income*

Tenant reimbursement income included in historical results is solely attributable to Waterview. Tenant reimbursement income increased by $0.5 million, or 53.7%, to $1.5 million for the year ended December 31, 2012 from $1.0 million for the year ended December 31, 2011. This increase resulted primarily from increases in real estate taxes at Waterview.

*Distributions from Real Estate Fund Investments*

Distributions from real estate fund investments increased by $16.2 million, or 107.1%, to $31.3 million for the year ended December 31, 2012 from $15.1 million for the year ended December 31, 2011. This increase was primarily due to increases in property distributions from 900 Third Avenue and 31 West 52nd Street due to higher rental income.

*Realized and Unrealized Gains, Net*

Realized and unrealized gains, net decreased by $372.6 million, or 69.8%, to $161.2 million for the year ended December 31, 2012 from $533.8 million for the year ended December 31, 2011. This decrease was primarily attributable to the fact that as the economy stabilized in 2010 and 2011 after the fiscal crisis of 2009, real estate values rebounded. This, along with stronger leasing activity, resulted in improved real estate valuations through 2011. While real estate valuations continued to increase in 2012, they did so at a reduced pace as compared to 2011.

*Fee Income*

Fee income decreased by $3.8 million, or 14.3%, to $23.0 million for the year ended December 31, 2012 from $26.8 million for the year ended December 31, 2011. This decrease was primarily attributable to lower acquisition and disposition fees of $1.1 million, due to a reduction in the aggregate amount of transactions executed in 2012 and lower construction and property management fees of $1.0 million, related to tenant improvement construction from the prior year. Additionally, in 2011 we recognized a significant leasing commission related to our management of 745 Fifth Avenue. A comparable fee was not earned in 2012.

*Operating Expenses*

Operating expenses included in historical results are attributable to the cleaning, security, repairs and maintenance, utilities, property administration, real estate taxes, management fees and other operating expenses at Waterview, as well as, the costs of providing certain leasing and property and construction management services to the portfolio of properties owned by our predecessor and the private real estate funds that it controls. Operating expenses increased by $0.7 million, or 5.1%, to $15.4 million for the year ended December 31, 2012 from $14.7 million for the year ended December 31, 2011, primarily due to an increase in real estate taxes.

*Depreciation and Amortization*

Depreciation and amortization included in historical results is primarily attributable to Waterview. Depreciation and amortization decreased by $0.6 million, or 5.6%, to $10.1 million for the year ended December 31, 2012 from $10.7 million for the year ended December 31, 2011. This decrease was primarily due to a reduction in depreciation expense in 2012 from an adjustment to the tenant improvements and accumulated depreciation balances due to a refund received at Waterview.

*General and Administrative*

General and administrative increased by $2.8 million, or 11.0%, to $28.4 million for the year ended December 31, 2012 from $25.6 million for the year ended December 31, 2011. The 2012 amount includes approximately $2.1 million of expense related to the increased value of the marketable securities underlying deferred compensation plan obligations while the 2011 amount was reduced by approximately $1.0 million for

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losses attributable to such plan obligations. These amounts directly correspond to an increase in 2012 and a decrease in 2011 in interest and other income relating to the increased value of investments we own corresponding to participants investment elections under this plan. General and administrative expenses, net of these amounts, decreased by $0.3 million, or 1.1%, to $26.3 million in 2012 from $26.6 million in 2011.

*Profit Sharing Compensation*

Profit sharing compensation decreased by $60.8 million, or 77.6%, to $17.6 million for the year ended December 31, 2012 from $78.4 million for the year ended December 31, 2011. The decrease from the prior year is due to significant profit sharing compensation paid in the year ended December 31, 2011 related to the purchase and subsequent sale of two joint venture interests in 1633 Broadway.

*Other Expenses*

Other expenses increased by $1.3 million, or 23.7%, to $6.6 million for the year ended December 31, 2012 from $5.3 million for the year ended December 31, 2011. This increase was primarily due to increased costs associated with the formation of and capital raising for private equity real estate funds in 2012.

*Income from Partially Owned Entities*

Income from partially owned entities is primarily comprised of income from equity investments in 1325 Avenue of the Americas, 712 Fifth Avenue and 900 Third Avenue. We have included a detailed discussion of the results of operations of these properties, together with our other properties, under Results of Operations Paramount Predecessor Property-Level Performance. Income from partially owned entities decreased by $1.6 million, or 29.3%, to $3.9 million for the year ended December 31, 2012 from $5.5 million for the year ended December 31, 2011. This decrease was primarily due to a $3.2 million decrease attributable to our investment in 1325 Avenue of the Americas, partially offset by a $1.1 million increase attributable to our investment in 900 Third Avenue. The reduction attributable to our investment in 1325 Avenue of the Americas is primarily due to a reduction in net income as the building went through a releasing period after the expiration of various leases. The increase attributable to our investment in 900 Third Avenue is primarily due to an increase in the amount of distributions that we received from the property in 2012. See Note 4 of Paramount Predecessor s historical combined consolidated financial statements.

*Unrealized Gain (Loss) on Interest Rate Swaps*

Unrealized gain (loss) on interest rate swaps increased by $7.3 million to $7.0 million for the year ended December 31, 2012 from a loss of $0.3 million for the year ended December 31, 2011. This increase was primarily attributable to a decrease in the length of remaining terms of the various swap instruments and an increase in the interest rate indexes to which rates are tied.

*Interest and Other Income*

Interest and other income increased by $2.5 million, or 134.8%, to $4.4 million for the year ended December 31, 2012 from $1.9 million for the year ended December 31, 2011, primarily due to increases in interest rates and to a $3.1 million increase in the value of the marketable securities underlying deferred compensation plan obligations, which corresponded to the increase in general and administrative expense relating to these plan obligations.

*Interest Expense*

Interest expense increased by $2.8 million, or 8.2%, to $37.3 million, for the year ended December 31, 2012 from $34.5 million for the year ended December 31, 2011. This increase is primarily due to the fact that we issued and began recognizing interest on the preferred equity in July 2011. Accordingly, interest expenses in 2011 reflect a partial year of preferred equity interest while interest expense in 2012 reflects a full year.

*Provision for Income Taxes*

Provision for income taxes decreased by $36.0 million, or 83.7%, to $7.0 million for the year ended December 31, 2012 from $43.0 million for the year ended December 31, 2011. In 2011, we recognized a $91.2 million gain on sale of a 49% interest in 1633 Broadway. A comparable transaction was not realized in 2012.

**Results of Operations Paramount Predecessor Property-Level Performance**

As noted above, our private real estate funds investments in the nine properties that will be contributed to us by these funds in connection with the formation transactions are reflected on Paramount Predecessor s combined consolidated balance sheets at fair value as opposed to historical cost, less accumulated depreciation and impairments, if any. In addition, Paramount Predecessor s combined consolidated statements of income do not reflect revenues and other income or operating and other expenses from these properties. Instead, these statements of income reflect the change in fair value of these properties, whether realized or unrealized, and distributions received by these funds from their investments in these properties. The nine properties are as follows:

1633 Broadway, New York, NY

900 Third Avenue, New York, NY

31 West 52nd Street, New York, NY

1301 Avenue of the Americas, New York, NY

One Market Plaza, San Francisco, CA

Liberty Place, Washington, D.C.

1899 Pennsylvania Avenue, Washington, D.C.

2099 Pennsylvania Avenue, Washington, D.C.

425 Eye Street, Washington, D.C.

Upon the consummation of the formation transactions, Waterview and Paramount Predecessor s interests in 1325 Avenue of Americas, 712 Fifth Avenue and 900 Third Avenue will also be contributed to us. The results of Waterview are included in Paramount Predecessor s historical combined consolidated financial statements using consolidated historical cost accounting, and the results of 1325 Avenue of Americas, 712 Fifth Avenue and a portion of our interest in 900 Third Avenue are included in Paramount Predecessor s historical combined consolidated financial statements using the equity method of historical cost accounting. Additionally, as part of the formation transactions, we will also acquire the interests of certain unaffiliated third parties in 1633 Broadway, 31 West 52nd Street and 1301 Avenue of the Americas. Following the formation transactions, all of the contributed properties, or the Paramount Predecessor Properties, will be accounted for using consolidated historical cost accounting, with the exception of 712 Fifth Avenue, which will be reflected in our financial statements using the equity method of historical cost accounting.

In order to provide investors with more meaningful information regarding Paramount Predecessor s historical results of operations, the following supplemental tables in this section summarize the combined historical property-level results of operations of the Paramount Predecessor Properties for the nine months ended September 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011 based on financial information included in Paramount Predecessor s combined consolidated financial statements and Notes 3 and 4 thereto. This information does not purport to represent Paramount Predecessor s historical combined consolidated financial information and it is not necessarily indicative of our future results of operations. For example, we will not own 100% of all of the Paramount Predecessor Properties or consolidate the results of operations of all of these properties (as noted above under Overview Formation Transactions ) and, as a result, our results of operations

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going forward will differ from the property-level financial information shown below. However, in light of the significant differences that will exist between our future financial information and Paramount Predecessor s historical combined consolidated financial information and the fact that we will account for our investment in one property using the equity method of historical cost accounting, we believe that this presentation will be useful to investors in understanding the historical performance of our properties on a property-level basis.

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***Paramount Predecessor Property-Level Results of Operations for the Nine Months Ended September 30, 2014 and 2013***

The tables below present the historical results of operations for each of the Paramount Predecessor Properties (dollar amounts in thousands) for 100% of the property. The Paramount Predecessor Properties have been grouped by those properties which will be accounted for using the consolidated historical cost accounting following the formation transactions and those Paramount Predecessor Properties that will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

| For the nine months ended September 30, 2014 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **900 Third Avenue** | **31 West 52nd Street** | **1301 Ave. of the Americas** | **One Market Plaza[2]** | **Liberty Place** | **1899 Penn. Avenue** | **2099 Penn. Avenue** | **425 Eye Street** | **Waterview** | **1325 Ave. of the Americas** | **Total Consolidate Portfolio** |
| $ 26,472 | $ 56,106 | $ 83,866 | $ 53,678 | $ 5,198 | $ 6,071 | $ 127 | $ 7,939 | $ 23,229 | $ 27,561 | $ 402,322 |
| 2,314 | 4,090 | 6,922 | 1,007 | 1,659 | 3,069 | 5 | 1,041 | 1,266 | 3,765 | 35,718 |
| 810 | 3,104 | 2,527 | 1,755 | 39 | 101 | 19 | | 99 | 1,278 | 12,170 |
| **29,596** | **63,300** | **93,315** | **56,440** | **6,896** | **9,241** | **151** | **8,980** | **24,594** | **32,604** | **450,210** |
| 12,332 | 17,941 | 38,801 | 21,005 | 3,329 | 3,908 | 3,454 | 4,319 | 6,796 | 16,596 | 170,801 |
| 787 | 1,008 | 1,264 | 578 | 186 | 209 | 21 | 275 | 618 | 1,182 | 8,381 |
| 13,119 | 18,949 | 40,065 | 21,583 | 3,515 | 4,117 | 3,475 | 4,594 | 7,414 | 17,778 | 179,182 |
| 5,049 | 19,960 | 30,897 | 26,095 | | 2,921 | | 4,193 | 7,822 | 6,447 | 112,185 |
| 37 | 59 | 96 | 463 | 12 | 13 | 739 | 84 | 142 | 130 | 1,808 |
| **18,205** | **38,968** | **71,058** | **48,141** | **3,527** | **7,051** | **4,214** | **8,871** | **15,378** | **24,355** | **293,175** |
| 11,391 | 24,332 | 22,257 | 8,299 | 3,369 | 2,190 | (4,063) | 109 | 9,216 | 8,249 | 157,035 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 5,768 | 8,549 | 10,566 | 21,209 | | | | | | | 69,983 |
| (11,088) | (16,691) | (46,248) | (40,309) | (2,835) | (3,386) | (3,697) | (3,797) | (9,315) | (8,362) | (184,358 |
| | | | | (506) | | (535) | | | | (1,041 |
| 6,071 | 16,190 | (13,425) | (10,801) | 28 | (1,196) | (8,295) | (3,688) | (99) | (113) | 41,619 |
| | | | | (4) | 279 | | (2,294) | | | (2,019 |
| **6,071** | **16,190** | **(13,425)** | **(10,801)** | **24** | **(917)** | **(8,295)** | **(5,982)** | **(99)** | **(113)** | **39,600** |
| 1,068 | (101) | (10,402) | (1,201) | | (331) | | 1,890 | 135 | (1,957) | (22,123 |
| | (16,214) | (11,774) | (1,371) | | (530) | | | | | (29,889 |
| 787 | 1,008 | 1,264 | 578 | 186 | 209 | 21 | 275 | 618 | 1,182 | 8,381 |
| 5,049 | 19,960 | 30,897 | 26,095 | | 2,921 | | 4,193 | 7,822 | 6,447 | 112,185 |
| 37 | 59 | 96 | 463 | 12 | 13 | 739 | 84 | 142 | 130 | 1,808 |
| (5,768) | (8,549) | (10,566) | (21,209) | | | | | | | (69,983 |
| 11,088 | 16,691 | 46,248 | 40,309 | 2,835 | 3,386 | 3,697 | 3,797 | 9,315 | 8,362 | 184,358 |
| | | | | 506 | | 535 | | | | 1,041 |
| | | | | 4 | (279) | | 2,294 | | | 2,019 |
| 12,261 | 12,854 | 45,763 | 43,664 | 3,543 | 5,389 | 4,992 | 12,533 | 18,032 | 14,164 | 187,797 |
| **$ 18,332** | **$ 29,044** | **$ 32,338** | **$ 32,863** | **$ 3,567** | **$ 4,472** | **$ (3,303)** | **$ 6,551** | **$ 17,933** | **$ 14,051** | **$ 227,397** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **100.0%** | **64.2%** | **100.0%** | **49.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

(1) Represents properties which will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

(2) In contrast to the Paramount Predecessor, the operations of 75 Howard were removed due to its sale to RDF on March 14, 2014. Net loss and Cash NOI of 75 Howard for the nine months ended September 30, 2014 were $(567) and, $1,749, respectively.

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**For the nine months ended September 30, 2013**

| 900 Third Avenue | 31 West 52nd Street | 1301 Ave. of the Americas | One Market Plaza[2] | Liberty Place | 1899 Penn. Avenue | 2099 Penn. Avenue | 425 Eye Street | Waterview | 1325 Ave. of the Americas | Total Consolidate Portfolio |
|---|---|---|---|---|---|---|---|---|---|---|
| $ 24,951 | $ 57,013 | $ 74,042 | $ 57,958 | $ 6,359 | $ 7,481 | $ 467 | $ 7,599 | $ 22,759 | $ 24,398 | $ 380,940 |
| 2,067 | 3,510 | 7,692 | 1,259 | 1,864 | 3,731 | 5 | 11 | 1,268 | 3,670 | 36,237 |
| 513 | 1,024 | 1,899 | 2,741 | 67 | 130 | 51 | 751 | 19 | 944 | 10,041 |
| **27,531** | **61,547** | **83,633** | **61,958** | **8,290** | **11,342** | **523** | **8,361** | **24,046** | **29,012** | **427,218** |
| 12,072 | 17,081 | 38,600 | 20,907 | 3,167 | 4,896 | 3,334 | 3,997 | 6,778 | 16,539 | 168,879 |
| 720 | 960 | 1,235 | 605 | 208 | 256 | 12 | 269 | 604 | 1,048 | 8,055 |
| 12,792 | 18,041 | 39,835 | 21,512 | 3,375 | 5,152 | 3,346 | 4,266 | 7,382 | 17,587 | 176,934 |
| 4,762 | 17,174 | 28,093 | 27,888 | | 3,156 | | 4,120 | 7,828 | 5,873 | 107,284 |
| 10 | 23 | 45 | 106 | 8 | 8 | 8 | 17 | 131 | 118 | 531 |
| **17,564** | **35,238** | **67,973** | **49,506** | **3,383** | **8,316** | **3,354** | **8,403** | **15,341** | **23,578** | **284,749** |
| 9,967 | 26,309 | 15,660 | 12,452 | 4,907 | 3,026 | (2,831) | (42) | 8,705 | 5,434 | 142,469 |
| 7,769 | 12,468 | 17,846 | 28,664 | | | 1,101 | 427 | | | 95,515 |
| (11,130) | (16,680) | (52,735) | (39,467) | (2,835) | (2,229) | (3,281) | (4,381) | (9,315) | (8,363) | (189,891 |
| | | | | (2,638) | | 3,363 | | | | 725 |
| 6,606 | 22,097 | (19,229) | 1,649 | (566) | 797 | (1,648) | (3,996) | (610) | (2,929) | 48,818 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 55 | (40) | (1) | 1,869 | | | 1,883 |
| **6,606** | **22,097** | **(19,229)** | **1,649** | **(511)** | **757** | **(1,649)** | **(2,127)** | **(610)** | **(2,929)** | **50,701** |
| | | | | | | | | | | |
| 17 | (2,522) | (13,565) | (1,537) | | (416) | | (3,281) | 130 | 424 | (23,523 |
| | (17,771) | (14,151) | (2,473) | | (654) | | | | | (35,049 |
| 720 | 960 | 1,235 | 605 | 208 | 256 | 12 | 269 | 604 | 1,048 | 8,055 |
| 4,762 | 17,174 | 28,093 | 27,888 | | 3,156 | | 4,120 | 7,828 | 5,873 | 107,284 |
| 10 | 23 | 45 | 106 | 8 | 8 | 8 | 17 | 131 | 118 | 531 |
| (7,769) | (12,468) | (17,846) | (28,664) | | | (1,101) | (427) | | | (95,515 |
| 11,130 | 16,680 | 52,735 | 39,467 | 2,835 | 2,229 | 3,281 | 4,381 | 9,315 | 8,363 | 189,891 |
| | | | | 2,638 | | (3,363) | | | | (725 |
| | | | | (55) | 40 | 1 | (1,869) | | | (1,883 |
| 8,870 | 2,076 | 36,546 | 35,392 | 5,634 | 4,619 | (1,162) | 3,210 | 18,008 | 15,826 | 149,066 |
| **$ 15,476** | **$ 24,173** | **$ 17,317** | **$ 37,041** | **$ 5,123** | **$ 5,376** | **$ (2,811)** | **$ 1,083** | **$ 17,398** | **$ 12,897** | **$ 199,767** |
| **100.0%** | **64.2%** | **100.0%** | **49.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | |

(1) Represents properties which will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

(2) In contrast to the Paramount Predecessor, the operations of 75 Howard were removed due to its sale to RDF on March 14, 2014. Net loss and Cash NOI of 75 Howard for the nine months ended September 30, 2013 were $(346) and, $2,237, respectively.

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***Paramount Predecessor Property-Level Results of Operations for the Years Ended December 31, 2013, December 31, 2012 and December 31, 2011***

The tables below present the historical results of operations for each of the Paramount Predecessor Properties (dollar amounts in thousands) for 100% of the property. The Paramount Predecessor Properties have been grouped by those properties which will be accounted for using the consolidated historical cost accounting following the formation transactions and those Paramount Predecessor Properties that will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

| For the year ended December 31, 2013 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **900 Third Avenue** | **31 West 52nd Street** | **1301 Ave. of the Americas** | **One Market Plaza(2)** | **Liberty Place** | **1899 Penn. Avenue** | **2099 Penn. Avenue** | **425 Eye Street** | **Waterview** | **1325 Ave. of the Americas** | **Total Consolidate Portfolio** |
| $ 33,601 | $ 77,257 | $ 97,576 | $ 77,265 | $ 8,421 | $ 9,686 | $ 432 | $ 10,167 | $ 30,406 | $ 33,397 | $ 508,798 |
| 3,036 | 5,100 | 9,693 | 1,707 | 2,528 | 4,807 | 74 | 4 | 1,821 | 5,186 | 47,494 |
| 732 | 1,154 | 2,598 | 3,521 | 82 | 153 | 58 | 801 | 22 | 1,203 | 13,318 |
| **37,369** | **83,511** | **109,867** | **82,493** | **11,031** | **14,646** | **564** | **10,972** | **32,249** | **39,786** | **569,610** |
| 16,150 | 22,905 | 51,247 | 28,642 | 4,286 | 5,066 | 4,531 | 5,448 | 9,128 | 22,233 | 224,503 |
| 980 | 1,295 | 1,646 | 832 | 275 | 330 | 13 | 354 | 810 | 1,434 | 10,839 |
| 17,130 | 24,200 | 52,893 | 29,474 | 4,561 | 5,396 | 4,544 | 5,802 | 9,938 | 23,667 | 235,342 |
| 6,349 | 22,688 | 37,075 | 36,721 | | 4,139 | | 5,502 | 10,436 | 7,830 | 141,927 |
| 156 | 130 | 214 | 229 | 63 | 69 | 66 | 75 | 181 | 238 | 1,672 |
| **23,635** | **47,018** | **90,182** | **66,424** | **4,624** | **9,604** | **4,610** | **11,379** | **20,555** | **31,735** | **378,941** |
| 13,734 | 36,493 | 19,685 | 16,069 | 6,407 | 5,042 | (4,046) | (407) | 11,694 | 8,051 | 190,669 |
| 9,985 | 15,993 | 21,275 | 36,378 | | | 1,101 | 427 | | | 119,870 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (14,872) | (22,307) | (68,541) | (52,881) | (3,887) | (4,514) | (5,285) | (5,664) | (12,454) | (11,150) | (254,118 |
| | | | | (2,066) | | 1,965 | | | | (101 |
| 8,847 | 30,179 | (27,581) | (434) | 454 | 528 | (6,265) | (5,644) | (760) | (3,099) | 56,320 |
| | | | | (45) | (54) | | 2,492 | | | 2,393 |
| **8,847** | **30,179** | **(27,581)** | **(434)** | **409** | **474** | **(6,265)** | **(3,152)** | **(760)** | **(3,099)** | **58,713** |
| 25 | (3,368) | (11,761) | (3,099) | | (562) | | (2,677) | 157 | (95) | (24,635 |
| | (23,695) | (18,867) | (3,298) | | (872) | | | | | (46,732 |
| 980 | 1,295 | 1,646 | 832 | 275 | 330 | 13 | 354 | 810 | 1,434 | 10,839 |
| 6,349 | 22,688 | 37,075 | 36,721 | | 4,139 | | 5,502 | 10,436 | 7,830 | 141,927 |
| 156 | 130 | 214 | 229 | 63 | 69 | 66 | 75 | 181 | 238 | 1,672 |
| (9,985) | (15,993) | (21,275) | (36,378) | | | (1,101) | (427) | | | (119,870 |
| 14,872 | 22,307 | 68,541 | 52,881 | 3,887 | 4,514 | 5,285 | 5,664 | 12,454 | 11,150 | 254,118 |
| | | | | 2,066 | | (1,965) | | | | 101 |
| | | | | 45 | 54 | | (2,492) | | | (2,393 |
| 12,397 | 3,364 | 55,573 | 47,888 | 6,336 | 7,672 | 2,298 | 5,999 | 24,038 | 20,557 | 215,027 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **$ 21,244** | **$ 33,543** | **$ 27,992** | **$ 47,454** | **$ 6,745** | **$ 8,146** | **$ (3,967)** | **$ 2,847** | **$ 23,278** | **$ 17,458** | **$ 273,740** |
| **100.0%** | **64.2%** | **100.0%** | **49.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | |

(1) Represents properties which will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

(2) In contrast to the Paramount Predecessor, the operations of 75 Howard were removed due to its sale to RDF on March 14, 2014. Net loss and Cash NOI of 75 Howard for the year ended December 31, 2013 were $(508) and, $2,948, respectively.

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| | For the year ended December 31, 2012 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 900 Third Avenue | 31 West 52nd Street | 1301 Ave. of the Americas | One Market Plaza(2) | Liberty Place | 1899 Penn. Avenue | 2099 Penn. Avenue | 425 Eye Street | Waterview | 1325 Ave. of the Americas | Total Consolidated Portfolio |
| | $ 31,689 | $ 77,767 | $ 229,943 | $ 75,994 | $ 8,536 | $ 10,502 | $ 5,669 | $ 9,606 | $ 29,773 | $ 32,331 | $ 635,318 |
| | 2,711 | 3,354 | 14,133 | 1,839 | 2,624 | 5,347 | 3,702 | | 1,543 | 8,332 | 59,177 |
| | 590 | 4,883 | 2,677 | 2,517 | 92 | 195 | 442 | 97 | 42 | 1,897 | 17,008 |
| | **34,990** | **86,004** | **246,753** | **80,350** | **11,252** | **16,044** | **9,813** | **9,703** | **31,358** | **42,560** | **711,503** |
| | 15,950 | 22,498 | 51,602 | 28,593 | 4,316 | 5,142 | 4,647 | 4,319 | 8,993 | 21,909 | 222,828 |
| | 900 | 1,215 | 1,607 | 719 | 282 | 358 | 235 | 321 | 787 | 1,602 | 10,752 |
| | 16,850 | 23,713 | 53,209 | 29,312 | 4,598 | 5,500 | 4,882 | 4,640 | 9,780 | 23,511 | 233,580 |
| | 5,835 | 22,980 | 55,162 | 36,551 | | 4,296 | | 5,425 | 9,969 | 7,377 | 159,410 |
| | 144 | 141 | 3,687 | 251 | 67 | 64 | 75 | 100 | 194 | 231 | 5,161 |
| | **22,829** | **46,834** | **112,058** | **66,114** | **4,665** | **9,860** | **4,957** | **10,165** | **19,943** | **31,119** | **398,151** |
| | 12,161 | 39,170 | 134,695 | 14,236 | 6,587 | 6,184 | 4,856 | (462) | 11,415 | 11,441 | 313,352 |
| | 2,365 | 4,432 | 16,927 | 3,219 | | | 3,336 | 910 | | | 38,425 |
| | (16,492) | (25,207) | (69,928) | (54,731) | (3,887) | (4,514) | (9,168) | (6,726) | (12,487) | (11,150) | (269,725) |
| | | | | | (3,785) | | (15,394) | | | | (19,179) |
| | (1,966) | 18,395 | 81,694 | (37,276) | (1,085) | 1,670 | (16,370) | (6,278) | (1,072) | 291 | 62,873 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 104 | (163) | (1) | 2,394 | | | 2,334 |
| **(1,966)** | **18,395** | **81,694** | **(37,276)** | **(981)** | **1,507** | **(16,371)** | **(3,884)** | **(1,072)** | **291** | **65,207** |
| (6) | (1,898) | 3,281 | (3,805) | | (739) | | (2,349) | 169 | 2,725 | (9,482) |
| | (27,851) | (145,526) | (5,850) | | (951) | | | | | (180,178) |
| 900 | 1,215 | 1,607 | 719 | 282 | 358 | 235 | 321 | 787 | 1,602 | 10,752 |
| 5,835 | 22,980 | 55,162 | 36,551 | | 4,296 | | 5,425 | 9,969 | 7,377 | 159,410 |
| 144 | 141 | 3,687 | 251 | 67 | 64 | 75 | 100 | 194 | 231 | 5,161 |
| (2,365) | (4,432) | (16,927) | (3,219) | | | (3,336) | (910) | | | (38,425) |
| 16,492 | 25,207 | 69,928 | 54,731 | 3,887 | 4,514 | 9,168 | 6,726 | 12,487 | 11,150 | 269,725 |
| | | | | 3,785 | | 15,394 | | | | 19,179 |
| | | | | (104) | 163 | 1 | (2,394) | | | (2,334) |
| 21,000 | 15,362 | (28,788) | 79,378 | 7,917 | 7,705 | 21,537 | 6,919 | 23,606 | 23,085 | 233,808 |
| **$ 19,034** | **$ 33,757** | **$ 52,906** | **$ 42,102** | **$ 6,936** | **$ 9,212** | **$ 5,166** | **$ 3,035** | **$ 22,534** | **$ 23,376** | **$ 299,015** |
| **100.0%** | **64.2%** | **100.0%** | **49.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | |

(1) Represents properties which will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

(2) In contrast to the Paramount Predecessor, the operations of 75 Howard were removed due to its sale to RDF on March 14, 2014. Net loss and Cash NOI of 75 Howard for the year ended December 31, 2012 were $486 and, $2,873, respectively.

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| For the year ended December 31, 2011 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 900 Third Avenue | 31 West 52nd Street | 1301 Ave. of the Americas | One Market Plaza(2) | Liberty Place | 1899 Penn. Avenue | 2099 Penn. Avenue | 425 Eye Street | Waterview | 1325 Ave. of the Americas | Total Consolidated Portfolio |
| $ 32,449 | $ 71,049 | $ 141,335 | $ 72,811 | $ 4,256 | $ 10,453 | $ | $ 5,186 | $ 29,187 | $ 35,865 | $ 519,143 |
| 2,892 | 2,973 | 17,244 | 2,971 | 1,043 | 4,788 | | | 1,004 | 8,132 | 57,124 |
| 862 | 1,863 | 2,975 | 6,149 | 52 | 200 | | 2,270 | 182 | 4,179 | 21,861 |
| **36,203** | **75,885** | **161,554** | **81,931** | **5,351** | **15,441** | | **7,456** | **30,373** | **48,176** | **598,128** |
| 15,722 | 21,590 | 50,697 | 29,788 | 1,995 | 4,574 | | 4,311 | 8,409 | 21,239 | 213,368 |
| 919 | 1,178 | 1,821 | 715 | 134 | 339 | | 233 | 764 | 1,737 | 10,752 |
| 16,641 | 22,768 | 52,518 | 30,503 | 2,129 | 4,913 | | 4,544 | 9,173 | 22,976 | 224,120 |
| 5,514 | 21,452 | 38,837 | 35,793 | | 4,194 | | 4,743 | 10,501 | 8,568 | 139,637 |
| 97 | 55 | 223 | 115 | 62 | 47 | | 105 | 171 | 225 | 1,266 |
| **22,252** | **44,275** | **91,578** | **66,411** | **2,191** | **9,154** | | **9,392** | **19,845** | **31,769** | **365,023** |
| 13,951 | 31,610 | 69,976 | 15,520 | 3,160 | 6,287 | | (1,936) | 10,528 | 16,407 | 233,105 |
| (11,093) | (15,094) | (98) | (33,268) | | | | 494 | | 746 | (88,303 |
| (16,586) | (25,205) | (69,026) | (55,075) | (2,038) | (4,515) | | (6,537) | (12,454) | (10,499) | (256,398 |
| | | | | 6,490 | | | | | | 6,490 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ) | (13,728) | (8,689) | 852 | (72,823) | 7,612 | 1,772 | | (7,979) | (1,926) | 6,654 | (105,106 |
| | | | | | (759) | (180) | | | | | (939 |
| **)** | **(13,728)** | **(8,689)** | **852** | **(72,823)** | **6,853** | **1,592** | | **(7,979)** | **(1,926)** | **6,654** | **(106,045** |
| ) | (606) | (2,841) | (1,397) | (1,064) | | (937) | | | (14) | 565 | (8,188 |
| | | (20,759) | (39,469) | (7,787) | | (899) | | | | | (68,914 |
| | 919 | 1,178 | 1,821 | 715 | 134 | 339 | | 233 | 764 | 1,737 | 10,752 |
| | 5,514 | 21,452 | 38,837 | 35,793 | | 4,194 | | 4,743 | 10,501 | 8,568 | 139,637 |
| | 97 | 55 | 223 | 115 | 62 | 47 | | 105 | 171 | 225 | 1,266 |
| | 11,093 | 15,094 | 98 | 33,268 | | | | (494) | | (746) | 88,303 |
| | 16,586 | 25,205 | 69,026 | 55,075 | 2,038 | 4,515 | | 6,537 | 12,454 | 10,499 | 256,398 |
| | | | | | (6,490) | | | | | | (6,490 |
| | | | | | 759 | 180 | | | | | 939 |
| | 33,603 | 39,384 | 69,139 | 116,115 | (3,497) | 7,439 | | 11,124 | 23,876 | 20,848 | 413,703 |
| | **$ 19,875** | **$ 30,695** | **$ 69,991** | **$ 43,292** | **$ 3,356** | **$ 9,031** | **$** | **$ 3,145** | **$ 21,950** | **$ 27,502** | **$ 307,658** |
| | **100.0%** | **64.2%** | **100.0%** | **49.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | |

(1) Represents properties which will be reflected in our financial statements using the equity method of historical cost accounting following the formation transactions.

(2) In contrast to the Paramount Predecessor, the operations of 75 Howard were removed due to its sale to RDF on March 14, 2014. Net loss and Cash NOI of 75 Howard for the year ended December 31, 2011 were $(672) and, $3,028, respectively.

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***Comparison of Results of Operations for the Nine Months Ended September 30, 2014 and 2013***

The table below summarizes the combined historical results of operations for the Paramount Predecessor Properties for the nine months ended September 30, 2014 and 2013 (dollar amounts in thousands).

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **Change** | **% Change** |
| **Revenues** | | | | |
| Rental income | $ 436,931 | $ 411,112 | $ 25,819 | 6.3% |
| Tenant reimbursement income | 39,103 | 39,514 | (411) | (1.0%) |
| Other income | 13,058 | 11,228 | 1,830 | 16.3% |
| **Total revenues** | **489,092** | **461,854** | **27,238** | **5.9%** |
| Building operating expenses | 186,548 | 184,147 | 2,401 | 1.3% |
| Related party management fees | 9,812 | 9,321 | 491 | 5.3% |
| Operating expenses | 196,360 | 193,468 | 2,892 | 1.5% |
| Depreciation and amortization | 120,453 | 114,791 | 5,662 | 4.9% |
| General and administrative | 1,908 | 615 | 1,293 | 210.2% |
| **Total expenses** | **318,721** | **308,874** | **9,847** | **3.2%** |
| **Operating income** | 170,371 | 152,980 | 17,391 | 11.4% |
| Unrealized gain on interest rate swaps | 75,320 | 103,384 | (28,064) | (27.1%) |
| Interest expense | (195,294) | (200,719) | 5,425 | (2.7%) |
| Unrealized (depreciation) appreciation on investment in real estate | (1,041) | 725 | (1,766) | (243.6%) |
| **Net income before income taxes** | 49,356 | 56,370 | (7,014) | (12.4%) |
| (Provision) benefit for income taxes | (2,019) | 1,883 | (3,902) | (207.2%) |
| **Net income** | **47,337** | **58,253** | **(10,916)** | **(18.7%)** |
| **Adjustments to arrive at Cash NOI:** | | | | |
| Straight-line rent | (22,998) | (27,485) | 4,487 | (16.3%) |
| Amortization of above-and below-market leases, net | (29,889) | (35,049) | 5,160 | (14.7%) |
| Related party management fees | 9,812 | 9,321 | 491 | 5.3% |
| Depreciation and amortization | 120,453 | 114,791 | 5,662 | 4.9% |
| General and administrative | 1,908 | 615 | 1,293 | 210.2% |
| Unrealized gain on interest rate swaps | (75,320) | (103,384) | 28,064 | (27.1%) |
| Interest expense | 195,294 | 200,719 | (5,425) | (2.7%) |
| Unrealized depreciation (appreciation) on investment in real estate | 1,041 | (725) | 1,766 | (243.6%) |
| Provision (benefit) for income taxes | 2,019 | (1,883) | 3,902 | (207.2%) |

| | | | | |
|---|---|---|---|---|
| **Cash NOI (1)** | **$ 249,657** | **$ 215,173** | **$ 34,484** | **16.0%** |
| | | | | |
| **Same Property Cash NOI (2)** | **$ 249,657** | **$ 215,173** | **$ 34,484** | **16.0%** |
| **Non-Same Property Cash NOI (2)** | **$** | **$** | **$** | **0.0%** |

(1) For a definition and reconciliation of Cash Net Operating Income, or Cash NOI, and a statement disclosing the reasons why our management believes that presentation of Cash NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses Cash NOI, see Non-GAAP Financial Measures Cash Net Operating Income.

(2) The same property amounts include the Paramount Predecessor Properties acquired or placed in service by Paramount Predecessor prior to January 1, 2013 and owned and in service through September 30, 2014.

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*Rental Income*

Rental income increased by $25.8 million, or 6.3%, to $436.9 million for the nine months ended September 30, 2014 from $411.1 million for the nine months ended September 30, 2013. This was primarily due to increases in rental income at 1633 Broadway, 712 Fifth Avenue, 1301 Avenue of the Americas and 1325 Avenue of the Americas due to improved leasing conditions, partially offset by decreases at 1899 Pennsylvania Avenue and One Market Plaza due to routine tenant rollover.

*Tenant Reimbursement Income*

Tenant reimbursement income decreased by $0.4 million, or 1.0%, to $39.1 million for the nine months ended September 30, 2014 from $39.5 million for the nine months ended September 30, 2013. This was due primarily to the establishment of new base year amounts upon which future expense increases and reimbursement will be calculated in conjunction with leasing activity at 1633 Broadway.

*Other Income*

Other income increased by $1.8 million, or 16.3%, to $13.0 million for the nine months ended September 30, 2014 from $11.2 million for the nine months ended September 30, 2013. This increase was primarily due to an increase in payments from tenants for variable income items such as after hour heating and cooling, freight elevator services and similar expenses.

*Operating Expenses*

Operating expenses increased by $2.9 million, or 1.5%, to $196.4 million for the nine months ended September 30, 2014 from $193.5 million for the nine months ended September 30, 2013. This increase was primarily due to increases in real estate taxes, utility, cleaning, and repair and maintenance costs.

*Depreciation and Amortization*

Depreciation and amortization increased by $5.7 million, or 4.9%, to $120.5 million for the nine months ended September 30, 2014 from $114.8 million for the nine months ended September 30, 2013. The increase was primarily due to higher depreciation at 1301 Avenue of the Americas and 31 West 52nd Street.

*General and Administrative*

General and administrative increased by $1.3 million, or 210.2%, to $1.9 million for the nine months ended September 30, 2014 from $0.6 million for the nine months ended September 30, 2013. The increase was primarily due to costs associated with extending the mortgage loan at 2099 Pennsylvania Avenue.

*Unrealized Gain on Interest Rate Swaps*

Unrealized gain on interest rate swaps decreased by $28.1 million, or 27.1%, to $75.3 million for the nine months ended September 30, 2014 from $103.4 million for the nine months ended September 30, 2013. This decrease was primarily attributable to a decrease in the interest rate indexes to which rates are tied.

*Interest Expense*

Interest expense decreased by $5.4 million, or 2.7%, to $195.3 million for the nine months ended September 30, 2014 from $200.7 million for the nine months ended September 30, 2013. The decrease in the interest expense is primarily due to lower interest rates on floating rate debt.

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*Unrealized (Depreciation) Appreciation on Investment in Real Estate*

Unrealized (depreciation) appreciation on investment in real estate relates to changes in the fair value of Liberty Place and 2099 Pennsylvania Avenue. The property level accounting for these two properties has been maintained on a fair value basis. In connection with the formation transactions, the accounting for these investments will change to historical cost.

The value of the real estate is impacted by a variety of factors including changes in existing and projected net operating incomes and cash flows, ongoing capital projects, leasing related expenditures, and changes in the key assumptions used in projecting likely prices achievable through third-party asset sales. These key assumptions, which vary from property to property, market to market and period to period, include indicators such as rental growth rates, leasing velocities and occupancy levels, as well as investment factors. Unrealized depreciation on investment in real estate was $1.0 million for the nine months ended September 30, 2014 reflecting a decline in value of $1.7 million, or 243.6%, compared to appreciation of $0.7 million for the nine months ended September 30, 2013.

*(Provision) Benefit for Income Taxes*

Provision for income taxes increased by $3.9 million, or 207.2%, to a provision of $2.0 million, for the nine months ended September 30, 2014 as compared to a benefit of $1.9 million for the nine months ended September 30, 2013.

*Same Property Cash NOI*

Same property Cash NOI increased by $34.5 million, or 16.0%, to $249.7 million for the nine months ended September 30, 2014 from $215.2 million for the nine months ended September 30, 2013. This increase was due to the changes in revenues and building operating expenses for all properties as described above, net of straight-line rent and amortization of above- and below-market leases.

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***Comparison of Results of Operations for the Years Ended December 31, 2013 and December 31, 2012***

The table below summarizes the combined historical results of operations for the Paramount Predecessor Properties for the years ended December 31, 2013 and December 31, 2012 (dollar amounts in thousands).

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2013** | **2012** | **Change** | **% Change** |
| **Revenues** | | | | |
| Rental income | $ 549,964 | $ 670,956 | $ (120,992) | (18.0%) |
| Tenant reimbursement income | 51,805 | 63,630 | (11,825) | (18.6%) |
| Other income | 15,103 | 18,437 | (3,334) | (18.1%) |
| **Total revenues** | **616,872** | **753,023** | **(136,151)** | **(18.1%)** |
| Building operating expenses | 245,082 | 242,625 | 2,457 | 1.0% |
| Related party management fees | 12,566 | 12,276 | 290 | 2.4% |
| Operating expenses | 257,648 | 254,901 | 2,747 | 1.1% |
| Depreciation and amortization | 151,936 | 167,501 | (15,565) | (9.3%) |
| General and administrative | 1,866 | 5,358 | (3,492) | (65.2%) |
| **Total expenses** | **411,450** | **427,760** | **(16,310)** | **(3.8%)** |
| **Operating income** | **205,422** | **325,263** | **(119,841)** | **(36.8%)** |
| Unrealized gain on interest rate swaps | 129,901 | 39,349 | 90,552 | 230.1% |
| Interest expense | (268,635) | (284,296) | 15,661 | (5.5%) |
| Unrealized depreciation on investment in real estate | (101) | (19,179) | 19,078 | (99.5%) |
| **Net income before income taxes** | 66,587 | 61,137 | 5,450 | 8.9% |
| Benefit for income taxes | 2,393 | 2,334 | 59 | 2.5% |
| **Net Income** | **68,980** | **63,471** | **5,509** | **8.7%** |
| **Adjustments:** | | | | |
| Straight-line rent | (29,613) | (9,054) | (20,559) | 227.1% |
| Amortization of above-and below-market leases | (46,732) | (180,178) | 133,446 | (74.1%) |
| Related party management fees | 12,566 | 12,276 | 290 | 2.4% |
| Depreciation and amortization | 151,936 | 167,501 | (15,565) | (9.3%) |
| General and administrative | 1,866 | 5,358 | (3,492) | (65.2%) |
| Unrealized gain on interest rate swaps | (129,901) | (39,349) | (90,552) | 230.1% |
| Interest expense | 268,635 | 284,296 | (15,661) | (5.5%) |
| Unrealized depreciation on investment in real estate | 101 | 19,179 | (19,078) | (99.5%) |
| Benefit for income taxes | (2,393) | (2,334) | (59) | 2.5% |

| | | | | |
|---|---|---|---|---|
| **Cash NOI [1]** | **$ 295,445** | **$ 321,166** | **$ (25,721)** | **(8.0%)** |
| | | | | |
| **Same Property Cash NOI [2]** | **$ 299,412** | **$ 316,000** | **$ (16,588)** | **(5.2%)** |
| **Non-Same Property Cash NOI [2]** | **$ (3,967)** | **$ 5,166** | **$ (9,133)** | **(176.8%)** |

(1) For a definition and reconciliation of Cash Net Operating Income, or Cash NOI, and a statement disclosing the reasons why our management believes that presentation of Cash NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses Cash NOI, see Non-GAAP Financial Measures Cash Net Operating Income.

(2) The same property amounts include the Paramount Predecessor Properties acquired or placed in-service by Paramount Predecessor prior to January 1, 2012 and owned and in service through December 31, 2013, and as a result it excludes 2099 Pennsylvania Avenue which was acquired in January 2012. The non-same property amounts include only 2099 Pennsylvania Avenue.

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*Rental Income*

Rental income from the total portfolio decreased by $121.0 million, or 18.0%, to $550.0 million for the year ended December 31, 2013 from $671.0 million for the year ended December 31, 2012. Excluding the impact of the Dewey and LeBoeuf LLP lease termination, as more fully described below, same property rental income increased by $2.2 million.

In order to gain control of the space, in May 2012, we terminated our lease with Dewey and LeBoeuf LLP, a tenant occupying approximately 406,000 square feet at 1301 Avenue of the Americas, prior to the tenant filing for bankruptcy. As a result of the termination, we recognized $108.3 million of non-cash income from the write-off of the straight-line rent receivable and the below-market lease liability on our balance sheet. Within two months of the lease termination, we executed a lease with a nationally recognized law firm for approximately half of the vacated space at rental rates approximately 32.0% higher than the previous rent, and we continue to progress with releasing the remainder of the space.

*Tenant Reimbursement Income*

Tenant reimbursement income decreased by $11.8 million, or 18.6%, to $51.8 million for the year ended December 31, 2013 from $63.6 million for the year ended December 31, 2012. This decrease was caused principally by the terminations of the Dewey & LeBoeuf LLP and 2099 Pennsylvania Avenue leases discussed above as well as the renewal of the large specialty convention space at 1325 Avenue of the Americas which established a new base year amount upon which future expense increases and reimbursements will be calculated.

*Other Income*

Other income decreased by $3.3 million, or 18.1%, to $15.1 million for the year ended December 31, 2013 from $18.4 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in payments from tenants for variable income items such as after hour heating and cooling, freight elevator services and similar expenses.

*Operating Expense*

Operating expenses increased by $2.7 million, or 1.1%, to $257.6 million for the year ended December 31, 2013 from $254.9 million for the year ended December 31, 2012. This increase was primarily due to increases in real estate taxes which were partially offset by reductions in utility, cleaning and repairs and maintenance costs.

*Depreciation and Amortization*

Depreciation and amortization decreased by $15.6 million, or 9.3%, to $151.9 million for the year ended December 31, 2013 from $167.5 million for the year ended December 31, 2012. The decrease was primarily due to an increase in 2012 depreciation expense resulting from an adjustment to the tenant improvement and accumulated depreciation balances relating to the Dewey & LeBoeuf LLP lease discussed above. Such an adjustment did not recur in 2013.

*General and Administrative*

General and administrative decreased by $3.5 million, or 65.2%, to $1.9 million for the year ended December 31, 2013 from $5.4 million for the year ended December 31, 2012. The decrease in 2013 is primarily due to an increase in the bad debt reserve related to the Dewey & LeBoeuf LLP bankruptcy in 2012. This adjustment did not recur in 2013.

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*Unrealized Gain on Interest Rate Swaps*

Unrealized gain on interest rate swaps increased by $90.6 million, or 230.1%, to $129.9 million for the year ended December 31, 2013 from $39.3 million for the year ended December 31, 2012. This increase was primarily attributable to a decrease in the length of remaining terms of the various swap instruments and an increase in the interest rate indexes to which rates are tied.

*Interest Expense*

Interest expense decreased by $15.7 million, or 5.5%, to $268.6 million for the year ended December 31, 2013 from $284.3 million for the year ended December 31, 2012. The decrease in the interest expense is primarily due to the maturity of fund swap contracts which were then converted to lower floating interest rates.

*Unrealized Depreciation on Investment in Real Estate*

Unrealized depreciation on investment in real estate relates to changes in the fair value of Liberty Place and 2099 Pennsylvania Avenue. The property level accounting for the investment in these two properties has been maintained on a fair value basis. In connection with the formation transactions, the accounting for these investments will change to historical cost. The value of the real estate is impacted by a variety of factors including changes in existing and projected net operating incomes and cash flows, ongoing capital projects, leasing related expenditures, and changes in the key assumptions used in projecting likely prices achievable through third-party asset sales. These key assumptions, which vary from property to property, market to market and period to period, include indicators such as rental growth rates, leasing velocities and occupancy levels, as well as investment factors.

Unrealized depreciation on investment in real estate declined by $19.1 million, or 99.5%, to $0.1 million for the year ended December 31, 2013 from $19.2 million for the year ended December 31, 2012. The value of 2099 Pennsylvania Avenue declined in 2012 primarily due to the expiration of the major tenant lease described above.

*Benefit for Income Taxes*

Benefit for income taxes remained relatively unchanged at $2.4 million for the year ended December 31, 2013 as compared to a benefit of $2.3 million for the year ended December 31, 2012.

*Same Property Cash NOI*

Same property Cash NOI is related to all our properties other than 2099 Pennsylvania Avenue. Same property Cash NOI decreased by $16.6 million, or 5.2%, to $299.4 million for the year ended December 31, 2013 from $316.0 million for the year ended December 31, 2012. Excluding the impact of 1301 Avenue of the Americas on the same property Cash NOI, due to the Dewey & LeBoeuf LLP lease termination, as more fully described above, and the effect of free rent from a large 2013 lease renewal, same property Cash NOI increased by $8.3 million, or 2.9%.

*Non-Same Property Cash NOI*

Non-same property Cash NOI, which solely related to 2099 Pennsylvania Avenue, decreased by $9.2 million to a loss of $4.0 million for the year ended December 31, 2013 from income of $5.2 million for the year ended December 31, 2012. The decrease was primarily due to the expiration in January 2013 of the lease for a majority of the space in the building. We are in the process of retenanting 2099 Pennsylvania Avenue and, as of December 31, 2013, had leased 59,133 square feet of the available space.

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***Comparison of Results of Operations for the Years Ended December 31, 2012 and December 31, 2011***

The table below summarizes the combined historical results of operations for the Paramount Predecessor Properties for the years ended December 31, 2012 and December 31, 2011 (dollar amounts in thousands).

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2012** | **2011** | **Change** | **% Change** |
| **Revenues** | | | | |
| Rental income | $ 670,956 | $ 560,139 | $ 110,817 | 19.8% |
| Tenant reimbursement income | 63,630 | 62,217 | 1,413 | 2.3% |
| Other income | 18,437 | 24,109 | (5,672) | (23.5%) |
| **Total revenues** | **753,023** | **646,465** | **106,558** | **16.5%** |
| Building operating expenses | 242,625 | 232,966 | 9,659 | 4.1% |
| Related party management fees | 12,276 | 12,475 | (199) | (1.6%) |
| Operating Expenses | 254,901 | 245,441 | 9,460 | 3.9% |
| Depreciation and amortization | 167,501 | 147,949 | 19,552 | 13.2% |
| General and administrative | 5,358 | 1,445 | 3,913 | 270.8% |
| **Total expenses** | **427,760** | **394,835** | **32,925** | **8.3%** |
| **Operating income** | **325,263** | **251,630** | **73,633** | **29.3%** |
| Unrealized gain (loss) on interest rate swaps | 39,349 | (98,376) | 137,725 | 140.0% |
| Interest expense | (284,296) | (270,990) | (13,306) | 4.9% |
| Unrealized (depreciation) appreciation on investment in real estate | (19,179) | 6,490 | (25,669) | (395.5%) |
| **Net income (loss) before income taxes** | 61,137 | (111,246) | 172,383 | (155.0%) |
| Benefit (provision) for income taxes | 2,334 | (939) | 3,273 | (348.6%) |
| **Net income (loss)** | **63,471** | **(112,185)** | **175,656** | **(156.6%)** |
| **Adjustments:** | | | | |
| Straight-line rent | (9,054) | (8,442) | (612) | 7.2% |
| Amortization of above-and-below market leases | (180,178) | (68,914) | (111,264) | 161.5% |
| Related party management fees | 12,276 | 12,475 | (199) | (1.6%) |
| Depreciation and amortization | 167,501 | 147,949 | 19,552 | 13.2% |
| General and administrative | 5,358 | 1,445 | 3,913 | 270.8% |
| Unrealized gain on interest rate swaps | (39,349) | 98,376 | (137,725) | (140.0%) |
| Interest expense | 284,296 | 270,990 | 13,306 | 4.9% |
| Unrealized depreciation (appreciation) on investment in real estate | 19,179 | (6,490) | 25,669 | (395.5%) |
| (Benefit) provision for income taxes | (2,334) | 939 | (3,273) | (348.6%) |
| **Cash NOI** (1) | **$ 321,166** | **$ 336,143** | **$ (14,977)** | **(4.5%)** |

| | | | | |
|---|---|---|---|---|
| **Same Property Cash NOI [2]** | **$ 309,064** | **$ 332,787** | **$ (23,723)** | **(7.1%)** |
| **Non-Same Property Cash NOI [2]** | **$ 12,102** | **$ 3,356** | **$ 8,746** | **260.6%** |

(1) For a definition and reconciliation of Cash NOI and a statement disclosing the reasons why our management believes that presentation of Cash NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses Cash NOI, see Non-GAAP Financial Measures Cash Net Operating Income.

(2) The same property portfolio includes ten properties acquired or placed in-service by Paramount Predecessor prior to January 1, 2011 and owned and in service through December 31, 2012, and as a result it excludes 2099 Pennsylvania Avenue, which was acquired in January 2012, and Liberty Place, which was acquired in June 2011. The non-same property amounts include 2099 Pennsylvania Avenue and Liberty Place.

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*Rental Income*

Rental income from the total portfolio decreased by $110.9 million, or 19.8%, to $671.0 million for the year ended December 31, 2012 from $560.1 million for the year ended December 31, 2011. Excluding the impact of the Dewey and LeBoeuf LLP lease termination in May 2012, which resulted in additional non-cash income in 2012 compared to 2011 due to the write-off of the straight line rent receivable and below market lease liability on our balance sheet, same property rental income increased by $24.2 million. This increase resulted primarily from higher income from lease rollovers in our same property portfolio.

*Tenant Reimbursement Income*

Tenant reimbursement income increased by $1.4 million, or 2.3%, to $63.6 million for the year ended December 31, 2012 from $62.2 million for the year ended December 31, 2011. This increase is principally attributable to the acquisition of 2099 Pennsylvania Avenue which was partially offset by a decline at 1301 Avenue of the Americas due to the Dewey & LeBoeuf LLP lease termination discussed above.

*Other Income*

Other income decreased by $5.7 million, or 23.5%, to $18.4 million for the year ended December 31, 2012 from $24.1 million for the year ended December 31, 2011. This decrease was primarily due to a decrease in payments from tenants for variable income items such as after hour heating and cooling, freight elevator services and similar expenses.

*Operating Expense*

Operating expenses increased by $9.5 million, or 3.9%, to $254.9 million for the year ended December 31, 2012 from $245.4 million for the year ended December 31, 2011. This increase was primarily due to increases in real estate taxes which were partially offset by reductions in utility, cleaning, and repair and maintenance costs.

*Depreciation and Amortization*

Depreciation and amortization increased by $19.6 million, or 13.2%, to $167.5 million for the year ended December 31, 2012 from $147.9 million for the year ended December 31, 2011. The increase was primarily due to the write off in 2012 of tenant improvement and accumulated depreciation balances relating to the Dewey & LeBoeuf LLP lease discussed above. No such adjustment occurred in 2011.

*General and Administrative*

General and administrative increased by $4.0 million, or 270.8%, to $5.4 million for the year ended December 31, 2012 from $1.4 million for the year ended December 31, 2011. The increase is primarily due to costs arising from the Dewey & LeBoeuf LLP bankruptcy discussed above.

*Unrealized Gain (Loss) on Interest Rate Swaps*

Unrealized gain (loss) on interest rate swaps increased by $137.7 million, or 140.0%, to $39.3 million for the year ended December 31, 2012 from a loss of $98.4 million for the year ended December 31, 2011. This increase was primarily attributable to a decrease in the length of remaining terms of the various swap instruments and an increase in the interest rate indexes to which rates are tied.

*Interest Expense*

Interest expense increased by $13.3 million, or 4.9%, to $284.3 million for the year ended December 31, 2012 from $271.0 million for the year ended December 31, 2011. The increase in the interest expense is primarily attributable to the acquisition and related loan assumption of 2099 Pennsylvania Avenue. Additionally, 1633 Broadway and 31 West 52nd Street drew down on their leasing revolver facilities in 2011 and 2012 to pay leasing related costs and thereby increased their overall loan balances and interest expense.

*Unrealized (Depreciation) Appreciation on Investment in Real Estate*

Unrealized (depreciation) appreciation on investment in real estate declined by $25.7 million, or 395.5%, to depreciation of $19.2 million for the year ended December 31, 2012 from appreciation of $6.5 million for the year ended December 31, 2011. This change was primarily due to a decrease in the value of 2099 Pennsylvania Avenue due to the expiration of the major tenant lease described above as well as the write-off of acquisition costs of approximately $4.4 million.

*Benefit (Provision) for Income Taxes*

Benefit (provision) for income taxes increased $3.2 million, or 348.6%, to $2.3 million for the year ended December 31, 2012 from a provision of ($0.9) million for the year ended December 31, 2011.

*Same Property Cash NOI*

Same property Cash NOI is related to all our properties other than 2099 Pennsylvania Avenue and Liberty Place. Same property Cash NOI decreased by $23.7 million, or 7.1%, to $309.1 million for the year ended December 31, 2012 from $332.8 million for the year ended December 31, 2011. Excluding the impact of 1301 Avenue of the Americas due to the Dewey & LeBoeuf LLP lease termination, same property Cash NOI decreased by $6.6 million primarily due to lower occupancy at 1325 Avenue of the Americas and 712 Fifth Avenue.

*Non-Same Property Cash NOI*

Non-same property Cash NOI, which is solely related to 2099 Pennsylvania Avenue and Liberty Place, increased by $8.7 million, or 260.6%, to $12.1 million for the year ended December 31, 2012 from $3.4 million for the year ended December 31, 2011. The increase was primarily a result of the timing of the acquisitions of 2099 Pennsylvania Avenue and Liberty Place, which were acquired in January 2012 and June 2011, respectively.

**Liquidity and Capital Resources**

Our primary sources of liquidity for the next 12 months will be available cash balances, cash flow from operations, available borrowings under the lines of credit related to certain of our properties held in joint ventures, the $1.0 billion unsecured revolving credit facility that we expect to enter into in connection with this offering and net proceeds from this offering and the concurrent private placements. We expect that these sources will provide adequate liquidity for all anticipated needs including scheduled principal and interest on our outstanding indebtedness, existing and anticipated capital improvements, the costs of securing new and renewal leases, distributions to stockholders, and all other capital needs related to operating our business during this period. We anticipate that our long-term needs including debt maturity and the acquisition of additional properties will be funded by operating cash flow, mortgage re-financings or financings and the issuance of long-term debt or equity. We do not currently have any specific acquisition commitments.

Although we may be able to anticipate and plan for certain of our liquidity needs, unexpected increases in uses of cash that are beyond our control and which affect our financial condition and results of operations may arise, or our sources of liquidity may be fewer than, and the funds available from such sources may be less than, anticipated or required.

Our properties require periodic investment for capital improvements and the costs of securing new and renewal leases.

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***Tangible Assets and Liabilities***

The following table summarizes our pro forma tangible assets and liabilities and our pro rata share of our pro forma tangible assets and liabilities as of September 30, 2014 (dollars in thousands).

| | As of September 30, 2014 | |
|---|---|---|
| | **Pro Forma** | **Pro Forma Pro Rata** |
| Cash and cash equivalents[(1)] | $ 156,712 | $ 126,174 |
| Restricted cash | 87,835 | 66,731 |
| Marketable securities | 18,078 | 18,078 |
| Accounts and other receivables | 26,656 | 6,977 |
| Other assets | 35,958 | 34,260 |
| Total tangible assets | $ 325,239 | $ 252,220 |
| Accounts payable and accrued expenses | $ 64,457 | $ 48,921 |
| Other liabilities | 54,028 | 49,666 |
| Total tangible liabilities | $ 118,485 | $ 98,587 |
| Net tangible assets | $ 206,754 | $ 153,633 |

(1) Prior to the completion of the formation transactions, our pro forma cash and cash equivalents balance as of September 30, 2014 will be impacted for ongoing transactions in the ordinary course of business, including, but not limited to, contributions and distributions from/to our fund business in connection with the purchase and/or sale of assets. Our estimate of the pro forma pro rata cash and cash equivalents as of October 27, 2014 is approximately $36.781 million.

***Indebtedness to be Outstanding After this Offering***

We believe that the formation transactions, this offering and the concurrent private placements will improve our financial position due to a reduction in our outstanding indebtedness. We expect to use substantially all of the approximately $2.2 billion net proceeds from this offering and the concurrent private placements to repay outstanding indebtedness and any applicable repayment costs, exit fees, defeasance costs, settlement of interest rate swap liabilities and other costs and fees associated with such repayments, and to pay $223.7 million in cash consideration in connection with the formation transactions. We expect to use any remaining net proceeds for general working capital requirements, capital expenditures and potential future acquisitions. Upon completion of this offering, the formation transactions and the concurrent private placements, we will have total debt outstanding of $3.113 billion ($2.413 billion on a pro rata basis), including debt of our unconsolidated joint ventures, with a weighted average interest rate of 5.4%. In addition, upon consummation of this offering and the concurrent private placements, we expect we will have an undrawn $1.0 billion senior unsecured revolving credit facility. We have historically utilized swap agreements to establish fixed rates on otherwise variable rate debt in order to limit interest rate risk, manage anticipated cash flows, and comply with various loan covenants and may continue to do so in the future.

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The following table summarizes our outstanding indebtedness as of September 30, 2014 on a pro forma basis (dollar amounts in thousands).

| Loan | Principal Balance | Pro Rata Share of Principal Balance | Fixed / Floating Rate | Current Annual Interest Rate | Estimated Principal Balance at Maturity | Maturity Date | Swap Maturity Date |
|---|---|---|---|---|---|---|---|
| **Waterview** (1) | $ 210,000 | $ 210,000 | 5.76% | 5.76% | $ 210,000 | 6/1/2017 | |
| **900 Third Avenue** | | | | | | | |
| First lien mortgage (2) | 266,627 | 266,627 | LIBOR + 80bps | 5.17% | 266,627 | 11/29/2017 | 11/27/2015 & 11/29/2017 |
| Line of credit (3) | 7,710 | 7,710 | LIBOR + 150bps | 1.70% | 7,710 | 11/29/2017 | |
| **31 West 52nd Street** | | | | | | | |
| First lien mortgage (4) | 396,000 | 254,334 | LIBOR + 85bps | 5.10% | 396,000 | 12/31/2017 | 12/20/2015 & 12/20/2017 |
| Line of credit (5) | 17,490 | 11,233 | LIBOR + 150bps | 2.32% | 17,490 | 12/31/2017 | |
| **Liberty Place** (6) | 84,000 | 84,000 | 4.50% | 4.50% | 84,000 | 6/21/2018 | |
| **1899 Pennsylvania Avenue** (7) | 90,600 | 90,600 | 4.88% | 4.88% | 81,453 | 11/1/2020 | |
| **1633 Broadway** | | | | | | | |
| First lien mortgage (8) | 906,260 | 906,260 | LIBOR + 70bps | 5.33% | 906,260 | 12/7/2016 | 12/7/2016 |
| Line of credit (9) | 20,000 | 20,000 | LIBOR + 150bps | 2.13% | 20,000 | 12/7/2016 | |
| **One Market Plaza** | | | | | | | |
| First lien mortgage (10) | 840,000 | 411,600 | LIBOR + 65bps | 6.16% | 840,000 | 12/31/2019 | 8/9/2017 |
| Deferred interest added to principal balance (11) | 12,899 | 6,320 | 5.00% | 5.00% | 32,173 | 12/31/2019 | |
| **Other** (12) | 27,299 | 27,299 | 0.50% | 0.50% | 27,299 | 10/1/2017 | |
| **Total Consolidated** | **2,878,885** | **2,295,983** | | | **2,889,012** | | |
| **712 Fifth Avenue** | | | | | | | |
| First lien mortgage (13) | 225,000 | 112,500 | LIBOR + 90bps | 5.65% | 225,000 | 3/27/2018 | 3/27/2015 & 3/27/2018 |
| Line of credit (14) | 9,000 | 4,500 | LIBOR + 185bps | 2.69% | 9,000 | 3/27/2018 | |

| | | | |
|---|---|---|---|
| **Total Unconsolidated Joint Ventures** | **234,000** | **117,000** | **234,000** |
| **TOTAL INDEBTEDNESS:** | **$ 3,112,885** | **$ 2,412,983** | **$ 3,123,012** |

(1) This CMBS mortgage bears interest at 5.8% and is interest only through maturity. Early prepayment is subject to prepayment penalties for defeasance, a market rate present value of the right to receive the remaining interest payments determined in accordance with the loan terms; the loan is prepayable without penalty within three months of the loan maturity.

(2) Represents three tranches of the loan, which have variable interest rates of LIBOR plus 80 basis points. The loan is subject to an additional fixed margin based upon the lender s current cost of funds which was set at 40 basis points through maturity. Two tranches, totaling $255.0 million, have interest rates that have been fixed to maturity by interest rate swaps with a weighted average rate of (including of the cost of funds margin) 5.35%. The remaining tranche is floating (at a rate of 1.35% as of September 30, 2014). Debt payment is interest only for the first five years of the loan. Thereafter principal payments are calculated based on a 30 year amortization schedule at a rate of 6.0%. In the event that the property loan to value ratio is below 65.0%, no amortization shall apply for that year and the loan to value covenant is then tested annually. Based on the property value as of September 30, 2014, we do not anticipate any additional property debt amortization.

(3) As of September 30, 2014, $7.7 million was outstanding under a $10.0 million line of credit that bears an interest rate at LIBOR plus 150 basis points, with no amortization or prepayment penalty. The loan is subject to an additional margin based upon the lender s current cost of funds, which resets monthly.

(4) Represents five tranches of the loan which have variable interest rates of LIBOR plus 85 basis points and an additional fixed margin of 40 basis points based upon the lender s current cost of funds. Three tranches totaling $237.6 million have been fixed by interest rate swaps at a weighted average rate of 6.0% through December 2017, one in the amount of $99.9 million has been fixed by an interest rate swap at 5.0% through December 2015 and the final one in the amount of $58.5 million is floating (at a rate of 1.40% as of September 30, 2014). Debt payments are interest only for the first five years of the loan. Thereafter, if the property loan to value is below 65.0%, 62.5% and 60.0% on the fifth, seventh, and ninth anniversary, respectively, no amortization shall apply for that year and the loan to value covenant is then tested annually. Based on the property value as of September 30, 2014, we do not anticipate any property debt amortization.

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(5) As of September 30, 2014, $17.5 million is outstanding of a total available line of credit of $20.0 million and bears interest at LIBOR plus 150 basis points with no amortization or prepayment penalty. The loan is subject to an additional fixed margin based upon the lender s current cost of funds which was set at a weighted average of 59 basis points through maturity.

(6) This loan, secured by a mortgage, is interest only at 4.5% through maturity. Under the terms of the loan agreement, after September 2014 and prior to August 2015, the outstanding indebtedness may be increased at the election of the borrower subject to certain loan-to-value and debt service coverage ratios being satisfied. Early repayment is subject to prepayment penalties equal to the greater of yield maintenance or 1.0% of the outstanding principal balance in years three through five of the loan, 2.0% in year six and 1.0% in year seven. The balance is prepayable without penalty within six months prior to the loan maturity.

(7) This loan, secured by a mortgage, is interest only at 4.9% through November 1, 2014; thereafter monthly payments include amortization based on 30 year amortization schedule. Early repayment is subject to prepayment penalties equal to the greater of yield maintenance or 1.0% of the outstanding principal balance in the first six years of the loan, 4.0% in year seven, 3.0% in year eight, 2.0% in year nine and 1.0% in year ten. The loan is prepayable without penalty within four months prior to the loan maturity.

(8) Represents nine tranches of the loans, all of which have variable interest rates of LIBOR plus 70 basis points and are subject to an additional floating margin based upon the lender s current cost of funds, which was set at 40 basis points as of September 30, 2014. One tranche, totaling $42.0 million, has an additional margin of 45 basis points as of September 30, 2014. Seven of the nine tranches, totaling $772.1 million, have interest rates that have been fixed to maturity by interest rates swaps with a weighted average interest rate (including the cost of funds margin) of 5.65% through loan maturity. The two remaining tranches are floating (at a rate of 1.35% as of September 30, 2014). Debt payments are interest only for loan years one through seven. Thereafter principal payments are calculated based on a 30 year amortization schedule at a rate of 6.0%. In the event that the property loan to value ratio is below 59.0%, no amortization shall apply for that year and the loan to value covenant is then tested annually. Based upon current property valuations as of September 30, 2014 we do not anticipate any property debt amortization.

(9) As of September 30, 2014, the line of credit of $20.0 million has been fully drawn and bears interest at LIBOR plus 150 basis points, with no amortization or prepayment penalty.

(10) Represents ten tranches of the loan, which have variable interest rates of LIBOR plus 65 basis points with no amortization or prepayment penalty. The loan is subject to an additional fixed margin based upon the lender s current cost of funds which was set at 49 basis points through August 2017.

(11) Under the terms of the loan agreement as amended, 0.3% of the interest payable is accrued and added to the outstanding indebtedness. Such accrued amounts bear interest at 5.0% until maturity.

(12)

Includes a $24.5 million note payable to CNBB-RDF Holdings, LP, which is an entity owned by members of the Otto family, and a $2.8 million note payable to a different entity owned by members of the Otto family. These notes, which were distributed in lieu of certain cash distributions prior to the completion of the formation transactions, bear interest at a fixed rate of 0.50% and mature three years from the date of distribution.

(13) Represents four tranches of the loan having variable interest rates of LIBOR plus 90 basis points and an additional fixed margin of 55 to 60 basis points based upon the lender s current cost of funds. These four tranches have been fixed by interest rate swaps with a weighted average interest rate of 5.7% through maturity. The loan is interest only and payable quarterly. If the loan to value exceeds 70.0%, the operating partnership must deposit cash into a segregated restricted account in an amount sufficient to bring the loan to value to 70.0%.

(14) As of September 30, 2014, $9.0 million is outstanding of a total available line of credit of $30.0 million and bears interest at LIBOR plus 185 basis points. The line of credit is subject to an additional floating margin based upon the lender s current cost of funds which was set at 84 basis points as of September 30, 2014, but resets monthly.

Our overall leverage will depend upon factors such as our existing portfolio requirements, future acquisition or redevelopment opportunities, and the cost of leverage. Our board of directors has not adopted policies which restrict the amount of leverage which we may use.

*Revolving Credit Facility*

Concurrently with the closing of this offering, we expect to enter into an agreement with a group of lenders for a senior unsecured revolving credit facility in the maximum aggregate original principal amount of up to $1.0 billion, for which the lead arrangers have secured commitments. We expect that Bank of America Merrill Lynch (an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated), Morgan Stanley Senior Funding Inc. (an affiliate of Morgan Stanley & Co. LLC) and Wells Fargo Securities, LLC will act as joint lead arrangers and joint bookrunners, Bank of America, N.A. (an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated) will act as administrative agent and swing-line lender, Morgan Stanley Senior Funding, Inc. and Wells Fargo

Bank, National Association (an affiliate of Wells Fargo Securities, LLC) will act as co-syndication agents and Bank of America, N.A., Morgan Stanley Bank, N.A. (an affiliate of Morgan Stanley & Co. LLC) and Wells Fargo Bank, National Association will act as letter of credit issuers. The unsecured credit facility consists of two tranches: tranche A consists of $800.0 million of credit commitments maturing four years after the closing of this offering, with a provision for one twelve-month extension at our option, subject to certain conditions, and tranche B consists of $200.0 million of credit commitments maturing one year after the closing of this offering, with provisions for automatic twelve-month extensions, subject to certain conditions. The facility will provide a commitment for up to $100.0 million for letters of credit under tranche A and $50.0 million for swing-line loans under tranche A, and up to $200.0 million for letters of credit under tranche B. Borrowings under the facility will bear interest at a variable rate equal to, at our option, (i) a base rate plus an applicable margin ranging from 0.20% to 0.70% per annum which, prior to the time we have an investment grade credit rating (if we have one) will be calculated based on our consolidated leverage ratio or (ii) LIBOR plus an applicable margin ranging from 1.20% to 1.70% per annum for borrowings under tranche A and from 0.80% to 1.30% per annum for borrowings under tranche B which, prior to the time we have an investment grade credit rating (if we have one) will be calculated based on our consolidated leverage ratio. If we obtain an investment grade credit rating, borrowings under the facility will bear interest at a variable rate equal to, at our option, (i) a base rate plus an applicable margin ranging from 0.00% to 0.70% per annum or (ii) LIBOR plus an applicable margin ranging from 0.875% to 1.650% per annum for borrowings under tranche A and from 0.475% to 1.250% per annum for borrowings under tranche B. Any swing-line loan under the facility will bear interest at the base rate plus the applicable margin. The new revolving credit facility will be freely prepayable at any time. We will be able to re-borrow amounts paid down, subject to customary borrowing conditions. The facility will also provide an accordion feature to increase, subject to certain conditions, the capacity of tranche A by up to $250.0 million for a maximum potential aggregate commitment of $1.25 billion. We intend to use the senior unsecured revolving credit facility to fund acquisitions, development and redevelopment opportunities, to provide funds for capital expenses, and to provide working capital. We may also use the senior unsecured revolving credit facility to pay any tax withholding liability incurred on behalf of certain private equity real estate fund investors in connection with the formation transactions, although we would expect to be reimbursed by the applicable investor for any such payment. The closing of the senior unsecured revolving credit facility will be contingent on the consummation of this offering and the satisfaction of customary conditions. In connection with the formation transactions, a letter of credit in the amount of $200.0 million will be issued under the senior unsecured revolving credit facility for the benefit of the One Market Plaza lenders in order to secure the obligations of the borrower.

The revolving credit facility will include certain customary financial covenants: (i) maximum consolidated leverage ratio of consolidated total indebtedness to total asset value (as defined in the agreement) not exceeding 60.0% as of any date, (ii) maximum secured leverage ratio of consolidated secured indebtedness to total asset value not exceeding 50.0% as of any date prior to June 30, 2015 and 45.0% as of any date on or after June 30, 2015, (iii) minimum consolidated tangible net worth (as defined in the agreement) at any time not less than the sum of an amount equal to 75.0% of our consolidated tangible net worth as of the closing date of the facility plus an amount equal to 75.0% of the aggregate net equity proceeds (as defined in the agreement) received by us from any offering after the closing date of the facility, (iv) minimum fixed charge coverage ratio of adjusted consolidated EBITDA (as defined in the agreement) to consolidated fixed charges for any fiscal quarter not less than 1.50 to 1.00 as of the last day of such fiscal quarter, (v) maximum unsecured leverage ratio of consolidated unsecured indebtedness to unencumbered asset value not exceeding 60% as of any date, (vi) minimum unencumbered interest coverage ratio for any fiscal quarter not less than 1.75:1.00 as of the last day of such fiscal quarter and (vii) maximum consolidated secured recourse indebtedness not exceeding 5% of total asset value as of any date. Additionally, under the proposed revolving credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or (ii) the amount required for us to maintain our status as a REIT and avoid the payment of federal or state income or excise tax; provided that with respect to the fiscal year ending December 31, 2014, our distributions may not exceed the amount required for us to maintain our status as a REIT and avoid the payment of federal or state income or excise tax. If a default or event of default occurs and is continuing, we may be precluded from making certain distributions (other than those required to allow us to maintain our status as a REIT, so long as no payment or bankruptcy event of default has occurred). On a pro forma basis, we believe our covenant levels will provide substantial flexibility in relation to the expected requirements.

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***Leverage Policies***

We expect to continue to employ leverage in our capital structure in amounts determined to be appropriate by our board of directors and we have not adopted a policy that limits the total amount of indebtedness that we may incur. We expect to monitor and evaluate our overall debt levels as well as the components of debt that will be either fixed rate (via swaps or other means) or carried at floating rates. Our board of directors may choose to modify our leverage policies due to future economic conditions, the overall costs of debt as relative to equity or general capital market conditions, changes in the market values of our properties, fluctuations in the market price of our common stock, growth and acquisition opportunities or other factors. As a result of German regulatory considerations, we have entered into agreements with certain continuing investors whereby for three years following completion of the formation transactions we have agreed that we will limit our indebtedness. We do not believe these agreements will have a material impact on our operations, as we intend to limit our indebtedness to levels well below those permitted by these agreements. See Policies with Respect to Certain Activities Financings and Leverage Policy.

***Restrictive Covenants***

The terms of our mortgage debt and certain side letters in place include certain restrictions and covenants which may limit, among other things, certain investments, the incurrence of additional indebtedness and liens and the disposition or other transfer of assets and interests in the borrower and other credit parties, and requires compliance with certain debt yield, debt service coverage and loan to value ratios. In addition, the senior unsecured revolving credit facility we expect to enter into in connection with this offering will contain representations, warranties, covenants, other agreements and events of default customary for agreements of this type with comparable companies. The closing of the senior unsecured revolving credit facility will be contingent on the consummation of this offering and the satisfaction of customary conditions.

***Distribution Policy***

In order to qualify as a REIT, we are required 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 stockholders in a manner intended to satisfy this requirement. Prior to making any distributions for U.S. federal tax purposes or otherwise, we must first satisfy our operating and debt service obligations. It is possible that it would be necessary to utilize cash reserves, liquidate assets at unfavorable prices or incur additional indebtedness in order to make required distributions. It is also possible that the board of directors could decide to make required distributions in part by using shares of our common stock.

***Contractual Obligations***

The table below presents our total contractual obligations at September 30, 2014, on a pro forma basis, reflecting, among other things, our repayment of outstanding indebtedness using net proceeds from this offering and the concurrent private placements (dollar amounts in thousands):

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than one year** | **1 - 3 years** | **3 - 5 years** | **Thereafter** |
| Mortgages and other debt | | | | | |
| Interest expense | $ 477,991 | $ 155,922 | $ 255,520 | $ 38,668 | $ 27,881 |

| | | | | | |
|---|---|---|---|---|---|
| Amortization | 9,147 | 1,135 | 2,918 | 3,216 | 1,878 |
| Principal repayment | 2,869,738 | | 1,136,260 | 799,126 | 934,352 |
| Tenant obligations | 54,506 | 54,506 | | | |
| Total | $ 3,411,382 | $ 211,563 | $ 1,394,698 | $ 841,010 | $ 964,111 |

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***Planned Investments***

We currently have 10.4 million rentable square feet, a portion of which has contractual tenant improvement obligations due in the next 12 months. These capital commitments are fully covered by existing cash reserves or available property line of credit capacity. In addition, we currently intend to invest between $2.0 million and $5.0 million in additional capital improvements in our properties through the end of 2014. This estimate is based on our current budget and is subject to change and there are no commitments to make these improvements until such time as leases or other contracts are executed in the normal course of our operations. We intend to fund these capital improvements through a combination of operating cash flow and borrowings.

***Off Balance Sheet Arrangements***

As of September 30, 2014, on a pro forma basis, we had a 50% interest in one unconsolidated joint venture owning one property. This joint venture had outstanding indebtedness with an aggregate principal amount of $234.0 million as of September 30, 2014, of which our pro rata share was $117.0 million. The table set forth above under Liquidity and Capital Resources Indebtedness to be Outstanding After This Offering summarizes this outstanding debt. In addition, as of September 30, 2014, the joint venture holding 60 Wall Street, in which two of the private equity real estate funds that we control have interests, had outstanding indebtedness with an aggregate principal amount of $925.0 million secured by a first lien mortgage on 60 Wall Street, of which our pro rata share was $47.337 million. We generally do not guarantee the indebtedness of unconsolidated joint ventures or the private equity real estate funds that we control other than providing customary environmental indemnities and guarantees of specified non-recourse carveouts relating to specified covenants and representations; however, we may elect to fund additional capital to a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans in order to enable the joint venture to repay this indebtedness upon maturity.

***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 in expenses 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.

***Cash Flow Paramount Predecessor***

As noted above, upon the consummation of the formation transactions and this offering, we will no longer account for the assets that we acquire from the private equity real estate funds that Paramount Predecessor controls under investment company accounting. Instead, we will account for these assets using either consolidated historical cost accounting or the equity method of historical cost accounting. Moving from investment company accounting to consolidated historical cost accounting or the equity method of historical cost accounting will result in a significant change in the classification of our cash flows. For example, the purchase and sale of underlying investments by our private equity real estate funds that utilize investment company accounting are treated as an operating activity and such purchases and sales are shown net of any related mortgage debt entered into upon acquisition or repaid upon sale. Purchases and sales that we engage in directly or through our consolidated subsidiaries other than these funds will be treated as investing activities and any related mortgage debt entered into upon acquisition or repaid upon sale will be treated as financing activity. Furthermore, all other property-level debt activity relating to properties owned by these funds is currently treated as operating activity, whereas debt activity engaged in directly or through our consolidated subsidiaries other than these funds will be treated as financing activity. In addition, the net income for Paramount Predecessor currently reflects significant unrealized gains or losses relating to properties owned by these funds. Any unrealized gains or losses are reversed to arrive at net cash flow provided by or used in operating activities. Gains or losses arising from sales of properties owned by us directly or through our consolidated subsidiaries will only be recognized by us when realized. The proceeds of such sales will be reflected in net cash provided by investing activities.

Following the formation transactions, we will directly own all of the assets of four of the primary private equity real estate funds (and their associated parallel funds) that Paramount Predecessor controls, other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, and we will account for these assets using consolidated historical cost accounting. In addition, following the formation transactions, we intend to directly fund our future real estate investments following deployment of our existing funds remaining committed equity capital. As a result, we expect the classification of our cash flows following the formation transactions to differ significantly from, and not be comparable with, the historical classification of Paramount Predecessor s cash flows.

The following table sets forth a summary of cash flows for Paramount Predecessor for the nine months ended September 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011.

| | Nine Months Ended September 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2013 | 2012 | 2011 |
| | | | (in thousands) | | |
| Net cash (used in) provided by: | | | | | |
| Operating activities | $ (40,882) | $ (7,999) | $ 33,485 | $ (83,464) | $ (328,503) |
| Investing activities | (64,320) | 1,072 | 1,042 | 5,072 | 59,390 |
| Financing activities | 52,647 | (64,898) | (32,344) | 98,864 | 314,463 |

***Operating Activities***

*Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013* We used $40.9 million of cash for operating activities during the nine months ended September 30, 2014, an increase of $32.9 million compared to the $8.0 million used during the nine months ended September 30, 2013. Net cash used for operating activities in 2014 included $34.5 million for net real estate fund investments due to the purchase of a new asset and additional investments in existing assets. As noted above, activities such as these engaged in directly or through our consolidated subsidiaries, other than our private equity real estate funds that utilize investment company accounting, will be reflected as investing activities following the formation transactions.

*2013 Compared with 2012* We generated $33.5 million of cash from operating activities during the year ended December 31, 2013, an increase of $117.0 million compared with the $83.5 million used for operating activities during the year ended December 31, 2012. Net cash from operating activities in 2013 included $13.4 million from real estate fund investments due to a sale whereas, cash used for operating activities in 2012 included $116.6 million for net real estate fund investments as cash utilized for asset purchases by these real estate funds exceeded proceeds from sales resulting in a change of $130.0 million.

*2012 Compared with 2011* Cash used in operating activities declined by $245.0 million to $83.5 million in 2012 from $328.5 million in 2011. This decline was principally attributable to a decline in net fund investment activity of $113.3 million and a decline in gain on sale of joint venture interests of $43.6 million.

***Investing Activities***

*Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013* We used $64.3 million of cash for investing activities during the nine months ended September 30, 2014, an increase of $65.4 million compared to the $1.1 million provided during the nine months ended September 30, 2013. Net cash used for investing activities increased in 2014 due to a $64.7 million acquisition by a consolidated private equity fund which utilizes historical cost accounting rather than investment company accounting.

*2013 Compared with 2012* We generated $1.0 million of cash from investing activities during the year ended December 31, 2013, a decrease of $4.1 million compared with the $5.1 million generated during the year ended December 31, 2012. This decrease resulted primarily from a refund of tenant improvements of $2.2 million, and the proceeds of a sale of joint venture interests of $2.0 million in 2012. Similar events did not recur in 2013.

*2012 Compared with 2011* We generated $5.1 million of cash from investing activities during the year ended December 31, 2012, a decrease of $54.3 million compared with the $59.4 million generated during the year ended December 31, 2011. This decrease resulted primarily from a decrease in proceeds from the sale of joint venture interests of $43.6 million as well as a decrease in distributions of capital from partially owned entities of $18.9 million. These were partially offset by a loan to management of $5.0 million.

***Financing Activities***

*Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013* We generated $52.6 million of cash from financing activities during the nine months ended September 30, 2014, an increase of $117.5 million compared to the $64.9 million used during the nine months ended September 30, 2013. During 2014, distributions to shareholders decreased by $52.5 million, contributions from non-controlling interests, net, increased by $35.7 million and, in addition, loans of $39.1 million were issued by certain non-controlling interest holders.

*2013 Compared with 2012* We used $32.3 million of cash for financing activities during the year ended December 31, 2013, a decrease of $131.2 million compared to the $98.9 million generated during the year ended December 31, 2012. This decrease resulted primarily from an increase of $107.8 million in net distributions to the equity owners of the Paramount Predecessor, and a decrease of $21.5 million in net contributions from non-controlling interests.

*2012 Compared with 2011* We generated $98.9 million of cash from financing activities during the year ended December 31, 2012, a decrease of $215.6 million compared with the $314.5 million generated during the year ended December 31, 2011. This decrease resulted primarily from the issuance of a $100.0 million preferred equity obligation in 2011, which increased our cash flow from financing activities in 2011. Additional factors include a decline of $70.1 million in net contributions received from the holders of non-controlling interests and an increase of $50.2 million in net mortgage and loan repayments.

**Non-GAAP Financial Measures**

We use and present Cash NOI, earnings before interest, taxation, depreciation and amortization, as further adjusted, or Adjusted EBITDA, and funds from operations, or FFO, and an adjusted measure of FFO, or Core FFO, as supplemental measures of our performance. The summary below describes our use of Cash NOI, Adjusted EBITDA, FFO and Core FFO, provides information regarding why we believe these measures are meaningful supplemental measures of our performance and reconciles these measures from net income (loss), presented in accordance with United States generally accepted accounting principles, or GAAP.

In light of the significant differences that will exist between our future financial information and Paramount Predecessor s historical combined consolidated financial information, including the fact that we will account for our investments in our properties after the formation transactions using either consolidated historical cost accounting or the equity method of historical cost accounting, we believe that presenting the non-GAAP information on a pro forma basis provides investors with more useful information regarding our performance and results of operations.

***Cash Net Operating Income***

Cash NOI is a metric we use to measure the operating performance of our property portfolio, and consists of property-related revenue (which includes rental revenue, tenant reimbursement income and certain other income) less operating expenses (which includes building expenses such as cleaning, security, repairs and maintenance, utilities, property administration and real estate taxes), excluding non-cash amounts recorded for straight-line rents including related bad debt expense and amortization of above- and below- market leases. We also present our pro rata share of

Cash NOI, which represents our share of the Cash NOI generated by our consolidated and unconsolidated operating assets based on our percentage ownership of such assets, and Cash

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NOI on a same property and non-same property basis. We use these metrics internally as performance measures and believe they provide useful information to investors regarding our financial condition and results of operations because they reflect only those income and expense items that are incurred at the property level, excluding non-cash items. Therefore, we believe these metrics are useful measures for evaluating the operating performance of our real estate assets. Further, we believe these metrics are useful to investors as performance measures because, when compared across periods, they reflect the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition activity on an unleveraged basis, providing perspective not immediately apparent from net income. In addition, Cash NOI is considered by many in the real estate industry to be a useful starting point for determining the value of a real estate asset or group of assets. Cash NOI excludes certain components from net income in order to provide results that are more closely related to a property s results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates and amortization of above- and below- market leases, may distort operating performance at the property level. Other real estate companies may use different methodologies for calculating Cash NOI, and accordingly, our presentation of Cash NOI may not be comparable to other real estate companies presentations of this metric.

The following table presents a reconciliation of our pro forma net income to Cash NOI and our pro rata share of Cash NOI for the periods presented (dollar amounts in thousands):

| | **Pro Forma** | |
|---|---|---|
| | **Nine Months Ended September 30, 2014** | **Year Ended December 31, 2013** |
| Net Income | $ 21,229 | $ 16,237 |
| Add: | | |
| Depreciation and amortization | 218,366 | 289,712 |
| General and administrative | 24,467 | 40,250 |
| Interest expense | 126,316 | 167,732 |
| Amortization of above and below market leases, net | 4,250 | 5,666 |
| Other expenses (1) | 5,172 | 4,633 |
| Provision for income taxes | 394 | 316 |
| Less: | | |
| Straight-line rent | (40,501) | (66,602) |
| Distributions from real estate fund investments | (12,126) | (15,205) |
| Income from partially owned entities | (4,013) | (2,805) |
| Realized and unrealized gains, net | (40,577) | (30,683) |
| Fee income | (8,129) | (8,904) |
| Unrealized gain on interest rate swaps | (69,311) | (121,485) |
| Interest and other income | (1,527) | (8,870) |
| **Cash Net Operating Income (2)** | **224,010** | **269,992** |
| Add: | | |
| Our share of Cash NOI from partially owned entities (3) | 10,664 | 10,322 |
| Our share of Cash NOI from real estate fund investments (4) | 2,775 | 3,721 |
| Less: | | |

| | | |
|---|---|---|
| Cash NOI attributable to non-controlling interests in consolidated joint ventures | (26,769) | (36,809) |
| **Pro Rata Share of Cash NOI [2]** | **$ 210,680**[5] | **$ 247,226** |

(1) Other expenses comprises acquisition pursuit costs, fund formation costs, capital raising costs and organization costs, which is consistent with the presentation of other expenses in Paramount Predecessor s combined consolidated financial statements.

(2) Cash NOI and Pro Rata Share of Cash NOI does not include the effect of $24.6 million and $14.3 million, respectively, of incremental annualized rent from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014. Incremental annual GAAP revenue and our pro rata share of incremental annual GAAP revenue from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014 were $28.2 million and $16.4 million, respectively.

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(3) Primarily represents our 50% share of Cash NOI from our unconsolidated partially owned entity that holds an interest in 712 Fifth Avenue.

(4) Primarily represents our share of Cash NOI from our private equity real estate funds investments in 60 Wall Street and One Market Plaza, of which we own 5.12% and 0.06%, respectively.

(5) Net of pro rata abatements of $36.4 million for the nine months ended September 30, 2014.

***Adjusted EBITDA***

Adjusted EBITDA is a metric we use to measure our operating performance and it represents net income (loss) excluding interest, income taxes, depreciation and amortization, as further adjusted to eliminate the impact of the performance of our real estate funds, gains and losses on interest rate swaps and acquisition and pursuit costs that may vary from period to period based on our acquisition activities. We also present our pro rata share of Adjusted EBITDA, which represents our share of the Adjusted EBITDA generated by our consolidated and unconsolidated operating assets based on our percentage ownership of such assets. Adjusted EBITDA should not be considered as an alternative to net income (loss) determined in accordance with GAAP. Other real estate companies may use different methodologies for calculating Adjusted EBITDA or similar metrics, and accordingly, our presentation of Adjusted EBITDA may not be comparable to other real estate companies. Adjusted EBITDA may be useful because it helps investors and lenders meaningfully evaluate and compare our operating performance from period to period by removing from our operating results the impact of our capital structure (primarily interest charges from our consolidated outstanding debt and the impact of our interest rate swaps), certain non-cash expenses (primarily depreciation and amortization on our assets), the formation and performance of our real estate funds and acquisition pursuit costs that may vary from period to period based on our acquisition activities. This supplemental measure may help investors and lenders understand our ability to incur and service debt and to make capital expenditures. Adjusted EBITDA should not be considered an alternative to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, nor is Adjusted EBITDA necessarily indicative of cash available to fund cash needs. In future periods, we may also exclude other items from Adjusted EBITDA that we believe may help investors compare our results.

The following table presents a reconciliation of pro forma net income to Adjusted EBITDA and our share of Adjusted EBITDA for the nine months ended September 30, 2014 and the year ended December 31, 2013 (dollar amounts in thousands):

| | Pro Forma | |
|---|---|---|
| | Nine Months Ended September 30, 2014 | Year Ended December 31, 2013 |
| Net Income | $ 21,229 | $ 16,237 |
| Add: | | |
| Depreciation and amortization | 218,366 | 289,712 |
| Interest expense | 126,316 | 167,732 |
| Other expenses (1) | 5,172 | 4,633 |
| Provision for income taxes | 394 | 316 |
| Less: | | |
| Distributions from real estate fund investments | (12,126) | (15,205) |
| Income from partially owned entities | (4,013) | (2,805) |
| Realized and unrealized gains, net | (40,577) | (30,683) |
| Unrealized gain on interest rate swaps | (69,311) | (121,485) |

| | | |
|---|---|---|
| **Adjusted EBITDA[2]** | **245,450** | **308,452** |
| Add: | | |
| Our share of Adjusted EBITDA from partially owned entities [3] | 11,102 | 12,811 |
| Our share of Adjusted EBITDA from real estate fund investments [4] | 3,032 | 4,022 |
| Less: | | |
| Adjusted EBITDA attributable to non controlling interest in consolidated joint ventures | (29,455) | (45,314) |
| **Pro Rata Share of Adjusted EBITDA[2]** | **$ 230,129** | **$ 279,971** |

(1) Other expenses comprises acquisition pursuit costs, fund formation costs, capital raising costs and organization costs, which is consistent with the presentation of other expenses in Paramount Predecessor s combined consolidated financial statements.

(2) Adjusted EBITDA and Pro Rata Share of Adjusted EBITDA does not include the effect of $28.2 million and $16.4 million, respectively, of incremental annual GAAP revenue from leases signed as of October 27, 2014 that had not commenced as of September 30, 2014.

(3) Primarily represents our 50% share of Adjusted EBITDA from our unconsolidated partially owned entity that holds an interest in 712 Fifth Avenue.

(4) Primarily represents our share of Adjusted EBITDA from our private equity real estate funds investments in 60 Wall Street and One Market Plaza, of which we own 5.12% and 0.06%, respectively.

***Funds from Operations ( FFO ) and Core Funds from Operations ( Core FFO )***

FFO is a supplemental measure of our performance. We present FFO calculated in accordance with the current National Association of Real Estate Investment Trusts, or NAREIT, definition. In addition, we present Core FFO which adjusts FFO for certain other adjustments that we believe enhance the comparability of our FFO across periods and to the FFO reported by other publicly traded office REITs. FFO is a supplemental performance measure that is commonly used in the real estate industry to assist investors and analysts in comparing results of real estate companies.

FFO is generally defined as net income (loss), calculated in accordance with GAAP, plus real estate-related depreciation and amortization, less gains from dispositions of operating real estate held for investment purposes, plus impairment losses on depreciable real estate and impairments of in substance real estate investments in investees that are driven by measureable decreases in the fair value of the depreciable real estate held by the unconsolidated joint ventures and adjustments to derive our pro rata share of FFO of unconsolidated joint ventures.

Our share of FFO relating to our unconsolidated entities is calculated on the same basis as our consolidated entities. Since values for well-maintained real estate assets have historically increased or decreased based upon prevailing market conditions (in contrast to the systematic decline reflected in depreciation charges required under GAAP), many investors consider FFO to be a useful alternative view of our operating performance, particularly with respect to our rental properties. We adjust FFO to present Core FFO as an alternative measure of our operating performance, which, when applicable, excludes the impact of the formation and performance of our real estate funds, the unrealized gain (loss) on interest rate swaps and acquisition and pursuit costs in order to reflect the core FFO of our real estate portfolio and operations. In future periods, we may also exclude other items from Core FFO that we believe may help investors compare our results.

FFO and Core FFO are presented as supplemental financial measures and do not fully represent our operating performance. Other REITs may use different methodologies for calculating FFO and Core FFO or use other definitions of FFO and Core FFO and, accordingly, our presentation of these measures may not be comparable to other real estate companies. Neither FFO nor Core FFO is intended to be a measure of cash flow or liquidity. Please refer to our financial statements, prepared in accordance with GAAP, for purposes of evaluating our financial condition, results of operations and cash flows.

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The following table sets forth a reconciliation of our pro forma net income to FFO and Core FFO for the nine months ended September 30, 2014 and the year ended December 31, 2013 (dollar amounts in thousands):

| | Pro Forma | |
|---|---|---|
| | Nine Months Ended September 30, 2014 | Year Ended December 31, 2013 |
| Net income | $ 21,229 | $ 16,237 |
| Add: | | |
| Real estate depreciation and amortization | 218,366 | 289,712 |
| FFO from partially owned entities | 8,173 | 10,365 |
| Less: | | |
| Income from partially owned entities | (4,013) | (2,805) |
| **Funds from Operations** | **243,754** | **313,509** |
| (Income) expense adjustments to arrive at Core FFO: | | |
| Other expenses[1] | 5,172 | 4,633 |
| Distributions from real estate fund investments | (12,126) | (15,205) |
| Realized and unrealized gains, net | (40,577) | (30,683) |
| Unrealized gain on interest rate swaps | (69,311) | (121,485) |
| Partially owned entities share of unrealized gain on interest rate swaps | (2,669) | (5,016) |
| Core FFO attributable to non-controlling interests in consolidated joint ventures and real estate funds | (3,338) | (9,923) |
| **Core FFO Attributable to Common Stockholders and Unitholders** | **$ 120,906** | **$ 135,830** |

(1) Other expenses are comprised of acquisition pursuit costs, fund formation costs, capital raising costs and organization costs, which is consistent with the presentation of other expenses in Paramount Predecessor s combined consolidated financial statements.

**Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Our primary market risk results from our indebtedness, which bears interest at both fixed and variable rates. We manage our market risk on variable rate debt by entering into swap arrangements with the lender to in effect fix the rate on all or a portion of the debt for varying periods up to maturity. This in turn, reduces the risks of variability of cash flows created by variable rate debt and mitigates the risk of increases in interest rates. Our objective when undertaking such arrangements is to reduce our floating rate exposure and we do not enter into hedging arrangements for speculative purposes. Subject to maintaining our status as a REIT for Federal income tax purposes, we may utilize swap arrangements in the future.

As of September 30, 2014, on a pro forma basis, our total consolidated indebtedness was $2.879 billion. Of this amount, (i) $411.9 million was fixed rate debt, (ii) $2.205 billion was variable rate debt that was fixed utilizing interest rate swaps, and (iii) $262.4 million was variable rate debt. If LIBOR were to increase by 100 basis points, interest expense on our variable rate debt, as of September 30, 2014, on a pro forma basis, would increase by approximately $2.3 million, net of amounts attributable to noncontrolling interests in consolidated subsidiaries. We may also be subject to further interest rate risk in the future if we borrow under the new $1.0 billion senior unsecured revolving credit facility that we intend to enter into in connection with this offering.

As of September 30, 2014, on a pro forma basis, our interest rate swaps had a fair value that resulted in a net liability of $239.0 million. If LIBOR were to increase or decrease by 100 basis points, it would have no material impact on the net liability associated with the interest rate swap.

## Factors That May Influence Future Results of Operations

### *Formation Transactions*

Upon the consummation of the formation transactions, this offering and the concurrent private placements, substantially all of the assets of Paramount Predecessor and all of the assets of four of the primary private equity real estate funds that it controls (and their associated parallel funds), other than their interests in 60 Wall Street and a residual 2.0% interest in One Market Plaza, will be contributed to us in exchange for a combination of shares of our common stock, common units and cash. These transactions will be accounted for as transactions among entities under common control. However, as the assets that we acquire from the private equity real estate funds that Paramount Predecessor controls will no longer be held by funds which qualify for investment company accounting, we will account for these assets following the formation transactions under either consolidated historical cost accounting or the equity method of historical cost accounting. Moving from investment company accounting to consolidated historical cost accounting or the equity method of historical cost accounting will result in a significant change in the presentation of our consolidated financial statements following the formation transactions, and our future financial condition and results of operations will differ significantly from, and will not be comparable with, the historical financial position and results of operations of Paramount Predecessor. Additionally, as part of our formation transactions, we will also acquire the interests of certain unaffiliated third parties in 1633 Broadway, 31 West 52$^{nd}$ Street and 1301 Avenue of the Americas in exchange for a combination of shares of our common stock, common units and cash.

### *Rental Revenue*

Our revenues primarily arise from the rental of office and other space to tenants in our properties. In addition to base rent charges, tenants are typically obligated under their lease provisions to pay Tenant Reimbursement income representing the reimbursement of a portion of the operating expenses and real estate taxes of the property. The amount of income which we receive depends principally upon our ability to lease currently existing vacant space and either renew existing tenant leases or re-lease to new tenants upon the expiry of existing leases. Although we believe that average rental rates for in-place leases at our properties are generally below the current market rates, specific leases at individual properties may be leased at or above current market rates within a particular market. Factors which can impact our rental income include, but are not limited to: an oversupply of or reduction in demand for office space, changes in market rental rates, and our continued ability to maintain our properties while providing services at a level our tenants expect. According to Rosen Consulting Group, or RCG, given current market rents, construction costs and the lack of competitive development sites, most of our portfolio could not be replicated today on a cost-competitive basis, if at all.

All of our properties are located in New York City, in particular midtown Manhattan, as well as Washington, D.C. and San Francisco. As a result, positive or negative changes in conditions in these markets, such as changes in economic or other conditions, employment rates, local tax and budget conditions, natural hazards, recession, competition for real property investments in these markets, uncertainty about the future and other factors will impact our overall performance. Of the 34 leases for space that had not been vacant for more than 12 months, or second generation leases, and that were either renewed or released by us in 2012, the rental rates on a cash basis in the first month of those leases increased by approximately 8.8% as compared to the rental rates on a cash basis in the last month of the expiring leases on a weighted average basis. Of the 53 second generation leases that were renewed or released by us in 2013, the rental rates on a cash basis in the first month of those leases increased by approximately 7.1% as compared to the rental rates on a cash basis in the last month of the expiring leases on a weighted average basis and, of the 25 second generation leases that were renewed or released by us in the nine months ended September 30, 2014, the rental rates on a cash basis in the first month of those leases increased by approximately 13.7% as compared to the rental rates on a cash basis in the last month of the expiring leases on a weighted average basis.

According to RCG, midtown Manhattan office market vacancy is projected to decline in the near to medium term and average asking rent growth is forecasted to exceed almost all other U.S. gateway cities through the forecast

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period, an effect of high demand and constraints on new supply. RCG also expects Class A office rents in midtown Manhattan to grow 3.5%, 5.8% and 6.5% in 2014, 2015 and 2016, respectively, with a forecasted average annual rental growth through 2018 of 5.3%. Given the strong underlying fundamentals of our submarkets, the location and high-quality of our assets, and our proven management capabilities, we believe that we will be able to generate attractive internal growth from our portfolio over time. We cannot predict future changes in economic or real estate market conditions, and there are many factors that could cause current conditions or trends to change, including those described under Risk Factors and elsewhere in this prospectus.

***Tenant Credit Risk***

General economic conditions or the specific financial conditions of our tenants may deteriorate. Such events could negatively impact our tenants ability to fulfill their lease commitments and, accordingly, our ability to maintain or increase occupancy levels or rental income from our properties. Existing and/or potential tenants may explore consolidating or reducing space needs in order to reduce their operating costs. Others may prefer to defer decisions such as entering into new long-term leases.

We consistently monitor the credit quality of our portfolio by seeking to lease space to creditworthy tenants that meet our underwriting and operating guidelines and we actively monitor tenant creditworthiness following the initiation of a lease. When we assess tenant credit quality, we (i) review relevant financial information, including financial ratios, net worth, revenue, cash flows, leverage and liquidity; (ii) evaluate the depth and experience of the tenant s management team; and (iii) assess the strength/growth of the tenant s industry. This evaluation assist us in determining the initial tenant security deposit. On an on-going basis, we evaluate the need for an allowance for doubtful accounts arising from estimated losses that could result from the tenant s inability to make required current rent payments and an allowance against accrued rental income for future potential losses that we deem to be unrecoverable over the term of the lease. Among the factors considered in determining the credit risk of our tenants include, but are not limited to: payment history; credit status and change in status (credit ratings for public companies are used as a primary metric); change in tenant space needs (i.e., expansion/downsize); tenant financial performance; economic conditions in a specific geographic region; and industry specific credit considerations. The credit risk of our portfolio is mitigated by the high quality of our existing tenant base, reviews of prospective tenants risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

***Leasing***

Our portfolio contains a number of large CBD buildings which often involve large users occupying multiple floors for relatively long terms. Accordingly, the re-lease or renewal of one or more large leases may have a disproportionate positive or negative impact on average base rent, tenant improvement and leasing commission costs in a given period. Tenant improvement costs include expenditures for general improvements related to installing a tenant. Leasing commission costs are similarly subject to significant fluctuations depending upon the anticipated revenue to be received under the leases and the length of leases being signed.

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets and by the desirability of our individual properties. As of September 30, 2014, in addition to approximately 822,564 rentable square feet of currently available space in our properties, leases representing approximately 0.5%, 8.3% and 10.3% of the aggregate rentable square footage of our portfolio are scheduled to expire during the three months ending December 31, 2014 and the years ending December 31, 2015 and December 31, 2016, respectively.

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The leases scheduled to expire during the three months ending December 31, 2014 and the years ending December 31, 2015 and December 31, 2016 represent approximately 0.8%, 9.2% and 12.8%, respectively, of the total annualized rent for our portfolio. As of September 30, 2014, the market rents for the office space in our portfolio for which leases had commenced were 15.4% higher than the annualized rent from the in-place leases for this space based on our internal estimates used for budgeting purposes. The following table provides information about our weighted average office market rents versus our weighted average in-place office rents in our markets as of September 30, 2014.

| Market | Paramount Office Portfolio Market Rents Per Square Foot (1) | Paramount In-Place Office Rents Per Square Foot (2) | Weighted Average Lease Term (3) | Paramount Office Market vs. In-Place Rents Per Square Foot |
|---|---|---|---|---|
| New York City | $ 78.26 | $ 71.85 | 7.5 | 8.9% |
| Washington, D.C. | 68.49 | 51.17 | 10.4 | 33.8 |
| San Francisco | 83.14 | 58.37 | 4.9 | 42.4 |
| **Total** | **$ 77.28** | **$ 66.95** | **7.6** | **15.4%** |

(1) Based on our internal estimates of 2015 market rents, on a gross basis, for the office space in our portfolio for commercial leases that we use for budgeting purposes.

(2) Represents the base rent per square foot plus tenant reimbursements based on June 2014 amounts annualized. Triple-net leases are converted to a gross basis by adding expense reimbursements to base rent.

(3) Excludes month-to-month leases.

Our concentration in prime submarkets should also enable us to benefit from increased rents associated with current and anticipated near-term improvements in the financial, economic and business environment in these areas. We also expect to benefit from the near-term significant lack of development of office space in the majority of our submarkets due to the scarcity of available development sites and long lead time for new construction.

***Operating expenses***

Our property operating expenses generally consist of cleaning, security, repairs and maintenance, utilities, payroll, insurance, real estate taxes and, prior to this offering, management fees. Factors which impact our ability to control these operating expenses include: increases in insurance premiums, increases in real estate tax rates and assessments, increases in repair and maintenance costs, and the costs of renovation including the costs of re-leasing space. Additionally, the cost of compliance with zoning and building codes as well as local, state and Federal tax laws may impact our expenses. As a public company our annual general and administrative expenses are anticipated to be meaningfully higher due to legal, insurance, accounting, audit and other expenses related to corporate governance, SEC reporting, other compliance matters and the costs of operating as a public company. Increases in costs from any of the foregoing factors may adversely affect our future results and cash flows. Circumstances such as declines in market rental rates or increased competition may cause revenue to decrease although the expenses of owning and operating a property will not necessarily decline. While certain expenses may vary with occupancy, many costs arising from our property investments, such as real estate taxes, interest expense and general maintenance will not be materially reduced even if a property is not fully occupied. As a result, our future cash flow and results of operations are likely to be adversely affected and losses could be incurred if revenues decrease in the future.

***Cost of funds and interest rates***

We expect to have significantly less outstanding debt following the completion of the formation transactions, this offering and the concurrent private placements than we had on a historical basis during the periods described in this section as a result of our anticipated use of substantially all of the net proceeds from this offering and the concurrent private placements to repay outstanding debt. Accordingly, we expect our future interest expense to decrease in periods immediately following the offering and the concurrent private placements.

We expect future changes in interest rates will impact our overall performance. In order to limit interest rate risk, we have historically entered into interest rate swap agreements or similar instruments and, subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, expect to do so in the future. Although we may seek to cost-effectively manage our exposure to future rate increases through such means, a portion of our overall debt may at various times float at then current rates. Such floating rate debt may increase to the extent we use available borrowing capacity under our loans to fund capital improvements or otherwise manage liquidity.

As of September 30, 2014, on a pro forma basis, including debt of our unconsolidated joint ventures, we would have had $271.4 million of outstanding floating rate debt, of which our pro rata share is $233.1 million, and $2.841 billion of outstanding fixed rate debt, of which our pro rata share is $2.180 billion, including $926.3 million maturing prior to 2017.

### *Competition*

The acquisition, ownership and leasing of real estate is highly competitive in the New York, Washington, D.C. and San Francisco markets in which we operate. We compete for tenants with numerous real estate owners and operators which own properties similar to our own in these markets. Among the factors influencing leasing competition are location, building quality and condition, levels of services provided to tenants, and rental rates. In addition, when seeking to acquire properties we face competition from real estate companies and investors such as private investment funds; domestic and foreign life insurance companies, financial institutions, and pensions funds; other public REITs; and other private investors including high net worth individuals and families. Any of these competitors may have greater financial resources or be willing to acquire properties at higher prices than we find attractive. They may also be willing to enhance their returns by engaging in transactions involving greater leverage or financial structuring than we are willing to pursue.

## Critical Accounting Policies

### *Basis of Accounting*

Other than Paramount Group Residential Development Fund and its parallel funds, which is carried at historical cost, each of the private equity real estate funds reflected in Paramount Predecessor qualifies as an investment company pursuant to ASC 946, and reflects its underlying investments, including majority-owned and controlled investments, at fair value. Paramount Predecessor s historical combined consolidated financial statements reflects such specialized accounting for these funds. Thus, these funds investments are reflected in real estate fund investments at fair value on the combined consolidated balance sheets, with unrealized gains and losses resulting from changes in fair value reflected as a component of change in fair value of real estate fund investments in the combined consolidated statements of income. Upon the consummation of this offering, the basis of presentation for the investments that will be contributed to us by the funds in connection with the formation transactions will convert to historical cost or equity method accounting, as appropriate. Waterview, which is wholly owned by Paramount Predecessor, is fully consolidated on a historical cost basis while the other partially owned properties of Paramount Predecessor are reflected under the equity method of accounting.

### *Accounting Estimates*

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that impact the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the related disclosures in the historical combined consolidated financial statements and accompanying notes. Material items subject to such estimates are the allocation of the purchase price of acquired real estate assets to the various tangible and intangible components, the determination of the useful lives of our real estate or other long-lived assets, the impairment analysis of such long-lived assets, and the accrual of anticipated revenues, allowance for doubtful

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accounts and expenses. These estimates are prepared using management s best judgment based on historical experiences and various other factors that are believed to reflect the current circumstances but are inherently uncertain and actual results can differ from these estimates.

***Rental Property***

Rental property comprises all tangible assets that Paramount Predecessor holds for rental or the supply of services to tenants as a building owner and operator or for administrative purposes. Rental property is recognized at cost less accumulated depreciation. Betterments, major renovations and certain costs directly related to the improvement of rental properties are capitalized. Maintenance and repair expenses are charged to expense as incurred.

Depreciation of an asset begins when it is available for use and is calculated using the straight-line method over the estimated useful lives. Each period, depreciation is charged to expense and credited to the related accumulated depreciation account. A used asset acquired is depreciated over its estimated remaining useful life, not to exceed the life of a new asset. Range of useful live for depreciable assets are as follows:

| **Category** | **Term** |
|---|---|
| Buildings | 40 years |
| Building improvements | 5-40 years |
| Tenant improvements | Shorter of remaining life of the lease or useful life |
| Furniture and equipment | 3-7 years |

Tenant improvements are capitalized in rental property when they are owned by Paramount Predecessor. If the improvements are deemed to be owned by the tenant and Paramount Predecessor assumes its payments (such as an up-front cash payment to the lessee or by assuming the payment or reimbursement of all or part of those costs) then Paramount Predecessor recognizes the inducements as a deferred lease incentive.

Upon acquisition of rental property, Paramount Predecessor determines and allocates the fair value of acquired assets (including land, building, tenant improvements, above-market leases, and in-place lease intangibles) and the assumed liabilities (including below-market leases) in accordance with ASC 805, Business Combinations, and allocates the purchase price based on these fair values. As a result of a business combination, acquired leases may arise at the acquisition date of the business combination. Paramount Predecessor recognizes acquired leases as intangible assets and/or liabilities if they arise from contractual or other legal rights, or if not arising from contractual or legal rights, are only recorded by Paramount Predecessor if they are capable of being separated from the acquiring entity and thus can be sold, transferred, licensed, rented or exchanged on their own (whether or not there is an intention to do so). Paramount Predecessor initially records acquired leases as intangible assets and/or liabilities at their estimated fair values. If the terms of an operating lease on an acquired business are favorable relative to market terms, Paramount Predecessor recognizes an intangible asset named acquired favorable leases. If the terms of an operating lease on an acquired business are unfavorable relative to market terms, Paramount Predecessor recognizes an intangible liability named acquired below or unfavorable market leases. If there are in-place lease costs such as lease commissions, real estate taxes, insurances, forgiven rent and tenant improvements on an acquired business, Paramount Predecessor recognizes an intangible asset named acquired in-place leases. The amortization of acquired leases is recognized by Paramount Predecessor as a debit/credit to rental income, over the terms of the respective leases.

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### *Revenue Recognition*

Paramount Predecessor s revenue primarily comprises rental income, distributions from real estate fund investments, realized and unrealized gains, net, and fee income, as described below.

*Rental Income*

Rental income includes base rents paid by each tenant in accordance with its lease agreement conditions. Paramount Predecessor recognizes rental income on a straight-line basis over the lease term of the respective leases. The straight-line basis is calculated by adding the total minimum payments under the lease and then dividing them equally over the life of the lease. Paramount Predecessor initially starts recognizing rental income at the commencement date, which is the date from which the tenant takes possession of the leased space or controls the physical use of the leased space. The difference between the straight-line amount and the amount of cash rent received from the tenants is recorded as a debit/credit to the corresponding Deferred Charge. Lease incentives are recorded as a deferred asset and amortized as a reduction of revenue on a straight-line basis over the respective lease term. Tenant reimbursement income (scheduled rent increases based on increases in real estate taxes, operating expenses, and utility usage) and percentage rents are recognized by Paramount Predecessor in the combined consolidated statements of income when earned and when their amounts can be reasonably estimated. Rental income also includes the amortization of acquired above- or below-market leases as a debit/credit to rental income over the terms of the respective leases. Any penalties paid by tenants due to early termination are recognized by Paramount Predecessor as Other Income in the combined consolidated statements of income on a straight-line basis from the date in which it is collected to the lease termination date.

Financial information relating to rental income is disclosed in Note 5 to Paramount Predecessor s historical combined consolidated financial statements.

*Realized and Unrealized Gains, Net*

Paramount Predecessor accounts for its private equity real estate fund investments at fair value (which is predominantly based on the fair value of the underlying real estate). Realized and net changes in unrealized gains and losses resulting from changes in fair value are reflected in the accompanying combined consolidated statements of income as Realized and unrealized gains, net).

The fair value of the private equity real estate funds is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Real estate fund investments for which observable market prices in active markets do not exist are reported at fair value, using an appropriate valuation technique determined by Paramount Predecessor. In satisfying its responsibilities, Paramount Predecessor utilizes the services of independent valuation firms to value the investments and applicable liabilities which require the application of valuation principles to the specific facts and circumstances of the investments and applicable liabilities. The amounts determined to be fair value, predominantly based on the fair value of the underlying real estate, incorporate Paramount Predecessor s own assumptions including appropriate risk adjustments, which involves a significant degree of judgment. The assumptions used in determining fair value of the underlying real estate include capitalization rates, discount rates, occupancy rates, rental rates and interest and inflation rates, which are subject to change based on changes in economic and market conditions and/or changes in use or timing of exit. Further, the valuation models encompass a number of uncertainties. For example, a change in the fair value of the investments resulting from a change in the terminal capitalization rate may be partially offset by a change in the discount rate. Due to the absence of readily determinable fair values and the inherent uncertainty of valuations, the estimated fair values may differ significantly from values that would have been used had a ready market for the property existed, and the differences could be material.

Financial information relating to the private equity real estate fund investments is disclosed in Note 3 to Paramount Predecessor s historical combined consolidated financial statements.

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***Investments in Partially Owned Entities***

When the requirements for consolidation are not met but Paramount Predecessor has significant influence over the operations of an investee, Paramount Predecessor accounts for its partially owned entities under the equity method.

Paramount Predecessor s judgment with respect to its level of influence of an entity involves the consideration of various factors including voting rights, forms of its ownership interest, representation in the entity s governance, the size of its investment (including loans), its ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace Paramount Predecessor as manager and/or liquidate the venture, if applicable. The assessment of Paramount Predecessor s influence over an entity affects the presentation of these investments in the historical combined consolidated financial statements.

Equity method investments are initially recorded at cost and subsequently adjusted for Paramount Predecessor s share of net income or loss and cash contributions and distributions each period.

Financial information relating to investments in partially owned entities is disclosed in Note 4 to Paramount Predecessor s historical combined consolidated financial statements.

***Variable Interest Entities***

Paramount Predecessor consolidates all entities that it controls through a majority voting interest or otherwise, including those private equity real estate funds in which the general partner is presumed to have control. Although Paramount Predecessor has a non-controlling interest in these private equity real estate funds, the limited partners do not have the right to dissolve the partnerships or have substantive replacement rights or participating rights that would overcome the presumption of control by Paramount Predecessor. Accordingly, Paramount Predecessor consolidates the private equity real estate funds that it controls and records non-controlling interests to reflect the economic interests of the limited partners.

Paramount Predecessor consolidates any variable interest entity, or VIE, in which it is considered to be the primary beneficiary. VIEs are entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or in which the holders of the equity investment at risk do not have a controlling financial interest. The primary beneficiary is defined as the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE s performance, and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

Financial information relating to Paramount Predecessor s VIEs is disclosed in Note 10 of Paramount Predecessor s historical combined consolidated financial statements.

***Impairment of Long-Lived Assets and Lease-Related Group of Assets***

Long-lived assets, such as rental property and purchased intangible assets subject to amortization are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication that a rental property or an intangible asset may be impaired, the impairment test is performed for the individual asset if the recoverable amount of this asset can be determined individually.

If circumstances require that a long-lived asset or a group of assets is to be tested for possible impairment, Paramount Predecessor first compares undiscounted cash flows expected to be generated by an asset or group of assets to the carrying value of the asset or group of assets. If the carrying value of the long-lived asset or group of assets is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. No impairments were recorded for either rental properties or intangible assets during the nine months ended September 30, 2014 and the years ended December 31, 2013, 2012 and 2011.

***Income Taxes***

We intend to elect and to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2014. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net income that we distribute currently to our stockholders. To maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, as amended, or the Code, to distribute at least 90% of our REIT taxable income (without regard to the deduction for dividends paid and excluding net capital gains) to our stockholders and meet certain other requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate rates. Even if we qualify for taxation as a REIT, we may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on our undistributed taxable income.

We account for uncertain tax positions in accordance with ASC 740, *Income Taxes*. ASC No. 740-10-65 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC No. 740-10-65, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC No. 740-10-65 also provides guidance on de-recognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosures. As of September 30, 2014 and December 31, 2013 and 2012, we do not have a liability for uncertain tax positions. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of the income tax provision. As of September 30, 2014, the tax years ended December 31, 2009 through December 31, 2013 remain open for an audit by the Internal Revenue Service.

Financial information relating to income taxes is disclosed in Note 13 of Paramount Predecessor s historical combined consolidated financial statements.

***Segment Reporting***

Our segments are based on Paramount Predecessor s method of internal reporting. Paramount Predecessor s internal reporting structure and operations mirror its ownership structure in properties and private equity real estate funds. Paramount Predecessor historically has operated an integrated business that currently consists of three reportable segments: owned properties, managed funds, and a management company. Each individual property and each individual fund represents a different operating segment. All owned properties and managed funds have been aggregated as reportable segments as the individual properties and funds do not meet the quantitative and qualitative requirements to be disclosed separately. The owned properties segment consists of properties in which Paramount Predecessor directly or indirectly owns an interest, other than properties that it owns solely through an interest in its private equity real estate funds. The managed funds segment consists of the results of the private equity real estate funds, which historically has included the results of all of the private equity real estate funds controlled by Paramount Predecessor. In addition, Paramount Predecessor has a management company that performs property management and asset management services and certain general and administrative level functions, including legal and accounting, which is also considered a separate reporting segment.

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## New Accounting Standards

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet: Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, to clarify the scope of disclosures about offsetting assets and liabilities. The amendments clarified that the scope of guidance issued in December 2011 to enhance disclosures around financial instruments and derivative instruments that are either (a) offset, or (b) subject to a master netting agreement or similar agreement, irrespective of whether they are offset, applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. Adoptions of these amendments on January 1, 2013, did not have a material impact on Paramount Predecessor s condensed combined consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date* ( ASU 2013-04 ), which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. ASU 2013-04 states that entities would record obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the entity expects to pay on behalf of its co-obligors. The guidance in ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation as well as other information about such obligations. For nonpublic entities, the ASU is effective for fiscal years ending after December 15, 2014, with early adoption permitted. Paramount Predecessor adopted this ASU effective December 31, 2013. Adoption did not have a material impact on Paramount Predecessor s condensed combined consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02 to ASC Topic 220, *Comprehensive Income* ( ASU 2013-02 ). ASU 2013-02 requires additional disclosures regarding significant reclassifications out of each component of accumulated other comprehensive income, including the effect on the respective line items of net income for amounts that are required to be reclassified into net income in their entirety and cross-references to other disclosures providing additional information for amounts that are not required to be reclassified into net income in their entirety. The adoption of ASU 2013-02 as of January 1, 2013, did not have a material impact on Paramount Predecessor s condensed combined consolidated financial statements.

In June 2013, the FASB issued ASU No. 2013-08, *Financial Services Investment Companies Amendments to the Scope, Measurement, and Disclosure Requirements* ( ASU 2013-08 ). The amendments in this update change the assessment of whether an entity is an investment company by developing a new two-tiered approach for that assessment, which requires an entity to possess certain fundamental characteristics while allowing judgment in assessing other typical characteristics. The new approach requires an entity to assess all of the characteristics of an investment company and consider its purpose and determine whether it is an investment company. The adoption of ASU 2013-18 on January 1, 2014 did not have a material impact on Paramount Predecessor s condensed combined consolidated financial statements.

In April 2014, the FASB issued an update ( ASU 2014-08 ) *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity s results and operations would qualify as discontinued operations. In addition, the ASU expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. Paramount Predecessor adopted this ASU effective January 1, 2014. Adoption did not have a material impact on Paramount Predecessor s condensed combined consolidated financial statements.

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# INDUSTRY AND MARKET DATA

## New York

### *New York City Overview*

One of the world s premier gateway cities, New York City is an international hub for business, politics, education and culture as well as a choice location for companies, residents and tourists alike. With a high concentration of tenants in finance, entertainment, advertising and many other industries, New York City is one of the most well-known office markets in the world. The market s high barriers to entry, coupled with its wide array of industries with high demand for office space, provide stability through economic cycles and serve as a foundation for long-term growth and value creation. In addition, the lively, 24-7 environment attracts both domestic and international tourists, with more than 50 million visitors annually. New York s tourism and high-income resident base also support its status as one of the most expensive retail markets in the country.

### *New York Metro Economy*

The New York metro encompasses the largest population base and regional economy in the United States. The metro area which includes New York City; Richmond, Rockland and Westchester counties of New York; and Bergen, Hudson and Passaic counties of Northern New Jersey contained approximately 11.9 million residents as of 2013. New York is home to Wall Street (financial services), Madison Avenue (advertising) and numerous creative industries including fashion, media and design and an emerging technology cluster.

*Employment Trends*

Predominantly as a result of a large, diverse economy and limited exposure to the U.S. housing collapse, the New York metro fared better than the nation during the most recent recession and has outperformed other markets in the recovery. During the recession, total employment decreased by only 3.8% in the New York metro, as compared with a 6.3% decline on the national level. Since the trough in February 2009, 221% of jobs lost were recovered as of September 2014, led by educational and health services, leisure and hospitality, professional and business services and trade sector payrolls. Robust hiring activity in New York s largest employment sectors, including professional and business services, trade, leisure and hospitality and educational and health services, is driving total employment growth at a pace that exceeds the national rate. The New York metro is benefitting from more diverse economic drivers than in the past as increased tourism, improved consumer confidence and the expansion of creative industries have been major contributors to growth. Year-to-date through September 2014, the New York metro private sector added more than 100,000 jobs.

While New York City is most closely associated with the finance industry, the educational and health services sector contained the largest portion of New York metro area employment with 20.1% as of September 2014. Additionally, 16.1% of total New York metro employment comprises the professional and business services sector the second largest sector. This category, which includes legal services, accounting, architecture, advertising, consulting and other industries, added 136,200 jobs during the recovery as of September 2014. The financial activities sector, by comparison, added only 17,100 financial activities jobs during the recovery and accounts for only 9.9% of the New York metro employment base (down from 11% at its 2008 peak).

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Driven by the strong professional and business service growth discussed above, office-using employment (which includes the professional and business services sector, the financial activities sector and a portion of the information services sector) has surpassed the pre-recession peak, with payrolls totaling more than 1.5 million jobs as of September 2014. Additionally, growth in the financial services industry, which has a significant multiplier effect on the local economy and drives job creation in other industries, is expected to resume shortly, which should have a significant positive impact on the economy and office-using employment. After the costs of compliance with Dodd-Frank requirements become more certain in the coming quarters, the pace of hiring in the finance industry should further increase as the uncertainty surrounding the impact of the new regulations dissipates and the U.S. economy continues to expand, necessitating more financial services. Thus, RCG forecasts the addition of more than 19,000 office-using jobs per year during 2015 to 2018, equal to average annual growth of 1.2%.

*Population Trends*

The New York metro has both the largest population and highest population density in the United States, with 11.9 million residents as of 2013. The size and density of the New York metro results in a relatively slow rate of population growth as compared to less dense areas; however the absolute number of residents gained over the past decade is one of the largest in the nation. During the 10 years from 2003 to 2013, the New York metro population increased by 485,000 residents cumulatively, which is equal to an average annual growth rate of 0.4%.

RCG expects that extended job creation in dynamic industries such as technology, healthcare, media and professional services should attract residents to the New York metro during the next five years. For 2015 through 2018,

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RCG projects average annual population growth of 0.5%, equal to the cumulative addition of 223,900 residents. Given RCG s expectations for creative industries to continue to lead employment growth and younger residents to drive in-migration, job creation will likely be concentrated in Manhattan with population growth concentrated in Manhattan and the close-in and transit-linked boroughs popular with young residents, such as Brooklyn.

*Income Trends*

Average per capita income in the New York metro reached $60,600 in 2013, while Manhattan s average per capita income was more than $119,000 in 2012, according to the latest available data from the Bureau of Economic Analysis (BEA). In comparison, the national average per capita income was $44,538 in 2013. Since the recession, per capita income growth in the New York metro has outpaced the national trend, increasing at an average annual pace of 3.7% from 2009 to 2013. RCG expects that job creation in high-wage industries should support a healthy rate of income growth going forward. The average per capita income in the New York metro should increase at an average annual pace of 5.8% during the four year period 2015-2018, reaching nearly $80,000 in 2018. As income levels rise, retail sales activity should increase simultaneously.

*Economic Outlook*

RCG s outlook for the New York metro economy is strongly positive. While New York City will remain the global financial capital through the foreseeable future, the New York metro s economic base has and will continue to diversify in the years ahead. Looking forward, RCG believes that industries that require a well-educated, talented workforce will leverage a New York metro presence in order to access the in-demand, creative workforce located in the area. RCG projects average annual job creation of more than 78,000 jobs during 2015 through 2018, significantly higher than the historical average. RCG forecasts average annual total employment expansion of 1.7% per year from 2015 to 2016, slowing to 0.9% in 2017 and 1.2% in 2018. Unemployment is expected to hit 6.8% in 2014 and drop to 5.0% by 2016, before moderating at 5.5% in 2017 and 5.4% in 2018.

***New York City Office Market Overview***

*Manhattan*

Manhattan s office market is by far the largest in the United States. With approximately 394 million square feet of office space as of the third quarter of 2014, the Manhattan office market dwarfs the second-largest office market, the Washington, D.C. metro (which includes the Northern Virginia and Maryland suburbs), which contains about 297 million square feet. The Manhattan office market is divided into three major markets: Midtown, Midtown South and Downtown. Midtown is defined to include the area between 72$^{nd}$ Street and 32$^{nd}$ Street (it extends down to 30$^{th}$ Street west of Sixth Avenue). Midtown South is between Midtown and Canal Street and the Manhattan Bridge. Downtown includes all areas south of Canal Street and the Manhattan Bridge.

*Midtown Manhattan*

Containing Sixth Avenue, Madison Avenue, Park Avenue, Fifth Avenue and Times Square, a midtown Manhattan office address is recognizable worldwide, attracting a diverse array of high-quality tenants. These tenants include professional and business services and financial services firms, along with some advertising, fashion and other creative industry tenants. Approximately 242.0 million square feet of rentable space are contained within midtown Manhattan s office market, making it by far the largest CBD office market in the country. By comparison, the Chicago CBD and the Washington, D.C. CBD combined total just 234.0 million square feet of office space. Approximately three-quarters of midtown Manhattan s office stock is classified as Class A.

Midtown Manhattan is also home to Fifth Avenue, one of the world s leading retail markets and a flagship location for both national and international retailers. Along Fifth Avenue, the most desirable stretch is located between

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49th and 59th Streets, where rents have risen above $3,000 per square foot according to REBNY. Two new entrants, Tommy Bahama and Massimo Dutti, as well as established tenants in the marketplace, continue to make long term commitments to the area. For example, Van Cleef & Arpels recently doubled its space at 744 Fifth Avenue and Prada extended its lease at 724 Fifth Avenue for another 15 years.

Reflecting a flight to quality, midtown Manhattan leasing activity was heavily weighted toward Class A product in recent years. In particular, hedge funds and private equity firms drove demand for office space in trophy buildings. Media and entertainment tenants were active while legal and financial services firms held back. As of the third quarter of 2014, the Class A vacancy rate was 11.6%, partially a product of newly delivered vacant space. Although the most expensive office market in the country, midtown Manhattan Class A office rates continued to trend upward in the first three quarters of 2014 by 5.3% to $79.59 per square foot. This increase followed four consecutive years of positive rental rate appreciation; however, the average asking rental rate remained 13.8% below its 2008 pre-recession peak of $92.32 per square foot.

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After two years with no construction deliveries, 1.2 million square feet of new supply came online in midtown Manhattan during 2013, mainly due to the completion of 250 West 55th Street, an 896,000 square foot office tower. This project, started in 2008, was delayed in the aftermath of the financial crisis and was approximately 50% leased as of the end of 2013. During the previous cycle, new office deliveries in midtown Manhattan averaged nearly 1.1 million square feet per year from 2006 to 2010. In midtown Manhattan, there will be no new deliveries in 2014. In 2015, 7 Bryant Park, a 448,381 square foot project, and two smaller speculative projects totaling 193,556 square feet, are scheduled for completion. In 2016, the first phase of the Hudson Yards development will be completed on the far west side of midtown Manhattan. The Hudson Yards project will initially add two office buildings containing 1.7 million square feet to the market. No other projects are currently under construction, and combined, the aforementioned projects represent less than 1.0% of midtown Manhattan s 242.0 million square foot office market. This level of upcoming new supply should be rapidly absorbed during a period of expected economic growth. The proposed conversion to residential or hotel use of some current office buildings, such as the Sony Tower on Madison Avenue between 55th and 56th Street and 15 Penn Plaza on Seventh Avenue between 32nd and 33rd Street, would further offset potential new office development.

Densification has impacted the overall Manhattan office market in a number of ways. Newly constructed projects are increasingly offering open floor plans and customizable layouts, which are favored by technology and new media firms. Local law firms and other professional services tenants have decreased footprints as a result of the digitization of records and the reduced need for large, private offices. The densification of office space has allowed some firms to upgrade to higher-quality space and/or more desirable submarkets as square footage needs have shrunk. Going forward, RCG believes that densification will continue to support a flight-to-quality trend in the Manhattan office market, benefiting the most desirable submarkets and high-quality buildings in midtown Manhattan.

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*Paramount Group Office Submarkets*

In addition to its three major markets, the Manhattan office market is further defined by distinct submarkets. These submarkets differ widely in terms of their desirability, tenant base, rental and occupancy rates and barriers to new construction and supply. We currently own buildings in four of the premier office submarkets in the midtown Manhattan market. Our submarkets include: (i) the West Side submarket, which is defined to include all office properties north of 42nd Street, west of Seventh Avenue, with 59th Street (east of Eighth Avenue) and 72nd Street (west of Eighth Avenue) forming a border to the north and the Hudson River forming the western boundary; (ii) the Sixth Avenue/Rockefeller Center submarket, which is defined to include all Sixth Avenue office properties north of 41st Street; (iii) the Madison/Fifth Avenue submarket, which is defined to include all office properties north of 47th Street on Fifth Avenue and Madison Avenue; and (iv) the East Side submarket, which is defined to include all office properties south of 72nd Street, east of Lexington Avenue to the East River, north of 47th Street west of Second Avenue, then north of 49th Street east of Second Avenue. Other submarkets in which we do not currently own buildings include: Park Avenue, Grand Central, Penn Station, Times Square South, Murray Hill and United Nations.

| **Midtown Manhattan Office Markets (As of 3Q14)** | **Rentable Square Feet** | **Percent of Total** | **Direct Class A Asking Rents** | **Vacancy Rate** |
|---|---|---|---|---|
| ***Paramount Group Markets*** | | | | |
| Madison/Fifth | 24,670 | 10.2% | $ 101.61 | 13.9% |
| East Side | 18,914 | 7.8% | $ 65.29 | 7.8% |
| 6th Ave/Rock Center | 40,519 | 16.7% | $ 86.00 | 9.1% |
| West Side | 30,227 | 12.5% | $ 79.66 | 10.8% |
| **Total/Weighted Average Paramount Group Markets** | **114,330** | **47.2%** | **$ 86.19** | **10.4%** |
| ***Non-Paramount Group Markets*** | | | | |
| Murray Hill | 14,366 | 5.9% | $ 59.11 | 11.2% |
| Grand Central | 43,971 | 18.2% | $ 64.19 | 12.0% |
| United Nations | 2,670 | 1.1% | $ 45.00 | 0.1% |
| Park Avenue | 21,653 | 8.9% | $ 92.11 | 15.2% |
| Penn Station | 14,041 | 5.8% | $ 60.84 | 11.8% |
| Times Square South | 31,092 | 12.8% | $ 75.53 | 9.6% |
| **Total/Weighted Average Non-Paramount Group Markets** | **127,793** | **52.8%** | **$ 74.29** | **11.6%** |
| **Total/Weighted Average Midtown Office Market** | **242,123** | **100.0%** | **$ 79.59** | **11.0%** |

Note: Rentable square feet in thousands, direct Class A asking rents in $ per square foot annually, all stock figures calibrated to 1Q14

Source: RCG

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The chart below illustrates a comparison of the historical rental rates and occupancy levels of Class A office space in our submarkets, the other midtown Manhattan submarkets and the midtown Manhattan office market as a whole.

For more than a decade, direct weighted average Class A office asking rental rates in Paramount Group submarkets exceeded the overall midtown Manhattan office market, as well as the average for non-Paramount Group midtown Manhattan submarkets. A concentration of high-quality office space in Paramount Group submarkets has drawn elite tenants in industries such as finance, consulting, professional services and creative industries that are able to afford the premium rents that these submarkets command. Prior to the recession, the vacancy rate for Paramount Group submarkets was consistently lower than the overall midtown Manhattan office market and the average non-Paramount Group submarkets. However, a high concentration of financial services firms in Paramount Group submarkets, which were highly exposed to the effects of the most recent recession, caused a sharper increase in the vacancy rate in Paramount Group submarkets than in the overall midtown Manhattan office market or non-Paramount Group office submarkets. However, the strengthening economic recovery has allowed for brisk absorption of Class A office space in recent quarters, causing Paramount Group submarkets   vacancy rate to, once again, fall below the Midtown and non-Paramount Group submarket average.

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*Points of Promise*

RCG believes that the midtown Manhattan office market fundamentals should continue to benefit from its status as a world-class office location. The midtown Manhattan office market has the highest asking rental rates and among the highest occupancy rates in the United States, and is characterized by high barriers-to-entry, limited new supply and strong prospects for continued job creation. As a result, RCG expects the midtown Manhattan office market to continue its strong recovery in rent growth and upward trends in occupancy. These facts and trends are shown in the four graphs below:

RCG expects that the overall attractiveness of a midtown Manhattan location will lead to strong absorption of vacant Class A office space through the expansion of tenants in industries such as professional services, technology, media and fashion. As the U.S. economy improves and the impact of the new regulatory environment is absorbed, following the implementation of Dodd-Frank, RCG also expects increased demand for office space from financial services firms. RCG projects a decline in the overall midtown Manhattan vacancy rate to 9.8% in 2018 from 11.0% in the third quarter of 2014. Already achieving the highest rents in the nation, midtown Manhattan office market rents are expected to grow 5.8% in 2015 and 6.5% in 2016. By the end of 2018, RCG expects midtown Manhattan office rents to reach an average of $88.53 per square foot. The weighted average Class A office rent in the third quarter of 2014 was $79.59 per square foot, and RCG expects this space to exhibit a comparable or stronger growth trend during the next five years. High-quality buildings in premier submarkets such as Madison/Fifth Avenue and Sixth Avenue/Rockefeller Center as well as other properties that can provide the flexibility of open floor plans should continue to command premium rents as tenants exhibit a sustained flight-to-quality trend in the coming years.

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## Washington, D.C.

### *Washington, D.C. Overview*

As the capital of the United States, Washington, D.C. is a gateway city that is famous throughout the world. Washington, D.C. is home to the White House, Congress and numerous international embassies. The city has a well-developed infrastructure, world-class museums and other cultural attractions, and a number of highly-regarded universities. A lack of land, the high cost of construction and a strict regulatory environment lead to high barriers to new supply, while a large government presence and strong demand from tenants in a variety of industries support stability in the local office market.

### *Washington, D.C. Metro Economy*

The Washington, D.C. metro encompasses the District of Columbia, 10 counties in northern Virginia, five counties in southern Maryland and one county in West Virginia. The District of Columbia is the seat of the U.S. federal government and therefore attracts employers in a range of industries that have economic interests in national policy and that support government activities including law, financial services, healthcare, telecommunications and non-profit organizations. Northern Virginia has a significant defense industry cluster while suburban Maryland tends to attract life sciences companies. In addition, the region s high-technology sector, including firms focused on cyber security in particular, has been growing considerably in recent years.

*Employment Trends*

Washington, D.C. s largest employment sector is the professional and business services sector, accounting for 22.7% of total employment as of September 2014. The government sector is Washington, D.C. s second-largest employment sector, representing 22.2% of area jobs in September 2014. Although the federal government remains the region s single largest employer despite suffering from the effects of sequestration, the Washington, D.C. metro economy is benefiting from greater diversification and the expansion of other industry clusters such as high technology, healthcare and professional services.

The employment market in the Washington, D.C. metro has been relatively stable, even during the most recent economic cycle, due to the large presence of the federal government and professional and business services in the area. During the recession, between mid-2008 and early 2010, total employment decreased by 3.4% in the Washington, D.C. metro, as compared with a 6.3% decline on the national level. Since the local trough in February 2010, as of September 2014, 172.9% of jobs lost during the recession had been recovered. This growth has occurred despite a decline in federal government payrolls since mid-2010. While other sectors such as the manufacturing, construction, trade, information services and financial activities sectors have not fully recovered lost jobs, professional and business services, educational and health services, and leisure and hospitality payrolls are higher than the previous peak.

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Office-using employment, estimated by the sum of the professional and business services, financial activities and a portion of the information services sectors, has been fueling job creation in the Washington, D.C. metro during recent years. Driven by strong professional and business service growth, office-using employment surpassed the pre-recession peak in early 2011 and, after falling slightly in 2013, continued to grow through September 2014. Going forward, RCG expects the two-year budget passed by Congress in December 2013 to reduce the impact of sequestration and stabilize government employment; thus RCG forecasts the addition of 6,400 office-using jobs per year in the 4-year period of 2015 to 2018, which is equal to an average annual growth rate of 0.7%.

*Population Trends*

The population of the Washington, D.C. metro approached 6.0 million in 2013, after growing at a faster rate than the national average since 2006. A relatively stable employment environment and a high-quality of life caused population growth in the Washington, D.C. metro during the recession, in contrast with the trend recorded in most other metro areas throughout the United States. During the 10 years through 2013, the population in the Washington, D.C. metro increased at an average annual rate of 1.5%.

Looking forward, RCG expects that slightly diminished economic prospects will slow the rate of population growth from the high levels realized over the past decade; however, this rate will still outpace the national trend. RCG projects average annual population growth of 1.2% in the Washington, D.C. metro from 2014 to 2018, equal to the cumulative addition of nearly 360,000 residents.

*Income Trends*

Owing to concentrations of high-wage industries, personal income in the Washington, D.C. metro is significantly higher than the national average. In 2013, average per capita personal income increased to nearly $64,000 in the Washington, D.C. metro, as compared with approximately $44,500 nationally. Since 2000, personal income growth in Washington, D.C. has generally outpaced the national trend. In line with expectations for further expansion in high-wage industries, RCG expects strong Washington, D.C. income growth through the next five years. From 2014 to 2018, local per capita income should increase at an average annual pace of 4.8%, rising to $80,877 in 2018.

*Economic Outlook*

Washington, D.C. s high-quality of life and the job opportunities available in knowledge-based industries are a strong draw for talented employees, particularly for young college graduates. Washington, D.C. s attractiveness as a place to live and work for such individuals should continue to fuel job creation in innovative, office-using industries, which require a talented pool of local employees. RCG forecasts average annual total employment expansion of 0.7% per year in the four-year period of 2015 to 2018. The rate of job creation in office-using industries will match total employment expansion. During 2015 to 2018, job creation should average 22,000 jobs per year. Unemployment will remain substantially lower in the Washington, D.C. metro relative to the national average. RCG projects the local unemployment rate to fall to 4.2% in 2017 from 4.8% in December 2013 before moving up marginally to 4.3% in 2018.

***Washington, D.C. Office Market Overview***

The Washington, D.C. metro office market comprises three major markets: the District of Columbia, Northern Virginia and Suburban Maryland markets. Together, these three markets totaled more than 296 million square feet as of the third quarter of 2014. The District of Columbia office market is further divided into seven office submarkets including the in-demand CBD and adjacent East End submarkets where most of our Washington, D.C. portfolio is located and which we will further discuss below. Northern Virginia includes the closer-in submarkets of Arlington, Alexandria and Rosslyn, and additional suburban submarkets. We only have one asset in the Rosslyn submarket of Northern Virginia, so the discussion will be briefer.

*The District of Columbia*

The office market in the District of Columbia contained more than 108 million square feet as of the third quarter of 2014. As home to the U.S. federal government, public sector agencies occupy a large portion of the office stock. Additionally, industries that benefit from proximity to federal government decision-makers also comprise a large portion of the District of Columbia tenant base, including law, non-profit, consulting and professional services companies, among others.

The combination of slow leasing activity and rising levels of new supply is causing temporary volatility in the District of Columbia office market fundamentals. The introduction of new supply during the past decade contributed to a persistently higher Class A office vacancy rate relative to the overall District of Columbia office market, as this newly delivered space requires time to lease up. However, as is typical in weak points of a cycle, certain submarkets and segments are benefiting from a flight-to-quality as tenants take advantage of current market conditions to upgrade office space. While the District of Columbia vacancy rate (including sublease space) for all classes of office space remained essentially flat in the low 14%-range from 2009 through early 2014, the Class A office vacancy rate in the District of Columbia has decreased from a peak of 21.8% in 2009 to 15.9% in the third quarter of 2014. This absorption of Class A office space led to improved market conditions at the higher end of the office market, as the average Class A office asking rental rate in the District of Columbia surpassed the pre-recession peak in 2011 and remained above this level through mid-2014. In the third quarter of 2014, the average asking rent for Class A office space in the District of Columbia was $56.12 per square foot compared with $49.81 per square foot for all classes of office space. In contrast with the improving vacancy rate for Class A office space, reduced federal government leasing is fueling a growing inventory of vacant commodity space.

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Following several years of strong leasing activity, new supply delivered (including substantial renovations) in the District of Columbia office market outpaced absorption during the last two years, in contrast with the larger trend over the past decade. While the pace of construction has been high during the past 10 years, with 20.9 million square feet of construction put in place in the District of Columbia office market or an average of 2.1 million square feet per year, until 2012, demand for space had been strong enough to absorb this high level of new deliveries. In 2012 and 2013, however, more than 1.6 million square feet of new supply was delivered just as the federal government faced budget issues that resulted in sequestration and the shutdown. As a result of these events, tenants across many industries felt greater uncertainty about the region s economic future and therefore delayed expansion. While commodity space was more severely impacted than Class A office space, slower government growth had an overall dampening effect on the Washington, D.C. metro office market.

The recent limited federal government spending has had a disproportionate effect on both the market for commodity space as well as for office space in the outlying submarkets. As competition for limited government resources increases so does the importance of proximity to decision-makers. Several government contractors, for example, have relocated their headquarters to the District of Columbia or Northern Virginia in recent years in order to better compete for contracts.

Exacerbating the effects of new supply and federal government cutbacks is the changing nature of tenant space requirements. In the recent and prospective market, more tenants are looking for open floor plates with minimum column interruptions and abundant light and air. In particular, tech firms look for collaborative workspaces and more use of natural light. The digitization of information that previously required the use of space for law libraries is leading to right-sizing at law firms, for example. This densification of office space has allowed some firms to upgrade to higher-quality space and/or more desirable submarkets as square footage needs have shrunk. As a result of office space densification, vacancies are concentrated in older buildings with rigid column structures and inefficient layouts that are more difficult to renovate, as well as submarkets farther away. Such buildings may be more suited to eventual residential conversion than updating as an office property. Going forward, RCG believes that densification will continue to support a flight-to-quality trend in the Washington, D.C. metro office market, benefiting the most desirable submarkets and high-quality buildings. Landlords that can offer tenants the open floor plans they demand will likely achieve greater occupancies.

*Paramount Group Office Submarkets*

The District of Columbia office market is divided into seven submarkets. We currently own buildings in two of the District of Columbia s premier office submarkets, CBD and East End. The CBD submarket is defined to include office properties west of 15$^{th}$ Street, NW, east of Virginia Avenue and New Hampshire Avenue, south of Massachusetts Avenue, and north of E Street and Virginia Avenue. The East End submarket is generally bounded by 5$^{th}$ Street, NW to the east, 15$^{th}$ Street, NW to the west, Massachusetts Avenue to the north and

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Pennsylvania Avenue to the south. Other submarkets in which we do not currently own buildings include: Capitol Hill/NoMa, West End/Georgetown, Uptown, Southwest and the Capitol Riverfront.

| **District of Columbia Office Markets (As of 3Q14)** | **Rentable Square Feet** | **Percent of Total** | **Direct Class A Asking Rents** | **Vacancy Rate** |
|---|---|---|---|---|
| ***Paramount Group Markets*** | | | | |
| East End | 36,941 | 34.2% | $ 63.38 | 12.4% |
| CBD | 33,447 | 30.9% | $ 64.06 | 13.2% |
| **Total/Weighted Average Paramount Group Markets** | **70,388** | **65.1%** | **$ 63.71** | **12.8%** |
| ***Non-Paramount Group Markets*** | | | | |
| Capitol Hill/NoMa | 13,250 | 12.3% | $ 54.87 | 13.7% |
| West End/Georgetown | 5,194 | 4.8% | $ 56.35 | 6.1% |
| Uptown | 3,913 | 3.6% | $ 41.53 | 23.8% |
| Southwest | 10,667 | 9.9% | $ 50.34 | 17.8% |
| Capitol Riverfront | 4,674 | 4.3% | $ 44.86 | 19.8% |
| **Total/Weighted Average Non-Paramount Group Markets** | **37,698** | **34.9%** | **$ 44.37** | **15.4%** |
| **Total/Weighted Average District Office Market** | **108,086** | **100.0%** | **$ 56.12** | **13.7%** |

Note: Rentable square feet in thousands, direct Class A asking rents in $ per square foot annually, all stock figures calibrated to 1Q14

Source: RCG

The chart below illustrates a comparison of the historical rental rates and occupancy levels of Class A office space in our submarkets, the other District of Columbia submarkets and the District of Columbia office market as a whole.

Within the District of Columbia market, Paramount Group submarkets have consistently commanded Class A office asking rental rates above that of the average for non-Paramount Group submarkets. During the past three years, Paramount Group submarkets have commanded higher Class A office rents than the District of Columbia as a whole. Furthermore, market conditions in Paramount Group submarkets in the District of Columbia have been tighter than the District of Columbia average during the past eight years, with an average vacancy rate substantially lower than that of non-Paramount Group submarkets. Consistently strong demand from tenants in a range of industries, a desirable location and high-quality office stock in Paramount Group submarkets support premium rents and tight market conditions throughout economic cycles.

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*Northern Virginia*

The Northern Virginia office market is divided into eight submarkets. We currently own one building in the Rosslyn submarket.

| **Northern Virginia Office Markets (As of 3Q14)** | **Rentable Square Feet** | **Percent of Total** | **Direct Class A Asking Rents** | **Vacancy Rate** |
|---|---|---|---|---|
| ***Paramount Group Markets*** | | | | |
| **Rosslyn** | **8,835** | **6.6%** | **$ 55.51** | **30.4%** |
| ***Non-Paramount Group Markets*** | | | | |
| Courthouse/Clarendon/Virginia Square | 5,531 | 4.2% | $ 39.01 | 16.6% |
| Ballston | 6,821 | 5.1% | $ 43.75 | 21.3% |
| Crystal City/Pentagon City | 11,812 | 8.9% | $ 40.49 | 24.4% |
| City of Alexandria | 16,764 | 12.6% | $ 38.49 | 23.4% |
| Fairfax County | 78,148 | 58.8% | $ 33.63 | 18.4% |
| Loudoun County | 5,073 | 3.8% | $ 26.82 | 22.7% |
| **Total/Weighted Average Non-Paramount Group Markets** | **124,149** | **93.4%** | **$ 36.04** | **19.9%** |
| **Total/Weighted Average NoVa Office Market** | **132,984** | **100.0%** | **$ 37.95** | **20.6%** |

Note: Rentable square feet in thousands, direct Class A asking rents in $ per square foot annually, all stock figures calibrated to 1Q14

Source: RCG

The chart below illustrates a comparison of the historical rental rates and occupancy levels of Class A office space in our submarkets, the other Northern Virginia submarkets and the Northern Virginia submarket as a whole.

Within the Northern Virginia office market, the Paramount Group submarket has commanded premium asking Class A office rental rates for more than a decade, relative to the market average and to non-Paramount Group submarkets. Additionally, market conditions within the Paramount Group submarket have historically been tighter than the Northern Virginia average and the non-Paramount Group submarkets average. The increase in the Paramount Group submarket vacancy rate during recent years was the result of down-sizing by government contractors and the delivery of 1812 North Moore, which came online in late 2013 with no signed tenants. Strong demand for space in this submarket should lead to the absorption of this high-quality vacant space, causing the Paramount Group submarket vacancy rate to fall, once again, below the market average.

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*Points of Promise*

While the District of Columbia already has some of the highest asking rental rates in the United States, RCG believes that, going forward, job growth and diminishing supply of available space in the District of Columbia office market will lead to increasing rent growth and occupancy, particularly in the most desirable submarkets and high-quality buildings. These facts and trends are shown in the four graphs below:

RCG believes that the District of Columbia office market is on track to generate positive absorption during the next five years because employment is expected to grow while the pace of new construction has ebbed, with a majority of the space currently under construction pre-leased. As of the third quarter of 2014, there were six office projects totaling 1.6 million square feet under construction in the District of Columbia, with approximately 54% of this space pre-leased.

Through the next five years, RCG projects a cumulative total of 3.0 million square feet being constructed in the District of Columbia, with average annual deliveries of about 600,000 square feet through the end of 2018. Beyond 2018, RCG expects little new construction, as developers wait for existing excess space to be absorbed and achievable rents to reach a level that justifies new construction.

In addition to the decreased pace of construction, RCG s expectations for employment growth should support improving office market fundamentals. The expansion of private sector employers, aided by the growth of the region s technology cluster, should further stimulate office leasing activity through 2018. This growth will be enhanced with the resolution of political gridlock and the resumption of the historical pattern of public sector expansion. Relatively limited new supply and strong leasing activity should result in a gradual decline in the vacancy rate to 13.5% in 2018. During the four-year period 2015-2018, strong demand will drive overall rent growth at an average annual rate of 2.1% to $54.01 per square foot by 2018. Based on a continued flight-to-quality and a lower level of new supply coming online, RCG believes that Class A and trophy-class office rents should increase at an equivalent or faster pace. Also stemming from a flight-to-quality and more efficient space usage, highly desirable submarkets such as CBD and East End, where our District of Columbia properties are located, should receive stronger demand than the overall District of Columbia office market.

Northern Virginia has seen similar trends with an excess of construction and negative absorption during the past three years, though a more favorable supply-demand balance is expected going forward. During the next five years, RCG projects a lower influx of new supply, with cumulative new construction deliveries of 3.2 million square feet, which, when combined with steady tenant demand, will allow the vacancy rate to hover around 20% through 2018. Alongside tightening market conditions, rent growth should accelerate to 1.7% by 2018 from -1.0% in 2014, and drive rents to $35.24 per square foot at the end of 2018. As in the District of Columbia, RCG believes that the most desirable submarkets in Northern Virginia, such as Rosslyn, and high-quality buildings should benefit from stronger tenant demand through 2018.

**San Francisco**

The San Francisco Bay Area serves as a gateway city, the financial center of the West Coast of the United States and home to the high technology industry. A high-quality of life and plentiful job opportunities available in innovative industries attract talent from across the globe. Additionally, a cluster of top-tier research universities provides local employers with a steady pipeline of graduates. San Francisco s unique attributes and attractions also draw visitors from around the world. The region s advanced infrastructure, existing industry clusters and well-educated workforce support robust demand for office space throughout economic cycles, while high political and physical barriers to new supply limit the amount of new construction.

***San Francisco Metro Economy***

Composed of San Francisco and San Mateo counties, the San Francisco metro economy is driven by high technology companies, but contains a diverse range of innovative, growing industries. The San Francisco metro contains an increasingly young, well-educated and high-income population that locally based companies can access through an extensive public transportation network. Furthermore, local higher-education institutions contribute to the region s high level of innovation and provide a pipeline of talented graduates in high-demand areas of study including engineering, computer science and mathematics.

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*Employment Trends*

With a cluster of high-tech companies originally formed largely in Silicon Valley to the south of San Francisco, high-tech companies are now increasingly locating in or expanding within the San Francisco metro in order to compete for talented employees, many of whom would prefer to work near their residences in the city. In order to service the large, constantly renewing base of local start-ups, supporting industries including venture capital, law and other professional services maintain a significant presence in the San Francisco metro. In addition to the high tech, finance and professional services industries, the San Francisco metro also has a sizeable base of employers in the tourism, healthcare, life sciences, energy, education, media and government industries. By employment sector, professional and business services contains the largest number of San Francisco metro employees, accounting for 23.5% of total employment as of September 2014. The educational and health services sector is the second-largest with 13.4% of total employment.

The magnitude of the recent recession in the San Francisco metro was on par with the nation, but job creation during the recovery thus far has been much stronger than that of the national trend. Fueled by a rapidly expanding tech industry, by September 2014 the San Francisco metro added back 234.7% of the jobs lost during the recession. By sector, each of the educational and health services, professional and business services, information services, leisure and hospitality and other services sectors had surpassed their prior peak employment levels by September 2014, illustrating the services-driven nature of the recovery thus far. Going forward, the recovery should become more broad-based as job creation in high-wage services industries produces a multiplier effect throughout the economy.

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Job creation in the high technology and professional services industries has been driving expansion in San Francisco s office-using employment sectors. In 2013, office-using employment increased by 4.8%, equal to more than 16,600 jobs or nearly 43% of all jobs created during the year, propelled largely by hiring in the professional and business services sector. This trend should extend into the future, supported by continued expansion of the region s high tech and professional services industries. RCG forecasts office-using employment will increase by an annual average of 1.8% or 6,900 jobs per year during 2015 to 2018.

RCG believes that job creation driven by the high technology industry will extend through the next five years, but the rate of growth will moderate to a more sustainable level. Today s technology industry is more mature than that of the late 1990s/early 2000s cycle, as today s companies have more experienced executive teams and established revenue streams, and there are more realistic expectations and capital deployment from investors for technology companies at all stages of development. The maturation of the high-tech industry is also apparent in more conservative San Francisco metro office leasing activity, which is substantially less speculative than that of the late 1990s/early 2000s tech boom and bust.

*Population Trends*

A high cost of living and limited delivery of new housing units has limited growth of the San Francisco metro population in the past decade. From 2003 to 2013, the metro population increased at an average annual pace of 0.7% for a cumulative addition of 139,000 residents. Going forward, job opportunities in high-wage industries and increased development of high-density multifamily housing should allow the local population to expand at a slightly faster rate than during the past decade. RCG projects average annual population growth of 0.9% during 2015 through 2018, equal to the cumulative addition of 84,200 residents.

*Income Trends*

The San Francisco metro s well-paying industries lead to higher average income in the San Francisco metro relative to the national average. In 2013, average per capital personal income in San Francisco was just above $83,000, up 4.3% from 2012. In comparison, the national average per capita income was about $44,500 in 2013. During the next five years, RCG believes that high-wage industries such as technology will continue to lead job creation, supporting strong income growth. During 2015 to 2018, San Francisco average per capita income should increase at an average annual rate of 6.5%, reaching more than $113,000 in 2018.

*Economic Outlook*

The attractiveness of the San Francisco metro to young, talented individuals and the pipeline of graduates from local universities should continue to draw knowledge-based industry employers to the region. RCG projects total employment growth at an average annual rate of 2.5% from 2014 to 2016, with a slowdown to

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an average of 1.0% in 2017 and 2018. During this period, the unemployment rate should contract to a low of 3.7% in 2016, before ticking up to 4.3% in 2018, which is well below RCG s expectations for the national unemployment rate during the same period.

***San Francisco Office Market Overview***

The San Francisco metro office market is mainly composed of space in the San Francisco CBD, with a growing inventory of non-CBD office space within the city of San Francisco, as well as suburban campuses and office buildings along transportation routes in the Peninsula, south of the city. The San Francisco CBD office market is encapsulated by two Financial District submarkets, the North Financial District and South Financial District submarkets, bisected by Market Street. A product of limited supply and changing tenant preferences, demand for office space outside of the CBD is increasing as non-CBD office submarkets such as East and West SoMa, Yerba Buena, and Civic Center/Mid-Market attract increased interest from office tenants, developers and investors.

*San Francisco CBD*

The San Francisco CBD is bounded by the Embarcadero and waterfront to the east, Washington Street to the north and Folsom Street to the south. Within these boundaries, the North Financial District is bounded by Kearny Street to the west and Market Street to the south. The South Financial District submarket is bounded by Third Street to the west and Market Street to the north. Traditional office-using tenants have historically located in the North Financial District submarket, which contains a high proportion of tenants in financial services, law and other professional services. However, recently there has been movement to the South Financial District submarket, a trend that could be amplified by the future completion of the Transbay Transit Center. In the South Financial District submarket, the tenant mix includes technology, professional services, media and other creative industries. These divisions are not exclusive, however, and tech tenants expanded in both the South Financial District and the North Financial District submarkets during the recovery, when space that suited their needs became available. Both the North and South Financial District submarkets benefit from an abundance of retail, restaurant and entertainment options, access to waterfront space and views, ample public transportation links and proximity to a highly dynamic workforce. The North Financial District submarket contains a higher proportion of historical buildings, with a younger average age of office inventory in the South Financial District submarket.

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Rapid expansion of the high-tech and supporting industries fueled strong leasing activity in the San Francisco CBD. This trend has been bolstered by the migration to the San Francisco CBD of both start-ups and existing tech employers from Silicon Valley, as the industry competes for talent that would prefer to work near their residences in the City. Again, with an aim of attracting the best talent, office employers have favored Class A space. As a result, the CBD vacancy rate tightened to 8.6% in the third quarter of 2014 from a recent peak of 12.9% at year-end 2009. The Class A office vacancy rate fell to 8.4% from 13.1% during the same period. Tight market conditions allowed for increasing rental rates for both Class A space and the overall market. The average asking CBD office rental rate increased by 7.1% in 2013 and 7.8% in the first three quarters of 2014 to $60.25 per square foot for all classes of office space, while direct Class A office rents increased by 6.5% in 2013 and 9.8% in the first three quarters of 2014 to $63.68 per square foot. In the third quarter of 2014, both Class A and overall office asking rents were more than 50% above respective asking rents at year-end 2009.

The highly developed nature of the San Francisco CBD, coupled with high barriers to entry in the form of restrictive permitting, neighborhood resistance and high construction costs, results in a persistently low level of new supply. New projects are typically only started when local economic conditions are very strong and rents reach a level that justifies the high cost of construction. Following the cumulative delivery of three million square feet from 1999 to 2003, only 69,000 square feet of office space was delivered in the CBD through 2007. In 2008, 872,000 square feet in two projects came online in the South Financial District submarket. This level of new supply represents a small increase relative to the 50 million square foot size of the CBD office market in the third quarter of 2014.

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With the technology industry leading the push toward denser, more collaboration-focused office environments, the San Francisco office market has been significantly impacted. Developers have financed major renovations in order to provide open-space floor plans to such tenants, with an increasing emphasis on shared spaces such as conference rooms, balconies, lobbies and even roof gardens. As a result, although the workspace designated for each employee has shrunk, the overall amount of space needed remains significant. Additionally, as this industry migrates into the urban environment of San Francisco from the suburban campus settings of Silicon Valley, densification is often required in order to house a substantial workforce, as there are limited large blocks of space available in the CBD. RCG expects densification to continue to have an impact on tenant preferences in the San Francisco CBD office market, but urbanization and flight-to-quality trends evident in the market should allow more tenants in industries such as high technology to increase office demand in the CBD going forward.

*Paramount Group Office Submarkets*

The San Francisco market is divided into 13 submarkets. We currently own one building in the South Financial District submarket of the San Francisco CBD, defined to include all buildings south of Market Street, west of the Embarcadero waterfront, east of Third Street and north of Harrison Street. The San Francisco CBD only contains one other submarket, the North Financial District submarket, in which we do not currently own buildings. Additionally, the City of San Francisco contains several non-CBD submarkets, which include East SoMa, Yerba Buena, Mission Bay, Showplace Square/Potrero Hill, Jackson Square, Civic Center/Mid-Market, Van Ness Corridor, North Waterfront, Union Square, West SoMa and The Presidio.

**San Francisco Office Markets**

| **(As of 3Q14)** | **Rentable Square Feet** | **Percent of Total** | **Direct Class A Asking Rents** | **Vacancy Rate** |
|---|---|---|---|---|
| ***Paramount Group Markets*** | | | | |
| **South Financial District** | **23,995** | **32.0%** | **$ 63.72** | **8.7%** |
| ***Non-Paramount Group markets*** | - | - | - | - |
| East SOMA | 4,247 | 5.7% | $ 57.82 | 6.5% |
| Yerba Buena | 3,108 | 4.1% | $ 53.66 | 4.2% |
| Mission Bay | 1,057 | 1.4% | $ 57.00 | 1.3% |
| North Financial | 25,853 | 34.4% | $ 63.65 | 8.6% |
| Showplace Square/Potrero Hill | 3,111 | 4.1% | $ 58.00 | 11.5% |
| Jackson Square | 1,491 | 2.0% | $ 54.79 | 9.8% |
| Civic Center/Mid-Market | 3,160 | 4.2% | $ 48.97 | 14.3% |
| Van Ness Corridor | 786 | 1.0% | $ 42.50 | 5.3% |
| North Waterfront | 3,226 | 4.3% | $ 53.21 | 10.3% |
| Union Square | 3,174 | 4.2% | $ 50.16 | 2.4% |
| West SOMA | 838 | 1.1% | N/A | 3.3% |
| The Presidio | 1,031 | 1.4% | $ 63.74 | 4.0% |
| **Total/Weighted Average Non-Paramount Group Markets** | **51,082** | **68.0%** | **$ 61.63** | **8.1%** |
| **Total/Weighted Average San Francisco Office Market** | **75,077** | **100.0%** | **$ 62.33** | **8.3%** |

Note: Rentable square feet in thousands, direct Class A asking rents in $ per square foot annually, all stock figures calibrated to 1Q14

Source: RCG

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The charts below compare historical Class A rental rates and overall vacancy rates for office space in our submarket, the other San Francisco submarkets, and the total San Francisco office market.

Market fundamentals in the Paramount Group office submarket tend to outperform the overall San Francisco metro office market, while reflecting the same cyclical conditions driving demand. During the technology sector boom, for example, Class A asking rental rates in the Paramount Group office submarket skyrocketed and market conditions tightened swiftly as high tech tenants aggressively leased space. During the most recent economic cycle, vacancy rates in the Paramount Group office submarket remained well below the average for San Francisco and non-Paramount Group submarkets.

*Points of Promise*

The San Francisco metro office market has among the highest asking rents and occupancy rates in the United States. The highly developed nature of the San Francisco CBD office market, coupled with high barriers to entry in the form of restrictive permitting, neighborhood resistance and high construction costs, results in a persistently low level of supply. RCG believes that continued growth of technology and its supporting industries should support sustained healthy market conditions in the San Francisco CBD office market during the next five years, allowing for a strong pace of rent appreciation and increases in occupancy. These facts and trends are shown in the four graphs below:

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RCG believes that the continued growth of technology and its supporting industries should support sustained healthy market conditions in the San Francisco CBD office market during the next five years, allowing for a strong pace of rent appreciation. Tenant demand should be sufficient during this time to absorb new projects coming online. In the CBD, more than 3.0 million square feet of space was under construction as of the third quarter of 2014, of which approximately 54% was pre-leased as of the third quarter of 2014. In 2014, new deliveries will total 575,000 square feet as 505 Howard Street, anchored by Neustar, came online during the first quarter and 535 Mission Street, anchored by Trulia, should come online in the fall. Both projects are located in the South Financial District. In 2015, six more projects are scheduled to come online in the South Financial District: 333 Brannan Street and 345 Brannan Street, which will form the new Dropbox campus; 390 Main, the future home of the Metropolitan Transportation Commission; 270 Brannan Street, which will be fully-occupied by Splunk; 222 Second Street which is 100% leased by LinkedIn and 350 Mission, which is fully leased to Salesforce.com. In 2016, 181 Fremont Street, a mixed-use office and residential project, is scheduled for completion. All six of the major office projects scheduled to come online in 2015 are substantially preleased.

Later in the RCG forecast, the Salesforce Tower will come online in the South Financial District in 2017. Adjacent to the under-construction Transbay Transit Center, this project would bring 1.5 million square feet to market and become the tallest building on the West Coast. The one million square foot Transbay Transit Center will replace the outdated Transbay Terminal with a multi-modal transportation hub that connects San Francisco, the East Bay, Marin County and Silicon Valley, in addition to providing access to other areas of California and adjacent states via 11 different transportation systems. Plans also currently call for a 5.4-acre park atop the Transbay Transit Center, which would be open to the public. Additional office space could be added in conjunction with the development of the new Transbay Transit Center. Given increased traffic flows and the shortage and high cost of parking in downtown San Francisco, employees and employers will likely favor office space that has access to public transportation options. The Transbay Transit Center is currently under construction with an estimated completion date of late 2017. These two projects should add to the appeal of the South Financial District submarket to potential tenants in a range of industries.

RCG forecasts extended tight market conditions through the next five years, although temporary upticks will likely result as new projects come online and are leased up gradually. From 2015 to 2018, the CBD vacancy rate is anticipated to remain in the 9% to 10% range. During this period, RCG projects that the average asking rental rate should increase at an average annual rate of 4.1%, reaching more than $69.71 per square foot in 2018 from the $60.25 per square foot seen in the third quarter of 2014. Based on shifting tenant preferences including a flight-to-quality, RCG expects that Class A space should record comparable or stronger rent appreciation during this time. Additionally, office landlords in the South Financial District submarket should disproportionately benefit from the propensity of tenants in the expanding technology industry to favor space south of Market Street, which is where our San Francisco property is located.

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## BUSINESS AND PROPERTIES

### Overview

We are one of the largest vertically-integrated real estate companies focused on owning, operating and managing high-quality, Class A office properties in select CBD submarkets of New York City, Washington, D.C. and San Francisco. As of September 30, 2014, our portfolio consisted of 12 Class A office properties with an aggregate of approximately 10.4 million rentable square feet that was 92.1% leased to 260 tenants. Our New York City portfolio accounted for 75.6% of our annualized rent as of September 30, 2014, while our Washington, D.C. and San Francisco portfolios accounted for 11.7% and 12.7%, respectively.

Our portfolio reflects our strategy, which has been consistent for nearly 20 years, of concentrating on select submarkets within leading gateway cities in the U.S. that have high barriers to entry, are supply constrained, exhibit strong economic characteristics and have a deep pool of prospective tenants in various industries with a strong demand for high-quality office space. Our properties are located in premier submarkets within midtown Manhattan, Washington, D.C. and San Francisco. Within these submarkets, our portfolio includes Class A office properties that are consistently among the most sought after addresses in the business community. As a result of the strong underlying fundamentals in our submarkets, the location and high-quality of our assets and our proven management capabilities, we believe that our portfolio is well positioned to provide continued cash flow growth and value creation.

We have a demonstrated expertise in asset management, property management, leasing, acquisitions, repositioning, redevelopment, investment management and financing. Since 1995, we have acquired 28 high-quality office properties with a total value of approximately $11.5 billion primarily in our markets. We have a well established reputation as a value-enhancing owner of Class A office properties in our markets and have a proven ability to redevelop and reposition acquired office properties to appeal to the most discerning tenants. Our organization brings an international understanding and sophistication to the marketing and management of our properties that resonates with our tenants, which include many of the world s leading companies. We have an unwavering commitment to superior tenant service, which helps us attract and retain high-quality tenants. We believe our recognized commitment to excellence and demonstrated expertise in the ownership, acquisition, redevelopment and management of Class A office properties will enable us to maximize the operating performance and growth of our portfolio.

Our senior management team is led by Albert Behler, our Chairman, Chief Executive Officer and President, who joined our predecessor in 1991 and has over 34 years of experience in the commercial real estate industry. When Mr. Behler joined our predecessor, he repositioned our diverse portfolio of real estate assets to focus primarily on Class A office properties in select submarkets of New York City. Since 1995, we have expanded our investment focus to include Class A office properties in select submarkets of Washington, D.C. and San Francisco that exhibit investment characteristics similar to those in our New York City submarkets. Overall, our senior management team has an average of 26 years of commercial real estate experience and has been with our company for an average of 14 years. Our senior management team members are proven stewards of investor capital with a remarkable track record through numerous economic cycles and have raised approximately $3.7 billion in equity capital from institutions and high-net-worth individuals since 1995. From the beginning of 1995 through September 30, 2014, we have generated an aggregate gross unlevered IRR of 18.5% and an aggregate gross levered IRR of 28.4% on our 15 realized property investments, which represents a total of $2.2 billion of proceeds.

Our predecessor was originally established in 1978 by Professor Dr. h.c. Werner Otto of Hamburg, Germany to invest in U.S. real estate as part of a distinguished international group of companies he founded. Today, these companies include: (i) the Otto Group, which is the world s second largest online consumer retail vendor, one of the world s leading retail mail order companies and the owner of Crate and Barrel; (ii) ECE Projektmanagement G.m.b.H. & Co.

KG, which is the leading company in the development, planning, construction, leasing and management of shopping centers in Europe; and (iii) Park Property Management, which is a recognized owner and operator of apartment properties in Canada. In addition, the Otto family successfully made a significant investment in DDR Corp. in 2009 during the height of the financial crisis.

Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, either directly or through its subsidiaries, and we will be the sole general partner of our operating partnership.

***Our Portfolio Summary***

The following table provides information about our portfolio as of September 30, 2014.

| Property | Submarket | Rentable Square Feet (1) | Percent Leased (2) | Annualized Rent (3) | Annualized Rent Per Leased Square Foot (4) |
|---|---|---|---|---|---|
| **New York City:** | | | | | |
| 1633 Broadway | West Side | 2,643,065 | 97.7% | $ 151,307,586 | $ 63.96 |
| 1301 Avenue of the Americas | Sixth Ave./Rock Center | 1,767,992 | 81.8 | 101,270,844 | 70.74 |
| 31 West 52nd Street (5) | Sixth Ave./Rock Center | 786,647 | 100.0 | 54,243,225 | 71.32 |
| 1325 Avenue of the Americas | Sixth Ave./Rock Center | 814,892 | 94.6 | 40,838,719 | 59.03 |
| 900 Third Avenue | East Side | 596,270 | 95.2 | 37,943,860 | 67.58 |
| 712 Fifth Avenue (6) | Madison/Fifth Avenue | 543,341 | 98.4 | 50,083,098 | 96.22 |
| **Subtotal /Weighted Average** | | **7,152,207** | **93.5%** | **$ 435,687,332** | **$ 68.90** |
| **Washington, D.C.:** | | | | | |
| 425 Eye Street | East End | 380,090 | 87.4% | $ 13,553,608 | $ 42.93 |
| Liberty Place (7) | East End | 174,205 | 64.8(8) | 6,736,862 | 67.76 |
| 1899 Pennsylvania Avenue (9) | CBD | 192,481 | 71.9 | 10,849,671 | 80.96 |
| 2099 Pennsylvania Avenue (10) | CBD | 208,636 | 31.6 | 4,649,649 | 75.59 |
| Waterview | Rosslyn, VA | 647,243 | 98.9 | 31,212,577 | 46.90 |
| **Subtotal / Weighted Average** | | **1,602,655** | **80.5%** | **$ 67,002,369** | **$ 52.61** |
| **San Francisco:** | | | | | |
| One Market Plaza (11) | South Financial District | 1,611,125 | 97.2% | $ 73,301,800 | $ 59.00 |
| **Subtotal / Weighted Average** | | **1,611,125** | **97.2%** | **$ 73,301,800** | **$ 59.00** |

| | | | | |
|---|---|---|---|---|
| **Portfolio Total / Weighted Average** | **10,365,987** | **92.1%** | **$ 575,991,500** | **$ 65.20** |

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with either REBNY or BOMA 2010 measurement guidelines, and the square footages in the charts in this prospectus are shown on this basis. Total rentable square feet consists of 8,935,018 leased square feet, 375,743 square feet with respect to signed leases not commenced, 822,564 square feet available for lease, 26,417 building management use square feet, and 206,245 square feet from REBNY or BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(2) Based on leases signed as of September 30, 2014 and calculated as total rentable square feet less square feet available for lease divided by total rentable square feet.

(3) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the 12 months ended September 30, 2014. This amount reflects total cash and percentage rent before abatements. Abatements committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $18.1 million. Pro rata abatements for the nine months ended September 30, 2014 were $36.4 million.

(4) Represents annualized rent (less $5,803,762 for parking space, $1,796,594 for storage space, $4,117,279 for theater space, $42,630 for signage revenue and $408,802 for roof revenue) divided by leased square feet

(excluding 375,743 square feet with respect to signed leases not commenced, 73,209 square feet for parking space, 64,823 square feet for storage space, 145,192 square feet for theater space, 4,449 square feet for roof space and 26,417 square feet for building management space) as set forth in note (1) above for the total.

(5) We will own a 64.2% aggregate interest in this property through two joint ventures.

(6) We own a 50.0% interest in a joint venture that owns a fee interest in a portion of the property and a ground leasehold interest in a portion of the property with a remaining term of approximately 11 years (expiring January 1, 2025). The ground lease features an installment sales contract to purchase the fee interest in the property covered by the lease from the ground lessor on January 2, 2015, subject to certain terms and conditions, for $12.1 million. We have an option to postpone the closing date until January 2, 2025, and if so exercised, the purchase price at closing will be $13.1 million.

(7) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $1,592,015 of reimbursement revenue attributable to tenants as of September 30, 2014.

(8) Does not reflect a lease for 6,663 rentable square feet that was signed October 27, 2014, which would increase percent leased to 68.6%.

(9) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $4,017,272 of reimbursement revenue attributable to tenants as of September 30, 2014.

(10) Annualized rent is converted from triple net to gross basis by adding expense reimbursements to base rent. Figures include $1,615,458 of reimbursement revenue attributable to tenants as of September 30, 2014. The full amount was abated in September 2014.

(11) An independent third party global investment and advisory firm purchased a 49.0% interest in the joint venture that owns One Market Plaza on July 23, 2014. Following the completion of the formation transactions, we will own a 49.0% interest in the joint venture that owns One Market Plaza and we will indirectly wholly own the general partner of a limited partnership that owns a 2.0% interest in the joint venture that holds the property. As a result, we will effectively have 51.0% voting power in connection with the property.

In addition to our portfolio, we will own interests in and manage certain existing private equity real estate funds and other assets following the consummation of the formation transactions. For further details see Real Estate Funds, Property Management and Other Assets on page 210.

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### Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of office properties through the following competitive strengths:

**Premier Portfolio of High-Quality Office Properties in Most Desirable Submarkets.** We have assembled a premier portfolio of Class A office properties located exclusively in carefully selected submarkets of New York City, Washington, D.C. and San Francisco. Our submarkets are among the strongest commercial real estate submarkets in the United States for office properties due to a combination of their high barriers to entry, constrained supply, strong economic characteristics, and a deep pool of prospective tenants in various industries that have demonstrated a strong demand for high-quality office space. Our markets are international business centers, characterized by a broad tenant base with a highly educated workforce, a mature and functional transportation infrastructure, and an overall amenity rich environment. These markets are home to a diverse range of large and growing enterprises in a variety of industries, including financial services, media and entertainment, consulting, legal and other professional services, technology, as well as federal government agencies. As a result of the above factors, the submarkets in which we are invested have generally outperformed the broader markets in which they are located. The following table illustrates the rents and the occupancy levels for competitive office space in our submarkets compared to other competitive submarkets in our markets as of September 30, 2014:

| | Paramount Submarkets (1)(2) | Non-Paramount Submarkets (2)(3) | Difference | Percentage Premium |
|---|---|---|---|---|
| **New York City** | | | | |
| Asking Rents | $ 86.19 | $ 74.29 | $ 11.90 | 16.0% |
| Occupancy | 89.6% | 88.4% | 119 bps | 1.3% |
| **Washington, D.C.** | | | | |
| *District of Columbia* | | | | |
| Asking Rents | $ 63.71 | $ 44.37 | $ 19.35 | 43.6% |
| Occupancy | 87.2% | 84.6% | 264 bps | 3.1% |
| *Northern Virginia* | | | | |
| Asking Rents | $ 55.51 | $ 36.04 | $ 19.47 | 54.0% |
| Occupancy | 69.6%(4) | 80.1% | (1,050 bps) | (13.1%) |
| **San Francisco** | | | | |
| Asking Rents | $ 63.72 | $ 61.63 | $ 2.09 | 3.4% |
| Occupancy | 91.3% | 91.9% | (59 bps) | (0.6%) |

Source: RCG.

(1) Represents our four submarkets in midtown Manhattan, our two submarkets in Washington, D.C., our submarket in Northern Virginia and our submarket in San Francisco.

(2) Amounts weighted based on submarket square footage.

(3) Represents all submarkets in which we do not have a presence in midtown Manhattan, Washington, D.C., Northern Virginia and San Francisco.

(4) The increase in the Paramount Group submarket vacancy rate during recent years was the result of down-sizing by government contractors and the delivery of 1812 North Moore, which came online in late 2013 with no signed tenants. Strong demand for space in this submarket should lead to the absorption of this high-quality vacant space, causing the Paramount Group submarket vacancy rate to fall, once again, below the market average.

Within our targeted submarkets, we have assembled a portfolio of Class A office properties that are consistently among the most sought after addresses in the business community. According to RCG, given current market rents, construction costs and the lack of competitive development sites, most of our

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portfolio could not be replicated today on a cost-competitive basis, if at all. We believe the high-quality of our buildings, services and amenities, and their desirable locations should allow us to increase rents and occupancy to generate positive cash flow and growth.

Furthermore, our 1633 Broadway property is home to the internationally renowned Gershwin Theatre, the second largest theatrical entertainment venue in New York City behind Radio City Music Hall. The Gershwin Theatre has been home to the musical *Wicked* for the past 10 years, one of the top box office grossing shows on Broadway.

**Deep Relationships with Diverse, High Credit-Quality Tenant Base.** We have long-standing relationships with high-quality tenants, including Allianz, Bank of America Corporation, Barclays plc, Clifford Chance US LLP, Commerzbank AG, Crédit Agricole Corporate & Investment Bank, Corporate Executive Board Company, Deloitte & Touche LLP, Showtime Networks Inc., TD Bank, N.A., Warner Music Group and the U.S. Federal Government. Approximately 64.4% of our annualized rent is derived from investment grade or nationally recognized tenants in their respective industries. As of September 30, 2014, our nearly 300 commercial tenant leases across our 260 tenants had an average size of approximately 31,100 rentable square feet. No tenant accounted for more than 5.1% of our annualized rent as of September 30, 2014.

Our senior management team applies a hands-on approach and capitalizes upon a network of deep industry relationships to aggressively lease-up vacant space, maintain high tenant retention rates and creatively address the needs of our high-quality tenant base. Tenants frequently seek out space in our properties based on our strong reputation. For example, upon the sale by our predecessor of a 1.0 million rentable square foot office property on Avenue of the Americas, an international law firm tenant at this property requested that we find space in another of our properties. We were able to move this tenant to 1633 Broadway, where they currently lease 108,477 rentable square feet through August 2024.

**Strong Internal Growth Prospects.** We have substantial embedded rent growth within our portfolio as a result of the strong historical and projected future rental rate growth within our submarkets, contractual fixed rental rate increases included in our leases and incremental rent from the lease-up of our portfolio. As of September 30, 2014, the market rents for the office space in our portfolio for which leases had commenced were 15.4% higher than the annualized rent from the in-place leases for this space based on our internal estimates used for budgeting purposes. The following table provides information about our weighted average office market rents versus our weighted average in-place office rents in our markets as of September 30, 2014.

| Market | Paramount Office Portfolio Market Rent Per Square Foot (1) | Paramount In-Place Office Rents Per Square Foot (2) | Weighted Average Lease Term (3) | Paramount Office Market vs. In-Place Rents Per Square Foot |
|---|---|---|---|---|
| New York City | $ 78.26 | $ 71.85 | 7.5 | 8.9% |
| Washington, D.C. | 68.49 | 51.17 | 10.4 | 33.8 |
| San Francisco | 83.14 | 58.37 | 4.9 | 42.4 |
| **Total** | **$ 77.28** | **$ 66.95** | **7.6** | **15.4%** |

(1) Based on our internal estimates of 2015 market rents, on a gross basis, for the office space in our portfolio for commercial leases that we use for budgeting purposes.

(2) Represents the base rent per square foot plus tenant reimbursements based on September 2014 amounts annualized. Triple-net leases are converted to a gross basis by adding expense reimbursements to base rent.

(3) Excludes month-to-month leases.

Furthermore, given the strong underlying fundamentals of our submarkets, the location and high-quality of our assets and our proven management capabilities, we believe that we will be able to continue to generate attractive internal growth from our portfolio over time, particularly as we lease-up our portfolio from its 92.1% leased rate as of September 30, 2014. According to RCG, midtown Manhattan office market vacancy is projected to decline in the near to medium term and average rent growth is forecasted to exceed all other U.S. gateway cities through the end of 2018, an effect of high demand and constraints on new supply. The average office rent in midtown Manhattan is forecasted to grow at annual rates averaging 5.3% during the years 2015 through 2018. Occupancy in the midtown Manhattan office market is expected to increase from 89.0% in the third quarter of 2014 to 90.2% in 2018. In Washington, D.C., in addition to the decreased pace of construction, RCG believes other projected economic indicators forecast a strong future for office activity. The average Class A office rent in Washington, D.C. is forecasted to grow at annual rates averaging 2.1% during the years 2015 through 2018. The expansion of private sector employers, aided by the growth of the region s technology cluster, should further stimulate office leasing activity through 2018, with occupancy expected to increase from 86.3% in the third quarter of 2014 to 86.5% in 2018. In San Francisco, RCG believes that the continued growth of the technology and supporting industries should sustain healthy market conditions in the CBD office market during the next five years, allowing for a strong pace of rent appreciation. Tenant demand is expected to exceed the new supply of office projects coming online during this time, resulting in positive absorption. The average Class A office rent in San Francisco is forecasted to grow at annual rates averaging 4.1% during the years 2015 through 2018, second only to midtown Manhattan among gateway cities in the United States during the same period. Additionally, occupancy is expected to remain consistently high through 2018.

We also have substantial embedded rent growth within our portfolio as a result of contractual fixed rental rate increases included in our leases. As of September 30, 2014, the average duration of our leases, excluding month-to-month leases, is 11.6 years with an average remaining term of 7.6 years. We typically have fixed rental rate increases in our leases ranging from 2.0% to 3.0% per year, which will result in increases in rents over the terms of these leases. Our portfolio is also 92.1% leased as of September 30, 2014; we believe this presents us with a meaningful growth opportunity as we lease-up our portfolio given the strong office market fundamentals in our target markets.

In addition, we expect incremental rental revenue from two in-process renovation projects that are expected to add space for retail tenants, whose asking rents are generally above those of office tenants in our markets.

**Demonstrated Acquisition and Operational Expertise.** Over the past nearly 20 years, we have developed and refined our highly successful real estate investment strategy. We have a proven reputation as a value-enhancing, hands-on operator of Class A office properties. We target opportunities with a value-add component, where we can leverage our operating expertise, deep tenant relationships, and proactive approach to asset and property management. In certain instances, we may acquire properties with existing or expected future vacancy or with significant value embedded in existing below-market leases, which we will be able to mark-to-market over time. Even fully leased properties from time to time present us with value-enhancing opportunities which we have been able to capitalize on, such as our acquisition of 31 West 52nd Street and 1177 Avenue of the Americas, which are described below.

*31 West 52nd Street, New York, New York*

In December 2007, we acquired 31 West 52nd Street, a 786,647 rentable square foot Class A office property located in the Sixth Avenue/Rockefeller Center submarket of midtown Manhattan. Although we have maintained near 100% occupancy of this property during our ownership, we have nevertheless been able to increase our NOI based on our proactive management and tenant relationships. On multiple occasions, we were able to take back underutilized space from an existing tenant and re-lease those spaces at higher rents. In 2012, we negotiated a take-back totaling 24,299 rentable square feet, remeasured the space to 26,895 rentable square feet and re-leased that space to an existing tenant at an annualized rental rate of $82.00 per rentable square foot, or approximately $15.60 per rentable square foot higher than the previous tenant, while also receiving a termination fee of $3.0 million. In 2013, we negotiated a take-back totaling 17,424 rentable square feet, remeasured that space to 17,789 rentable square feet and released that space to an existing tenant at an annualized rental rate of $93.00 per rentable square foot or approximately $29.50 per rentable square foot higher than the previous tenant, while receiving a termination fee of $0.6 million. Additionally, in 2014, we negotiated a take-back totaling 26,578 rentable square feet, remeasured that space to 26,738 rentable square feet and released that space to an existing tenant at an annualized rental rate of $95.00 per rentable square foot or approximately $10.50 per rentable square foot higher than the previous tenant, while receiving a termination fee of $2.5 million. As part of our acquisition, we were able to acquire and lease approximately 19,000 rentable square feet of adjacent space to a world renowned restaurant chain on the north side of the building, and reconfigure the lobby and ground floor storage to create approximately 2,800 additional rentable square feet, which we leased long-term to a second restaurant tenant on the south side of the building.

*1177 Avenue of the Americas, New York, New York*

In October 2002, we acquired a 51.0% interest in 1177 Avenue of the Americas, a 960,000 rentable square foot Class A office property. While the property was fully leased at the time of acquisition, we identified an opportunity to grow cash flow based on our engagement with the major tenant, an international accounting firm that had outgrown its space. In 2003, we negotiated a sublease for the majority of the existing tenant s space with a major U.S. law firm, which ultimately became a direct tenant for an additional 10 years beyond the existing tenant s expiration. In conjunction with this transaction, we received approximately $17.3 million in consent fees, commissions and tenant improvement allowances paid by the existing tenant. In December 2005, a private equity real estate fund managed by us acquired the remaining 49.0% interest in the property from a third party. We sold the property in December 2007 generating a blended gross levered IRR and equity multiple of 39.3% and 3.5x, respectively.

**Value-Add Renovation and Repositioning and Development Capabilities.** We have expertise in renovating, repositioning and developing office properties, having made significant investments of over $100.0 million (excluding tenant improvement costs and leasing commissions) in four of our office properties since 1995. We have historically acquired well-located assets that have either suffered from a need for physical improvement to upgrade the property to Class A space, have been underperforming due to a lack of a coherent leasing and branding strategy or have been under-managed and could be immediately enhanced by our hands-on approach.

We are experienced in upgrading, renovating and modernizing building lobbies, corridors, bathrooms, elevator cabs and base building systems and updating antiquated spaces to include new ceilings, lighting and other amenities. We have also successfully aggregated and are continuing to combine smaller spaces to offer larger blocks of space, including multiple floors, which are attractive to larger, higher credit-quality tenants. We believe that the post-renovation quality of our buildings and our hands-on asset and property management approach attract higher credit-quality tenants and allows us to grow cash flow. In addition, we have been a leader in environmental initiatives that have helped us to manage operating costs, attract and retain premium tenants and ultimately enhance portfolio value. We have derived substantial cost savings through innovative energy efficiency retrofitting and sustainability initiatives, reducing direct and indirect energy costs paid both by tenants and by us throughout our portfolio. The following examples describe two of our successful renovation and repositioning or development projects.

*1800 K Street, Washington, D.C.*

In March 2004, we acquired 1800 K Street, a 205,200 rentable square foot Class B office property located in the heart of Washington, D.C. s golden triangle section of the CBD submarket. Upon acquisition, we implemented an intensive capital improvement plan to replace the facade and windows

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for the two exposed property elevations, replace the entrance plaza and lobby and add definitive signage and identity through the use of a decorative stone recess located at the property s prime corner. We simultaneously executed a marketing campaign to rebrand and reposition the asset as a Class A property. We sold this property in September 2006 generating a gross levered IRR and equity multiple of 31.1% and 2.0x, respectively.

*1331 L Street, Washington, D.C.*

In November 2006, in conjunction with a joint venture partner, we started a ground up development of a Class A, 10-story office building of approximately 170,000 rentable square feet at 1331 L Street in the East End submarket of Washington, D.C. We oversaw planning commission approval and the project was completed within the original 18 month schedule and on budget. During the construction phase, we sold the property to a company as its new headquarters and recognized a gain of approximately $29.7 million on the sale. Due to the timing of the sale, the project was completed with a minimal amount of capital invested.

**Seasoned and Committed Management Team with Proven Track Record.** Our senior management team, led by Albert Behler, our Chairman, Chief Executive Officer and President, has been in the commercial real estate industry for an average of 26 years, and has worked at our company for an average of 14 years. Our senior management team is highly regarded in the real estate community and has extensive relationships with a broad range of brokers, owners, tenants and lenders. We have developed relationships that enable us to secure high credit-quality tenants on attractive terms and provide us with potential off-market acquisition opportunities. We believe that our proven acquisition and operating expertise enables us to gain advantages over our competitors through superior acquisition sourcing, focused leasing programs, active asset and property management and first-class tenant service. Our knowledge, expertise and experience have allowed us to actively pursue opportunities for well-located, high-quality buildings that may be in a transitional phase due to current or impending vacancies.

Since 1995, members of our senior management team have raised approximately $3.7 billion in equity capital from institutional and high-net-worth investors. From the beginning of 1995 through September 30, 2014, we have generated an aggregate gross unlevered IRR of 18.5% and an aggregate gross levered IRR of 28.4% on our 15 realized property investments, which represents a total of $2.2 billion of proceeds. Our management team has developed an extensive and valuable set of relationships with institutional and high net worth investors, including the Otto family, which we believe will provide us with an advantage in raising additional capital in the future if the opportunity to deploy such capital were to arise in a manner that matched our strategic goals.

Upon completion of this offering, our senior management team is expected to own a significant amount of our common stock on a fully diluted basis, aligning their interests with those of our stockholders, and incentivizing them to maximize returns for our stockholders.

**Conservative Balance Sheet.** Over the past several decades, we have built strong relationships with numerous lenders, investors and other capital providers. Our financing track record and depth of relationships provide us with significant financial flexibility and capacity to fund future growth in both good and bad economic environments. As of September 30, 2014, we had a strong pro forma capital structure that supports this flexibility and growth. Our pro forma net debt to total enterprise value is 36.2% and pro forma net debt to annualized Adjusted EBITDA for the nine months ended September 30, 2014 is 7.6x, each calculated on a pro rata basis. Adjusting net debt to reflect reductions in cash subsequent to September 30, 2014, and EBITDA to include annualized revenue from leases signed but commencing after September 30, 2014, pro forma net debt to Adjusted EBITDA on a pro rata basis would have been 7.5x. On a pro forma basis as of September 30, 2014, approximately 90.0% of our debt will be fixed rate, we will have no debt maturities prior to December 2016 and the weighted average maturity of our pro forma indebtedness will be 3.3 years. Upon completion of this offering, we expect we will have an undrawn $1.0 billion senior unsecured revolving credit facility and approximately $66.2 million of Cash NOI from four unencumbered properties totaling 3.2 million square feet.

**Proven Investment Management Business.** We have a successful investment management business, where we serve as the general partner and property manager of private equity real estate funds for institutional investors and high-net-worth individuals with combined assets aggregating approximately $8.6 billion as of September 30, 2014. We have also entered into a number of joint ventures with institutional investors, high-net-worth individuals and other sophisticated real estate investors through which we and our funds have invested in real estate properties. As part of the formation transactions, we will acquire most of the assets held by our private equity real estate funds while also retaining our investment management platform pursuant to which we will continue to manage our existing funds and joint ventures that will continue holding assets following the formation transactions. Going forward, we expect our investment management business to be a complementary part of our overall real estate investment business that will focus primarily on debt and preferred equity investments and will not compete directly with our real estate investment business. The continuing fees that we will earn in connection with this business will enhance our potential for higher overall returns. Additionally, although we intend to directly fund our future real estate investments following deployment of our existing funds remaining committed equity capital, our existing investment management platform should enable us to more easily supplement our direct capital sources through strategic joint ventures or pursue opportunities through new private equity real estate funds where advantageous.

**Business and Growth Strategies**

Our primary business objective is to enhance stockholder value by increasing cash flow from operations. The strategies we intend to execute to achieve this goal include:

**Lease-up of Currently Available Space.** Given current demand for high-quality Class A office space in our submarkets, we believe that we are well positioned to achieve significant internal growth through the lease-up of existing space in our portfolio. As of September 30, 2014, our office properties in New York City, Washington, D.C. and San Francisco were on average approximately 93.5%, 80.5%, and 97.2% leased, resulting in 822,564 rentable square feet available to lease. Our available space is primarily concentrated in large blocks of contiguous space on individual or multiple floors, which is highly attractive to larger, higher credit-quality tenants that typically lease space at higher rents for longer lease terms and have higher average retention rates and greater prospects for growth. For example, as of September 30, 2014, we had 321,708 rentable square feet, or 39.1% of the total available rentable square feet in our portfolio, of highly attractive available space in our 1301 Avenue of the Americas property in the Sixth Avenue/Rockefeller Plaza submarket of midtown Manhattan, which was 81.8% leased, as of September 30, 2014, compared to the submarket average of 90.9%. Our available space in this property includes large footprints on the higher floors with Manhattan skyline views. A large portion of the space we are currently marketing relates to one recent lease termination. For further details see 1301 Avenue of the Americas, on page 163. We are well positioned to continue our predecessor s leasing momentum in this submarket based on relatively limited lease expirations of competitive Class A space and the expected continuation of strong underlying market fundamentals. According to RCG, supply and demand fundamentals are expected to remain strong in this submarket, with positive absorption expected over the next several years.

As an additional example, we acquired our 2099 Pennsylvania Avenue property in 2012 in an off-market transaction. As of September 30, 2014, this property was 31.6% leased, resulting in 142,764 rentable square feet available to lease, or 17.4% of the total available rentable square feet in our portfolio. At the time of acquisition, we were aware that a large existing tenant would vacate upon expiration of its lease, thus providing us with an opportunity to re-lease the space at attractive rental rates. Upon acquisition of the property, we modernized the look and feel of the lobby by adding

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additional lighting, new furniture and greenery. Approximately three months following the completion of the renovations, we were able to lease 59,133 rentable square feet to an international law firm. We contemplate adding to the tenant amenities, including replacing all the equipment in the fitness center and adding a secure bike storage area in the garage. In addition, we also have 54,165 rentable square feet of highly attractive available space in our 1899 Pennsylvania Avenue Property, which was 71.9% leased, as of September 30, 2014, compared to the submarket average of 86.8%. Our available space in this property primarily includes recently vacated space, which we have aggregated to target a higher-caliber, larger-footprint tenant that is also seeking to capitalize on our available lobby signage in this property.

Based on current market demand and the efforts of our dedicated leasing team, we expect to increase our occupancy and revenue significantly across these properties and our portfolio. For example, for our properties identified in the table below, if we were to achieve the submarket lease percentage at market rents, based on our internal estimates used for budgeting purposes, we would generate potential incremental annualized rent of approximately $25.2 million per year. The information in the table is as of September 30, 2014.

| | Property Percentage Leased (1) | Submarket Percentage Leased (2) | Weighted Average Market Rent Per Square Foot (3) | Potential Incremental Annualized Rent (4) |
|---|---|---|---|---|
| 1301 Avenue of the Americas | 81.8% | 90.9% | $83.56 | $ 13,437,487 |
| 2099 Pennsylvania Avenue | 31.6 | 86.8 | 82.64 | 9,521,551 |
| 1899 Pennsylvania Avenue | 71.9 | 86.8 | 77.52 | 2,229,217 |
| **Total** | | | | **$ 25,188,255** |

(1) Based on leases signed as of September 30, 2014 and calculated as total rentable square feet less square feet available for lease divided by total rentable square feet.

(2) Information provided by RCG.

(3) Based on our internal estimates of 2015 market rents, on a gross basis, that we use for budgeting purposes, which are determined on a lease-by-lease basis.

(4) Figures represent potential incremental annualized rent in addition to leases signed but not commenced.

Furthermore, for our properties identified in the table below, if we were able to achieve the historical average submarket lease percentage from January 1, 1999 to September 30, 2014 at market rents, based on our internal estimates used for budgeting purposes, we would generate potential incremental annualized rent of approximately $28.8 million per year.

| | Property Percentage Leased [1] | Average Historical Percentage Leased (1999 -2Q 2014) [2] | Weighted Avg. Market Rent Per Square Foot [3] | Potential Incremental Annualized Rent [4] |
|---|---|---|---|---|
| 1301 Avenue of the Americas | 81.8% | 92.4% | $ 83.56 | $ 15,662,753 |
| 2099 Pennsylvania Avenue | 31.6 | 91.0 | 82.64 | 10,248,942 |
| 1899 Pennsylvania Avenue | 71.9 | 91.0 | 77.52 | 2,858,728 |
| **Total** | | | | **$ 28,770,424** |

(1) Based on leases signed as of September 30, 2014 and calculated as total rentable square feet less square feet available for lease divided by total rentable square feet.

(2) Represents submarket information provided by RCG.

(3) Based on our internal estimates of 2015 market rents, on a gross basis, that we use for budgeting purposes, which are determined on a lease-by-lease basis.

(4) Figures represent potential incremental annualized rent in addition to leases signed but not commenced.

**Increase Existing Below-Market Rents.** We believe we can capitalize on our high-profile institutional-quality portfolio by realizing the substantial embedded rent growth within our portfolio resulting from the combination of the strong historical market rental rate growth in our submarkets and the long term nature of our existing office leases. For example, we expect to benefit from the re-leasing of approximately 2.7 million square feet, or 26.1%, of our office leases, through 2018, which we believe are currently at below-market rates. These expiring office leases represent weighted average rent at expiration of $73.66 per square foot, as compared to a weighted average estimated market rent at expiration of $86.54 per square foot based on our internal estimates used for budgeting purposes. Assuming we could re-lease the approximately 2.7 million square feet expiring through 2018 at the weighted average estimated market rent at expiration of $86.54 per square foot, we would generate potential incremental annual rental revenues of approximately $34.9 million per year. Overall, 81.5% of these expiring leases are from our midtown Manhattan properties. As older leases expire, we expect to generate additional rental revenue by (i) continuing to upgrade certain space to further increase its value and (ii) increasing the total rentable square footage of such space as a result of remeasurements and application of market loss factors to the space.

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***Incremental Office Revenue***

The following table provides information as of September 30, 2014, unless otherwise indicated, about our office space lease expirations over the next four and one-half years, the rent per square foot at the expiration of the leases and weighted average estimated market rent for the leases upon expiration based on our internal estimates used for budgeting purposes.

| | Expiring Rentable Office Sq. Ft. (1) | Rent Per Square Foot at Expiration (2) | Weighted Average Market Rent Per Square Foot (3) | Incremental Office Space Revenue |
|---|---|---|---|---|
| ***New York*** | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 26,924 | $ 104.42 | $ 82.21 | $ (598,059) |
| 2015 | 751,907 | 68.95 | 75.21 | 4,708,039 |
| 2016 | 803,785 | 75.64 | 85.30 | 7,767,800 |
| 2017 | 334,519 | 82.64 | 95.00 | 4,136,954 |
| 2018 | 292,769 | 87.06 | 98.13 | 3,238,941 |
| **Subtotal** | **2,209,904** | **$ 76.29** | **$ 85.00** | **$ 19,253,675** |
| ***Pro Rata (4)*** | **2,075,933** | **$ 74.55** | **$ 82.79** | **$ 17,096,049** |
| ***Washington, D.C.*** | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | | $ | $ | $ |
| 2015 | 9,042 | 63.15 | 79.84 | 150,907 |
| 2016 | 18,638 | 64.71 | 81.40 | 311,101 |
| 2017 | 4,110 | 75.28 | 83.00 | 31,760 |
| 2018 | | | | |
| **Subtotal** | **31,790** | **$ 65.63** | **$ 81.16** | **$ 493,768** |
| ***Pro Rata (4)*** | **31,790** | **$ 65.63** | **$ 81.16** | **$ 493,768** |
| ***San Francisco*** | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 30,092 | $ 62.70 | $ 82.80 | $ 604,737 |
| 2015 | 23,810 | 73.37 | 84.49 | 264,768 |
| 2016 | 205,099 | 63.69 | 98.60 | 7,160,417 |
| 2017 | 72,821 | 55.89 | 85.37 | 2,146,536 |
| 2018 | 137,032 | 59.96 | 96.45 | 5,000,119 |
| **Subtotal** | **468,854** | **$ 61.82** | **$ 94.19** | **$ 15,176,577** |
| ***Pro Rata (4)*** | **229,738** | **$ 61.82** | **$ 94.19** | **$ 7,436,523** |
| ***Total Portfolio*** | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 57,016 | $ 82.40 | $ 82.52 | $ 6,678 |
| 2015 | 784,759 | 69.02 | 75.55 | 5,123,715 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2016 | 1,027,522 | | 73.06 | | 87.89 | 15,239,318 |
| 2017 | 411,450 | | 77.83 | | 93.18 | 6,315,249 |
| 2018 | 429,801 | | 78.42 | | 97.59 | 8,239,060 |
| **Total** | **2,710,548** | **$** | **73.66** | **$** | **86.54** | **$ 34,924,020** |
| ***Pro Rata*** **[4]** | **2,337,461** | **$** | **73.18** | **$** | **83.89** | **$ 25,026,340** |

(1) Represents remeasured square footage according to either REBNY or BOMA 2010 remeasurements. Expiring square footage representative of leasing and renewal activity as of October 27, 2014.

(2) Represents the base rent per square foot at the time of lease expiration plus tenant reimbursements based on September 2014 amounts annualized. Triple net leases are converted to a gross basis by adding expense reimbursements to base rent.

(3) Based on our internal estimates of 2015 market rents, on a gross basis, that we use for budgeting purposes, which are determined on a lease-by-lease basis. The compounded average growth rate for market rents reflected in our internal estimates for the period ending 2018 is 7.4%, 3.8% and 4.2% for New York City, Washington, D.C. and San Francisco, respectively.

(4) Based on our pro rata ownership of each property pro forma for the formation transactions.

Our concentration in prime submarkets should also enable us to benefit from increased rents associated with current and anticipated near-term improvements in the financial, economic and business environment in these areas. We also expect to benefit from the near-term significant lack of development of office space in the majority of our submarkets due to the scarcity of available development sites and long lead time for new construction.

The following examples describe the embedded rental revenue growth at our 1633 Broadway and One Market Plaza properties, which comprise a significant portion of our potential incremental office revenue through 2018.

*1633 Broadway, New York, New York Embedded Rent Growth*

In 1976, Dr. h.c. Werner Otto, founder of our predecessor, acquired 1633 Broadway, a 48-story, 2,643,065 square foot building, for $82.0 million, or approximately $32.00 per square foot, at a time when market rents were approximately $8.00 per square foot. A private equity real estate fund managed by us, in conjunction with joint venture partners, acquired the property from the Otto family in 2006 for $1.2 billion, or $454.00 per square foot, at a time when market rents were approximately $58.10 per square foot. In 2013 and 2014, leases for 450,703 rentable square feet commenced including 293,487 rentable square feet leased to Warner Music Group for over 15 years.

We expect to benefit from the re-leasing of approximately 945,356 square feet, or 41.8%, of our office leases at 1633 Broadway, through 2018, which we believe are currently at below-market rates. These expiring office leases represent a weighted average rent at expiration of $69.15 per square foot, as compared to a weighted average estimated market rent at expiration of $81.21 per square foot based on our internal estimates used for budgeting purposes. Assuming we could re-lease the approximately 945,356 square feet expiring through 2018 at the weighted average estimated market rent of $81.21 per square foot, we would generate potential incremental annual rental revenues of approximately $11.4 million per year.

*One Market Plaza, San Francisco, California Embedded Rent Growth*

In July 2007, we acquired a 50.0% interest in One Market Plaza, a 1,611,125 square foot property in the South Financial District submarket of San Francisco. In March 2010, we made an additional investment and gained full operational control of the property. In 2012 and 2013, we leased approximately 483,105 square feet at annualized rental rates of $58.17 per square foot. In 2014, we leased 327,276 square feet at annualized rental rates of $68.62 per square foot, including 263,638 square feet with a multinational internet company for 10 years. On July 23, 2014, we sold a 49.0% interest in the joint venture that owns the property to an independent third party global investment and advisory firm.

We expect to benefit from the re-leasing of approximately 468,854 square feet, or 39.6%, of our office leases at One Market Plaza, through 2018, which we believe are currently at below-market rates. These expiring office leases represent a weighted average rent at expiration of $61.82 per square foot, as compared to a weighted average estimated market rent at expiration of $94.19 per square foot based on our internal estimates used for budgeting purposes. Assuming we could re-lease the approximately 468,854 square feet expiring through 2018 at the weighted average estimated market rent of $94.19 per square foot, we would generate potential incremental annual rental revenues of approximately $15.2 million per year.

***Incremental Retail Revenue***

Our midtown Manhattan portfolio includes approximately 289,279 rentable square feet of exclusive retail space. We expect to benefit from the re-leasing of our retail leases in midtown Manhattan, which we believe are currently at below-market rates. Our 712 Fifth Avenue property is located on the southwest corner of 56th Street and Fifth Avenue, one block south of one of the world s most exclusive commercial intersections (57th Street and Fifth Avenue). Along Fifth Avenue, the most desirable stretch

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is located between 49th and 59th Streets, where rents have risen above $3,000 per square foot according to REBNY. Specialty retailer Henri Bendel occupies four levels totaling 85,917 square feet at a weighted average base rent of $75.65 per square foot. While the existing lease does not expire until 2031 (including the exercising of extension options), we believe there may be an opportunity to re-lease this space at a significantly higher rent either upon expiration or prior to such date. Assuming we could re-lease this space at the weighted average estimated market rent, based on our internal estimates used for budgeting purposes, we would generate $25.7 million of incremental revenue per year.

**Disciplined Acquisition Strategy Focused on Premier Submarkets and Assets.** Since 1995, we have acquired 28 high-quality office properties with a total value of approximately $11.5 billion primarily in our targeted submarkets of New York City, Washington, D.C. and San Francisco. We intend to continue our core strategy of acquiring, owning and operating Class A office properties within submarkets that have high barriers to entry, are supply constrained, exhibit strong economic characteristics, and have a pool of prospective tenants in various industries that have a strong demand for high-quality office space. We believe that owning the right assets within the leading submarkets of the best office markets in the United States will allow us to generate strong cash flow growth and attractive long-term returns.

We seek to acquire properties that will command premium rental rates and maintain higher occupancy levels than other properties in our markets. We will pursue opportunities to acquire office properties, but will maintain a disciplined approach to ensure that our acquisitions meet our core strategy. We are a highly active market participant that reviews numerous acquisition opportunities annually; however, we are highly selective in the properties that we ultimately acquire. We intend to strategically increase our market share in our existing submarkets and selectively enter into other submarkets with similar characteristics. Our acquisition strategy will focus primarily on long-term growth and total return potential rather than short-term cash returns. We believe we can utilize our deep industry relationships and our expertise in redeveloping and repositioning office properties to identify acquisition opportunities where we believe we can increase occupancy and rental rates. Many of our predecessor s acquisitions have been sourced on an off-market basis. Additionally, we believe that our investment management platform will provide us access to valuable market intelligence via select debt investments, further supplementing our ability to identify attractive acquisition opportunities.

Our strong balance sheet and access to diverse sources of capital should give us significant flexibility in structuring and consummating acquisitions. As a public REIT, we believe that we will have more opportunities to acquire targeted properties in our submarkets through the issuance of common units, which can be of particular value to tax-sensitive sellers. Based on the concentration of high-quality assets in our portfolio, our established operational platform, our deep knowledge of market participants and our strong reputation for our ability to close transactions, we will be a desirable buyer for those institutions and individuals wishing to sell properties.

The following examples describe three instances where we realized significant returns as a result of our disciplined acquisition strategy. Overall, from the beginning of 1995 through September 30, 2014, we have generated an aggregate gross unlevered IRR of 18.5% and an aggregate gross levered IRR of 28.4% on our 15 property investments, which represents a total of $2.2 billion of proceeds.

*1540 Broadway, New York, New York*

In June 2004, in an off-market transaction we sourced, a private equity real estate fund we managed acquired 1540 Broadway, a 1.1 million rentable square foot office property, from Bertelsmann AG for $426.5 million. The acquisition was done through a joint venture with an affiliate of Principal Life Insurance Company. The private equity real estate fund we managed was the general partner and held a majority interest in the joint venture. The property consisted of five separate condominium units and was approximately 30% vacant after we negotiated a 397,000 rentable square foot lease back to

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Bertelsmann AG. Based on our experience as a long-term investor in the Times Square submarket, we recognized significant upside in the retail and signage revenue streams, as well as an accelerating demand for space in this submarket by high credit-quality tenants, which were not traditionally tenants in this area. During the fund s ownership of the property, we executed a 305,000 rentable square foot lease with Viacom and negotiated a partial early termination of a below-market lease. Additionally, we increased the annual signage revenues from approximately $2.1 million at acquisition to over $5.9 million on a stabilized basis at the time of sale. In July 2006, the fund sold this investment for $820.0 million, generating a gross levered IRR and equity multiple of 70.3% and 3.2x, respectively.

*Financial Square, New York, New York*

In March 1995, we acquired Financial Square, an iconic downtown property with 1.0 million rentable square feet of office and retail space. Subsequently, in June 2005, we sold Financial Square to a private equity real estate fund managed by us. In 2004, TD Waterhouse Investor Services, Inc., or TD Waterhouse, entered into a 10 year lease for approximately 135,000 square feet at Financial Square, representing 13% of the rentable space at a starting rent of $36.44 per square foot. In 2006, TD Waterhouse was acquired by Ameritrade, and we were notified that TD Waterhouse would no longer need its space at Financial Square. We successfully negotiated a $17.0 million fee for the early termination of the lease. While still in negotiations with TD Waterhouse, we were able to secure a long term lease, which included the former TD Waterhouse space, totaling approximately 250,000 rentable square feet with American Home Assurance Company at a starting rent of $46.00 per square foot, representing a 26.2% increase to the TD Waterhouse starting rent and increasing the property s occupancy to 91.4%. Financial Square was sold in August 2007 for $751.0 million generating a blended gross levered IRR and equity multiple of 27.9% and 6.9x, respectively.

*Candler Tower, New York, New York*

In June 2006, a private equity real estate fund managed by us acquired Candler Tower, an approximately 228,000 rentable square foot recently renovated high-quality office property located in the Times Square submarket in midtown Manhattan, for $208.0 million. Due to our deep knowledge of the Times Square submarket, in underwriting the asset, we recognized that Candler Tower was a unique opportunity to acquire a fully leased, high-quality office property with guaranteed escalating rental income through 2020 at a purchase price that we believed represented a significant discount to replacement cost. In November 2012, the fund managed by us sold Candler Tower for $261.0 million generating a gross levered IRR and equity multiple of 22.7% and 2.0x, respectively.

**Redevelopment and Repositioning of Properties.** We intend to redevelop or reposition certain properties that we currently own or that we acquire in the future, as needed. Prior to investment, we will apply rigorous underwriting analyses to determine whether additional investment in the property will improve occupancy and cash flow over the long term. By redeveloping and repositioning our properties, including creating additional amenities for our tenants, we endeavor to increase both occupancy and rental rates at these properties, thereby achieving superior risk-adjusted returns on our invested capital. The following examples describe our primary redevelopment and repositioning projects at our existing properties. We estimate that the total cost for both of these projects will be approximately $40.0 million, and that we will achieve attractive risk-adjusted returns on this capital over time.

*One Market Plaza, San Francisco, California*

We are currently embarking on a renovation project at One Market Plaza, which will transform the existing concourse and atrium into unique and elegant interior public spaces lined with both new and upgraded existing retail tenant spaces that will dramatically reposition the property in the downtown San Francisco market. Our renovation plans include two new entrances, one at Spear Street and one at Steuart

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Street, the replacement of existing flooring with a rich grey granite paving throughout the lobbies, concourse and atrium spaces, and back painted glass, framed in stainless steel for all vertical surfaces of the lobbies. We will be recapturing lobby and common space as part of an effort to create new retail frontage and renovating existing retail spaces into white oak-lined retail boxcars prominently located on the main concourse. We are also creating a cafe, featuring a long bar and a community table, in the center of the atrium that will serve as the focal point of this bright, modern and active retail-driven environment. We estimate that the total cost for this project will be approximately $25.0 million, of which approximately $20.0 million has been funded by us and our joint venture partner. As of September 30, 2014, minimal costs have been expended and we anticipate completion of the project in June 2015.

*1633 Broadway, New York, New York*

We are currently engaged in design and planning for redevelopment of the public plaza at our 1633 Broadway property, located in the heart of New York City s Theater District, which is surrounded by hotels, restaurants and Broadway theaters. We believe this location represents a unique opportunity for a retail tenant seeking a high profile destination location with 24/7 pedestrian traffic driven by area office workers, tourists, theatergoers and local residents. The renovated space will be home to a sparkling glass entry cube which will offer excellent visibility and the opportunity for creative and dramatic lighting and signage for a potential retail tenant. The entry cube will provide access to a concourse and lower concourse totaling 40,321 rentable square feet. We estimate that the total cost for this project will be approximately $15.0 million. We anticipate completion of the project to occur in 2015.

**Proactive Asset and Property Management.** We intend to continue our proactive asset and property management in order to increase occupancy and rental rates. We provide our own, fully integrated asset and property management, which includes in-house legal, marketing, accounting, finance and leasing departments for our portfolio and our own tenant improvement construction services. Our property management program includes cross functional training for best practices with a foundation that is rooted in our Property Management Standards, a set of internal policies and procedures that is shared across the platform. The development and retention of top performing property management personnel have been critical to our success. Paramount University is an internally developed training program for new hires and for the ongoing training of existing employees that includes both internal as well as third-party expert-led training classes on relevant content.

Our leasing infrastructure includes a dedicated team of personnel that focuses on our target market of high credit-quality tenants that typically seek a larger footprint and a customized build-out from a reputable and reliable landlord. We utilize our comprehensive building management services and our strong commitment to tenant and broker relationships to negotiate attractive leasing deals and to attract and retain high credit-quality tenants. We proactively manage our rent roll, maintain continuous communication with our tenants and foster strong tenant relationships by being responsive to tenant needs. We do this by providing high-quality buildings, amenities and services, including energy efficiency initiatives, preventative maintenance and prompt repairs. A key element of our success is our comprehensive employee screening and training programs.

We seek to develop long term relationships with our tenants on whom we do extensive diligence on their current and prospective financial condition, underlying business fundamentals and business models prior to leasing space to them. We believe this strategy will continue to improve our operating results over time by reducing tenant turnover and thereby reducing leasing, marketing and tenant improvement costs.

As part of catering to this highly discerning tenant base, we are one of only 21 U.S. commercial property companies that is designated as an Energy Star Leader with our entire portfolio registered and energy usage monitored online.

Eleven of our properties have received LEED Certification, with the remainder of the portfolio on target to receive certification. We are also heavily involved in our local communities. Our properties host charitable events, such as food drives, winter coat collections, blood drives, Toys-for-Tots, health fairs and a host of other events that benefit the local community. The following example describes our demonstrated asset and property management capabilities.

*1301 Avenue of the Americas, New York, New York*

On May 25, 2012, we proactively terminated the lease of Dewey & LeBoeuf LLP, a tenant that occupied approximately 406,000 rentable square feet in our 1301 Avenue of the Americas property. We terminated the lease just a few days ahead of this tenant filing for bankruptcy, thus avoiding the rights to the space being entangled for a significant period of time in bankruptcy proceedings. Within two months of the lease termination date, we executed a lease with a nationally recognized law firm for approximately one-half of the vacated space at base rental rates approximately 32.0% higher than the previous tenant s rent, and subsequently signed a second lease with a large law firm in February 2014 for an entire floor consisting of approximately 29,500 square feet also at a significantly improved rate. In March 2014, we signed a lease with Ocean Prime, a well-known seafood, steak and cocktail restaurant, for 7,378 square feet.

**Tenant Diversification**

As of September 30, 2014, our properties were leased to a diverse base of 260 tenants. Our tenants represent a broad array of industries, including financial services, media and entertainment, consulting, legal and other professional services, technology and federal government agencies. The following table sets forth information regarding the 10 largest tenants in our portfolio based on annualized rent as of September 30, 2014.

| Tenant | Number of Leases | Number of Properties | Lease Expiration [1] | Total Leased Square Feet | Percent of Rentable Square Feet | Annualized Rent [2] | Percent of Annualized Rent |
|---|---|---|---|---|---|---|---|
| The Corporate Executive Board Company | 1 | 1 | 1/31/2028 | 625,062 | 6.2% | $ 29,254,350 | 5.1% |
| Barclays Capital, Inc. | 1 | 1 | 12/31/2020 | 497,418 | 4.9% | 27,372,278 | 4.8% |
| Allianz Global Investors, LP [3] | 2 | 2 | 12/2018-1/2031 | 326,457 | 3.2% | 25,177,625 | 4.4% |
| Crédit Agricole Corporate & Investment Bank | 1 | 1 | 2/28/2023 | 313,879 | 3.1% | 25,065,659 | 4.4% |
| Clifford Chance US, LLP | 1 | 1 | 6/1/2024 | 328,992 | 3.2% | 22,998,010 | 4.0% |
| Commerzbank AG | 1 | 1 | 5/31/2016 | 287,535 | 2.8% | 20,974,325 | 3.6% |
| Kasowitz Benson Torres & Friedman, LLP [4] | 3 | 1 | 11/2015-3/2037 | 302,213 | 3.0% | 17,227,302 | 3.0% |
| Deloitte & Touche, LLP | 1 | 1 | 3/31/2016 | 212,052 | 2.1% | 16,121,952 | 2.8% |
| WMG Acquisition Corp. (Warner Music Group) | 1 | 1 | 7/31/2029 | 293,487 | 2.9% | 16,051,801 | 2.8% |
| Chadbourne & Parke, LLP | 1 | 1 | 9/30/2034 | 203,102 | 2.0% | 15,836,327 | 2.7% |
| **Total** | **13** | | | **3,390,197** | **33.4%** | **$ 216,079,629** | **37.5%** |

(1) Expiration dates are per leases and do not assume exercise of renewal, extension or termination options. For tenants with multiple leases, expirations are shown as a range.

(2) Annualized rent represents the annualized monthly contractual rent under commenced leases as of September 30, 2014. This amount reflects total rent before abatements. Total abatements for the above tenants committed to as of September 30, 2014 for the 12 months ending September 30, 2015 were $7.8 million.

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(3) 320,911 of tenant s leased square feet expires January 31, 2031 and the remaining 5,546 of leased square feet expires December 31, 2018.

(4) 201,791 of tenant s leased square feet expires March 31, 2037 and the remaining 100,422 expires on November 30, 2015. Tenant currently possesses a one time termination option for all or a portion (to be selected by the tenant) of the top or bottom floor of its leased space. If exercised upon one year s notice, the termination option is effective on March 31, 2024 and is subject to a termination penalty.

**Industry Diversification**

The following table sets forth information relating to tenant diversification by industry in our portfolio based on annualized rent as of September 30, 2014.

| Industry | Number of Leases | Leases as a Percent of Total | Rentable Square Feet (1) | Square Feet as a Percent of Total | Annualized Rent (2) | Annualized Rent as a Percent of Total |
|---|---|---|---|---|---|---|
| Financial Services | 117 | 39.1% | 3,890,356 | 37.5% | $ 273,170,626 | 47.4% |
| Legal Services | 26 | 8.7% | 1,755,571 | 16.9% | 121,336,451 | 21.1% |
| Media | 10 | 3.3% | 788,673 | 7.6% | 44,035,587 | 7.6% |
| Commercial Economic, Sociological, and Educational Research | 3 | 1.0% | 628,664 | 6.1% | 29,405,634 | 5.1% |
| Government | 5 | 1.7% | 305,996 | 3.0% | 13,312,761 | 2.3% |
| Retail | 19 | 6.4% | 144,409 | 1.4% | 10,369,126 | 1.8% |
| Real Estate | 10 | 3.3% | 132,520 | 1.3% | 10,123,413 | 1.8% |
| Software | 4 | 1.3% | 168,186 | 1.6% | 8,852,676 | 1.5% |
| Eating Places | 20 | 6.7% | 68,624 | 0.7% | 6,199,079 | 1.1% |
| Automobile Parking | 8 | 2.7% | 73,209 | 0.7% | 5,858,098 | 1.0% |
| Business Services | 3 | 1.0% | 80,154 | 0.8% | 5,120,169 | 0.9% |
| Other | 62 | 20.7% | 898,656 | 8.7% | 48,207,881 | 8.4% |
| Available | | | 822,564 | 7.9% | | 0.0% |
| Signed Leases Not Commenced | 12 | 4.0% | 375,743 | 3.6% | | |
| Real Estate Board of New York and BOMA Adjustment (3) | | | 206,245 | 2.0% | | |
| Building Management Use | | | 26,417 | 0.3% | | |
| **Total / Weighted Average** | **299** | **100.0%** | **10,365,987** | **100.0%** | **$ 575,991,500** | **100.0%** |

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with either REBNY or BOMA 2010 measurement guidelines, and the square footages in the charts in this prospectus are shown on this basis. Total rentable square feet consists of 8,935,018 leased square feet, 375,743 square feet with respect to

signed leases not commenced, 822,564 square feet available for lease, 26,417 building management use square feet and 206,245 square feet from REBNY or BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the 12 months ended September 30, 2014. This amount reflects total rent before abatements. Abatements committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $18.1 million.

(3) Represents square footage adjustments for leases that do not reflect REBNY or BOMA 2010 remeasurements.

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**Lease Distribution**

The following table sets forth information relating to the distribution of leases in our portfolio, based on net rentable square feet under lease as of September 30, 2014.

| Square Feet Under Lease | Number of Leases | Leases as a Percent of Total | Rentable Square Feet (1) | Square Feet as a Percent of Total | Annualized Rent (2) | Annualized Rent as a Percent of Total |
|---|---|---|---|---|---|---|
| Available | | | 822,564 | 7.9% | | |
| 2,500 or less | 67 | 22.4% | 43,809 | 0.4% | $ 7,761,217 | 1.3% |
| 2,501-10,000 | 106 | 35.5% | 593,635 | 5.7% | 49,986,360 | 8.7% |
| 10,001-20,000 | 40 | 13.4% | 625,612 | 6.0% | 46,337,343 | 8.0% |
| 20,001-40,000 | 25 | 8.4% | 726,686 | 7.0% | 42,837,508 | 7.4% |
| 40,001-100,000 | 24 | 8.0% | 1,475,008 | 14.2% | 91,510,118 | 15.9% |
| 100,000-200,000 | 13 | 4.3% | 1,690,110 | 16.3% | 105,571,335 | 18.3% |
| 200,000-300,000 | 7 | 2.3% | 1,693,896 | 16.3% | 102,385,254 | 17.8% |
| Greater than 300,000 | 5 | 1.7% | 2,086,262 | 20.1% | 129,602,365 | 22.5% |
| Signed leases not commenced | 12 | 4.0% | 375,743 | 3.6% | | |
| REBNY and BOMA Adjustment (3) | | | 206,245 | 2.0% | | |
| Building Management Use | | | 26,417 | 0.3% | | |
| **Portfolio Total / Weighted Average** | **299** | **100.0%** | **10,365,987** | **100.0%** | **$ 575,991,500** | **100.0%** |

(1) Each of the properties in our portfolio has been measured or remeasured in accordance with either REBNY or BOMA 2010 measurement guidelines, and the square footages in the charts in this prospectus are shown on this basis. Total rentable square feet consists of 8,935,018 leased square feet, 375,743 square feet with respect to signed leases not commenced, 822,564 square feet available for lease, 26,417 building management office use square feet and 206,245 square feet from REBNY or BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the year ended September 30, 2014. This amount reflects total rent before abatements. Abatements committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $18.1 million.

(3) Represents square footage adjustments for leases that do not reflect REBNY or BOMA 2010 remeasurements.

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**Lease Expirations**

The following table sets forth a summary schedule of the lease expirations for leases in place as of September 30, 2014 plus available space for each of the 10 calendar years beginning with the year ending December 31, 2014 at the properties in our portfolio. The information set forth in the table assumes that tenants exercise no renewal options and no early termination rights.

***Total Portfolio***

| Year of Lease Expiration | Number of Leases Expiring | Rentable Square Feet (1) | Vacant/ Expiring Square Feet as a Percentage of Total | Annualized Rent (2) | Expiring Annualized Rent as a Percentage of Total | Annualized Rent Per Leased Square Foot (3) | Annualized Rent Per Leased Square Foot at Expiration (4)(5) |
|---|---|---|---|---|---|---|---|
| Available | | 822,564 | 7.9% | | | | |
| Month to Month | 25 | 13,019 | 0.1% | $ 2,498,916 | 0.4% | $ 59.07 | $ 59.07 |
| 2014 | 12 | 54,617 | 0.5% | 4,516,217 | 0.8% | 82.69 | 89.65 |
| 2015 | 30 | 858,747 | 8.3% | 53,104,580 | 9.2% | 61.39 | 61.88 |
| 2016 | 37 | 1,068,340 | 10.3% | 73,939,711 | 12.9% | 68.60 | 69.24 |
| 2017 | 23 | 425,594 | 4.1% | 31,581,271 | 5.5% | 74.21 | 75.00 |
| 2018 | 30 | 429,864 | 4.1% | 31,135,209 | 5.4% | 72.43 | 75.57 |
| 2019 | 21 | 327,989 | 3.2% | 20,187,042 | 3.5% | 61.55 | 67.57 |
| 2020 | 22 | 1,067,322 | 10.3% | 61,611,583 | 10.7% | 57.73 | 64.74 |
| 2021 | 17 | 789,866 | 7.6% | 42,173,219 | 7.3% | 53.16 | 56.70 |
| 2022 | 13 | 290,004 | 2.8% | 15,522,462 | 2.7% | 53.52 | 56.57 |
| 2023 | 17 | 612,221 | 5.9% | 49,843,660 | 8.7% | 81.41 | 87.65 |
| Thereafter | 40 | 2,997,435 | 28.9% | 189,877,629 | 33.0% | 69.92 | 74.55 |
| Signed leases not commenced | 12 | 375,743 | 3.6% | | | | |
| REBNY and BOMA adjustment (6) | | 206,245 | 2.0% | | | | |
| Building management use | | 26,417 | 0.3% | | | | |
| **Portfolio Total / Weighted Average** | **299** | **10,365,987** | **100.0%** | **$ 575,991,500** | **100.0%** | **$ 64.46** | **$ 70.15** |

(1) Based on either REBNY or BOMA 2010 remeasurements. Total rentable square feet consists of 8,935,018 leased square feet, 375,743 square feet with respect to signed leases not commenced, 822,564 square feet available for lease, 26,417 building management use square feet and 206,245 square feet from REBNY or BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the 12 months ended September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $18.1 million.

(3) Represents annualized rent divided by leased square feet. Excludes parking revenue without rentable square feet associated with it.

(4) Represents annualized rent at expiration divided by leased square feet. Excludes parking revenue without rentable square feet associated with it.

(5) Figures include September 2014 annualized reimbursement revenue for the Liberty Place, 2099 Pennsylvania Avenue and 1899 Pennsylvania Avenue properties.

(6) Represents square footage adjustments for leases that do not reflect REBNY or BOMA 2010 remeasurements.

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The following chart sets forth a comparison of the lease expirations by market for leases in place as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 at the properties in our portfolio. The information set forth in the chart assumes that tenants exercise no renewal options and no early termination rights.

***Submarkets***

The following tables set forth a summary schedule of the lease expirations in our markets for leases in place as of September 30, 2014 plus available space for each of the 10 calendar years beginning with the year ending December 31, 2014 at the properties in our portfolio. The information set forth in the tables assumes that tenants exercise no renewal options and no early termination rights.

***New York City***

| Year of Lease Expiration | Number of Leases Expiring | Rentable Square Feet [1] | Vacant/ Expiring Square Feet as a Percentage of Total | Annualized Rent [2] | Expiring Annualized Rent as a Percentage of Total | Annualized Rent Per Leased Square Foot [3] | Annualized Rent Per Leased Square Foot at Expiration [4] |
|---|---|---|---|---|---|---|---|
| Available | | 465,085 | 6.5% | | | | |
| Month to Month | 9 | 5,264 | 0.1% | $ 218,844 | 0.1% | $ 41.57 | $ 41.57 |
| 2014 | 8 | 29,910 | 0.4% | 2,854,840 | 0.7% | 95.45 | 108.16 |
| 2015 | 18 | 799,343 | 11.2% | 48,880,925 | 11.2% | 61.15 | 61.43 |
| 2016 | 18 | 794,979 | 11.1% | 56,847,160 | 13.0% | 71.51 | 71.07 |
| 2017 | 16 | 346,829 | 4.8% | 27,378,443 | 6.3% | 78.94 | 79.23 |
| 2018 | 21 | 292,302 | 4.1% | 23,566,425 | 5.4% | 80.62 | 83.09 |
| 2019 | 9 | 157,280 | 2.2% | 8,750,587 | 2.0% | 55.64 | 62.32 |
| 2020 | 14 | 848,186 | 11.9% | 48,624,355 | 11.2% | 57.33 | 64.13 |
| 2021 | 10 | 317,346 | 4.4% | 19,615,109 | 4.5% | 61.81 | 66.76 |
| 2022 | 9 | 229,371 | 3.2% | 12,018,649 | 2.8% | 52.40 | 55.05 |
| 2023 | 11 | 458,630 | 6.4% | 38,025,336 | 8.7% | 82.91 | 88.19 |
| Thereafter | 28 | 2,208,965 | 30.9% | 148,906,658 | 34.2% | 67.41 | 77.88 |
| Signed leases not commenced | 4 | 53,959 | 0.8% | | | | |
| REBNY adjustment [5] | | 123,377 | 1.7% | | | | |
| Building management use | | 21,381 | 0.3% | | | | |
| **Portfolio Total / Weighted Average** | **175** | **7,152,207** | **100.0%** | **$ 435,687,332** | **100.0%** | **$ 67.15** | **$ 72.64** |

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***Washington, D.C.***

| Year of Lease Expiration | Number of Leases Expiring | Rentable Square Feet (6) | Vacant/ Expiring Square Feet as a Percentage of Total | Annualized Rent (7) | Expiring Annualized Rent as a Percentage of Total | Annualized Rent Per Leased Square Foot (3)(8) | Annualized Rent Per Leased Square Foot at Expiration (4)(8) |
|---|---|---|---|---|---|---|---|
| Available | | 313,162 | 19.5% | | | | |
| Month to Month (9) | 1 | | | $ 1,729,896 | 2.6% | | |
| 2014 | | | | | | | |
| 2015 | 2 | 8,546 | 0.5% | 955,718 | 1.4% | $ 66.81 | $ 66.81 |
| 2016 | 4 | 17,495 | 1.1% | 1,339,387 | 2.0% | 61.47 | 68.93 |
| 2017 | 1 | 3,933 | 0.2% | 294,929 | 0.4% | 74.99 | 78.66 |
| 2018 (10) | 1 | | | 42,630 | 0.1% | | |
| 2019 | 6 | 23,796 | 1.5% | 1,846,683 | 2.8% | 77.60 | 81.53 |
| 2020 | 3 | 21,897 | 1.4% | 1,446,361 | 2.2% | 66.05 | 70.00 |
| 2021 | 4 | 293,543 | 18.3% | 13,057,466 | 19.5% | 43.87 | 44.24 |
| 2022 | 1 | 14,312 | 0.9% | 629,723 | 0.9% | 44.00 | 53.94 |
| 2023 | 6 | 153,591 | 9.6% | 11,818,324 | 17.6% | 76.95 | 86.04 |
| Thereafter | 4 | 687,364 | 42.9% | 33,841,252 | 50.5% | 49.23 | 62.85 |
| Signed leases not commenced | 3 | 29,257 | 1.8% | | | | |
| BOMA Adjustment (5) | | 31,363 | 2.0% | | | | |
| Building Management Use | | 4,396 | 0.3% | | | | |
| **Portfolio Total / Weighted Average** | **36** | **1,602,655** | **100.0%** | **$ 67,002,369** | **100.0%** | **$ 54.72** | **$ 61.85** |

***San Francisco***

| Year of Lease Expiration | Number of Leases Expiring | Rentable Square Feet (11) | Vacant/ Expiring Square Feet as a Percentage of Total | Annualized Rent (12) | Expiring Annualized Rent as a Percentage of Total | Annualized Rent Per Leased Square Foot (3) | Annualized Rent Per Leased Square Foot at Expiration (4) |
|---|---|---|---|---|---|---|---|
| Available | | 44,317 | 2.8% | | | | |
| Month to Month | 15 | 7,755 | 0.5% | 550,176 | 0.8% | $ 70.94 | $ 70.94 |
| 2014 | 4 | 24,707 | 1.5% | 1,661,377 | 2.3% | 67.24 | 67.24 |
| 2015 | 10 | 50,858 | 3.2% | 3,267,937 | 4.5% | 64.26 | 68.12 |
| 2016 | 15 | 255,866 | 15.9% | 15,753,163 | 21.5% | 61.57 | 63.59 |
| 2017 | 6 | 74,832 | 4.6% | 3,907,900 | 5.3% | 52.22 | 55.16 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2018 | 8 | 137,562 | 8.5% | 7,526,154 | 10.3% | 54.71 | 59.29 |
| 2019 | 6 | 146,913 | 9.1% | 9,589,772 | 13.1% | 65.28 | 70.93 |
| 2020 | 5 | 197,239 | 12.2% | 11,540,867 | 15.7% | 58.51 | 66.81 |
| 2021 | 3 | 178,977 | 11.1% | 9,500,644 | 13.0% | 53.08 | 59.30 |
| 2022 | 3 | 46,321 | 2.9% | 2,874,090 | 3.9% | 62.05 | 64.88 |
| 2023 | | | | | | | |
| Thereafter | 8 | 101,106 | 6.3% | 7,129,719 | 9.7% | 57.80 | 81.36 |
| Signed leases not commenced | 5 | 292,527 | 18.2% | | | | |
| BOMA Adjustment [(5)] | | 51,505 | 3.2% | | | | |
| Building Management Use | | 640 | 0.0% | | | | |
| **Portfolio Total / Weighted Average** | **88** | **1,611,125** | **100.0%** | **$ 73,301,800** | **100.0%** | **$ 59.98** | **$ 65.19** |

(1) Based on REBNY remeasurements. Total rentable square feet consists of 6,542,364 leased square feet, 53,959 square feet with respect to signed leases not commenced, 465,085 square feet available for lease,

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21,381 building management use square feet and 123,377 square feet of REBNY remeasurement adjustments that are not reflected in current leases.

(2) Annualized rent represents the annualized monthly contractual rent under commenced leases as of September 30, 2014, including percentage rent received from our theater and retail space at 1633 Broadway for the 12 months ended September 30, 2014. This amount reflects total rent before abatements. Total abatements for the above tenants committed to for leases that commenced as of September 30, 2014 for the 12 months ending September 30, 2015, were $15.8 million.

(3) Represents annualized rent divided by leased square feet. Excludes parking revenue without rentable square feet associated with it.

(4) Represents annualized rent at expiration divided by leased square feet. Excludes parking revenue without rentable square feet associated with it.

(5) Represents square footage adjustments for leases that do not reflect REBNY or BOMA 2010 remeasurements.

(6) Based on BOMA 2010 remeasurements. Total rentable square feet consists of 1,253,734 leased square feet, 29,257 square feet with respect to signed leases not commenced, 313,162 square feet available for lease, 4,396 building management use square feet and 31,363 square feet of BOMA 2010 remeasurement adjustments that are not reflected in current leases.

(7) Annualized rent represents the annualized monthly contractual rent under commenced leases as of September 30, 2014 . This amount reflects total rent before abatements. Total abatements for the above tenants committed to for leases commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.5 million.

(8) Figures include September 2014 annualized reimbursement revenue for the Liberty Place and, 2099 Pennsylvania Avenue, 1899 Pennsylvania Avenue properties.

(9) Figures include parking structure lease at Liberty Place with no associated rentable square feet.

(10) Figures represent signage lease at 425 Eye Street with no associated rentable square feet.

(11) Based on BOMA 2010 remeasurements. Total rentable square feet consists of 1,514,663 leased square feet, 292,527 square feet with respect to signed leases not commenced, 44,317 square feet available for lease, 640 building management use square feet and 51,505 square feet of BOMA 2010 adjustments that are not reflected in current leases.

(12) Annualized rent represents the annualized monthly contractual rent under commenced leases as of September 30, 2014. This amount reflects total rent before abatements. Total abatements for the above tenants committed to for leases commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $1.8 million.

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**Historical Leasing Activity**

The table below details the leasing activity during the years ended December 31, 2011, 2012 and 2013 and the nine months ended September 30, 2014:

| | Total Square Feet Year Ended December 31, | | | Nine Months Ended September 30, |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| Vacant space available at the beginning of period | 623,336 | 1,052,254 | 1,183,230 | 1,519,839 |
| Adjustment for remeasured square footage on new leases | 103,200 | 67,522 | 78,688 | 4,898 |
| Properties acquired vacant space | 10,106 | 51,265 | | |
| Properties placed in-service | | | | |
| Leases expiring or terminated during the period | 1,424,054 | 960,277 | 1,475,535 | 440,713 |
| **Total Space Available for Lease** | **2,160,696** | **2,131,318** | **2,737,453** | **1,965,450** |
| First generation leases | 57,409 | 223,840 | 217,645 | 373,001 |
| Second generation leases with new tenants | 400,433 | 340,170 | 306,109 | 335,088 |
| Second generation lease renewals | 650,600 | 384,078 | 693,860 | 78,489 |
| **Total Space Leased** | **1,108,442** | **948,088** | **1,217,614** | **786,578** |
| Vacant Space Available for Lease at the End of the Period [1] | 1,052,254 | 1,183,230 | 1,519,839 | 1,178,872 |

(1) Does not include additional square footage relating to remeasurement for yet to be leased available square footage. For September 30, 2014, unincluded remeasured square footage was 19,435. Excludes leases signed but not commenced.

**Tenant Improvement Costs and Leasing Commissions**

The following table sets forth certain information regarding tenant improvement costs and leasing commissions for tenants at the properties in our portfolio for the years ended December 31, 2011, 2012 and 2013 and for the nine months ended September 30, 2014.

| | Year Ended | | | Nine Months Ended | Total/ |
|---|---|---|---|---|---|
| | **2011 [1][2]** | **2012 [3][4][5]** | **2013** | **September 30, 2014 [6]** | **Weighted Average January 1, 2011 to September** |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | 30, 2014 |
| **Renewals** | | | | | |
| Number of leases | 10 | 20 | 29 | 13 | |
| Square feet | 315,997 | 413,629 | 776,352 | 76,891 | 1,582,869 |
| Tenant improvement costs per square foot [7] | $ 18.78 | $ 6.85 | $ 19.56 | $ 7.06 | $ 15.48 |
| Leasing commission costs per square foot [7] | $ 15.88 | $ 5.32 | $ 15.99 | $ 11.45 | $ 12.96 |
| Total tenant improvement and leasing commission costs per square foot [7] | $ 34.67 | $ 12.17 | $ 35.54 | $ 18.51 | $ 28.43 |
| **Expansions** | | | | | |
| Number of leases | 5 | 4 | 7 | 2 | |
| Square feet | 110,181 | 46,988 | 45,661 | 28,873 | 231,703 |
| Tenant improvement costs per square foot [7] | $ 54.22 | $ 73.96 | $ 80.03 | $ 75.14 | $ 65.91 |
| Leasing commission costs per square foot [7] | $ 27.56 | $ 23.99 | $ 35.56 | $ 39.41 | $ 29.89 |
| Total tenant improvement and leasing commission costs per square foot [7] | $ 81.77 | $ 97.94 | $ 115.59 | $ 114.55 | $ 95.80 |
| **New Leases** | | | | | |
| Number of leases | 20 | 32 | 39 | 23 | |
| Square feet | 398,596 | 312,978 | 510,025 | 612,823 | 1,834,422 |
| Tenant improvement costs per square foot [7] | $ 33.00 | $ 58.35 | $ 46.13 | $ 88.96 | $ 59.67 |
| Leasing commission costs per square foot [7] | $ 11.15 | $ 23.19 | $ 18.71 | $ 24.96 | $ 19.92 |
| Total tenant improvement and leasing commission costs per square foot [7] | $ 44.15 | $ 81.53 | $ 64.84 | $ 113.92 | $ 79.59 |
| **Total** | | | | | |
| Number of leases | 35 | 56 | 75 | 38 | |
| Square feet | 824,774 | 773,595 | 1,332,038 | 718,587 | 3,648,994 |
| Tenant improvement costs per square foot [7] | $ 30.39 | $ 31.76 | $ 31.80 | $ 79.64 | $ 40.89 |
| Leasing commission costs per square foot [7] | $ 15.16 | $ 13.68 | $ 17.70 | $ 24.09 | $ 17.53 |
| **Total tenant improvement and leasing commission costs per square foot [7]** | **$ 45.54** | **$ 45.44** | **$ 49.50** | **$ 103.73** | **$ 58.43** |

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*New York*

| | Year Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | 2011 (2) | 2012 (4)(5) | 2013 | September 30, 2014 (6) | Total/ Weighted Average January 1, 2011 to September 30, 2014 |
| **Renewals** | | | | | |
| Number of leases | 5 | 9 | 20 | 8 | |
| Square feet | 81,120 | 275,345 | 726,915 | 45,843 | 1,129,223 |
| Tenant improvement costs per square foot (7) | $ 3.14 | $ | $ 20.66 | $ 3.14 | $ 13.65 |
| Leasing commission costs per square foot (7) | $ 8.17 | $ 1.44 | $ 16.52 | $ 11.07 | $ 12.02 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 11.31 | $ 1.44 | $ 37.18 | $ 14.22 | $ 25.68 |
| **Expansions** | | | | | |
| Number of leases | 3 | 3 | 6 | 1 | |
| Square feet | 65,735 | 39,629 | 42,726 | 26,738 | 174,828 |
| Tenant improvement costs per square foot (7) | $ 76.83 | $ 81.34 | $ 85.10 | $ 77.50 | $ 79.98 |
| Leasing commission costs per square foot (7) | $ 34.66 | $ 25.54 | $ 36.97 | $ 41.29 | $ 34.17 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 111.49 | $ 106.89 | $ 122.07 | $ 118.79 | $ 114.15 |
| **New leases** | | | | | |
| Number of leases | 6 | 15 | 24 | 18 | |
| Square feet | 51,315 | 178,452 | 228,444 | 454,525 | 912,736 |
| Tenant improvement costs per square foot (7) | $ 54.44 | $ 61.43 | $ 77.23 | $ 91.50 | $ 79.97 |
| Leasing commission costs per square foot (7) | $ 23.04 | $ 24.28 | $ 22.46 | $ 23.01 | $ 23.12 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 77.48 | $ 85.71 | $ 99.69 | $ 114.51 | $ 103.09 |
| **Total** | | | | | |
| Number of leases | 14 | 27 | 50 | 27 | |
| Square feet | 198,270 | 493,426 | 998,085 | 527,106 | 2,216,787 |
| | $ 40.87 | $ 28.75 | $ 36.37 | $ 83.11 | $ 46.19 |

| | | | | | |
|---|---|---|---|---|---|
| Tenant improvement costs per square foot (7) | | | | | |
| Leasing commission costs per square foot (7) | $ 20.81 | $ 11.64 | $ 18.76 | $ 22.90 | $ 18.34 |
| **Total tenant improvement and leasing commission costs per square foot (7)** | **$ 61.67** | **$ 40.39** | **$ 55.22** | **$ 106.01** | **$ 64.53** |

*Washington, D.C.*

| | Year Ended | | | Nine Months Ended | Total/ Weighted Average |
|---|---|---|---|---|---|
| | **2011 (1)** | **2012 (3)** | **2013** | **September 30, 2014** | **January 1, 2011 to September 30, 2014** |
| **Renewals** | | | | | |
| Number of leases | | | | 3 | |
| Square feet | | | | 11,550 | 11,550 |
| Tenant improvement costs per square foot (7) | | | | $ 3.49 | $ 3.49 |
| Leasing commission costs per square foot (7) | | | | $ 8.63 | $ 8.63 |
| Total tenant improvement and leasing commission costs per square foot (7) | | | | $ 12.11 | $ 12.11 |
| **Expansions** | | | | | |
| Number of leases | | | | | |
| Square feet | | | | | |
| Tenant improvement costs per square foot (7) | | | | | |
| Leasing commission costs per square foot (7) | | | | | |
| Total tenant improvement and leasing commission costs per square foot (7) | | | | | |
| **New leases** | | | | | |
| Number of leases | 3 | 3 | 2 | 2 | |
| Square feet | 291,916 | 23,697 | 3,931 | 72,508 | 392,052 |
| Tenant improvement costs per square foot (7) | $ 27.89 | $ 75.71 | $ 56.94 | $ 110.96 | $ 46.44 |
| Leasing commission costs per square foot (7) | $ 7.56 | $ 15.62 | $ 22.76 | $ 38.02 | $ 13.83 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 35.45 | $ 91.34 | $ 79.70 | $ 148.98 | $ 60.27 |
| **Total** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Number of leases | 3 | 3 | 2 | 5 | |
| Square feet | 291,916 | 23,697 | 3,931 | 84,058 | 403,602 |
| Tenant improvement costs per square foot (7) | $ 27.89 | $ 75.71 | $ 56.94 | $ 96.20 | $ 45.21 |
| Leasing commission costs per square foot (7) | $ 7.56 | $ 15.62 | $ 22.76 | $ 33.98 | $ 13.68 |
| **Total tenant improvement and leasing commission costs per square foot (7)** | **$ 35.45** | **$ 91.34** | **$ 79.70** | **$ 130.17** | **$ 58.89** |

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*San Francisco*

| | Year Ended | | | Nine Months Ended | Total/ Weighted Average |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | September 30, 2014 | January 1, 2011 to September 30, 2014 |
| **Renewals** | | | | | |
| Number of leases | 5 | 11 | 9 | 2 | |
| Square feet | 234,877 | 138,284 | 49,437 | 19,498 | 442,096 |
| Tenant improvement costs per square foot (7) | $ 24.19 | $ 20.50 | $ 3.31 | $ 18.38 | $ 20.44 |
| Leasing commission costs per square foot (7) | $ 18.55 | $ 13.04 | $ 8.08 | $ 14.03 | $ 15.46 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 42.73 | $ 33.54 | $ 11.39 | $ 32.41 | $ 35.90 |
| **Expansions** | | | | | |
| Number of leases | 2 | 1 | 1 | 1 | |
| Square feet | 44,446 | 7,359 | 2,935 | 2,135 | 56,875 |
| Tenant improvement costs per square foot (7) | $ 20.77 | $ 34.16 | $ 6.27 | $ 45.55 | $ 22.69 |
| Leasing commission costs per square foot (7) | $ 17.05 | $ 15.63 | $ 15.00 | $ 15.86 | $ 16.72 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 37.83 | $ 49.79 | $ 21.27 | $ 61.41 | $ 39.41 |
| **New leases** | | | | | |
| Number of leases | 11 | 14 | 13 | 3 | |
| Square feet | 55,365 | 110,829 | 277,650 | 85,790 | 529,634 |
| Tenant improvement costs per square foot (7) | $ 40.03 | $ 49.67 | $ 20.38 | $ 56.87 | $ 34.48 |
| Leasing commission costs per square foot (7) | $ 19.11 | $ 23.04 | $ 15.57 | $ 24.27 | $ 18.91 |
| Total tenant improvement and leasing commission costs per square foot (7) | $ 59.14 | $ 72.71 | $ 35.95 | $ 81.14 | $ 53.39 |
| **Total** | | | | | |
| Number of leases | 18 | 26 | 23 | 6 | |
| Square feet | 334,688 | 256,472 | 330,022 | 107,423 | 1,028,605 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Tenant improvement costs per square foot [7] | $ | 26.35 | $ | 33.50 | $ | 17.70 | $ | 49.66 | $ | 27.79 |
| Leasing commission costs per square foot [7] | $ | 18.44 | $ | 17.44 | $ | 14.44 | $ | 22.24 | $ | 17.31 |
| **Total tenant improvement and leasing commission costs per square foot** [7] | **$** | **44.79** | **$** | **50.94** | **$** | **32.14** | **$** | **71.90** | **$** | **45.10** |

(1) Includes Liberty Place, which was acquired on June 22, 2011.

(2) Excludes 20 year Allianz lease of 266,793 square feet with $85.08 and $41.43 of tenant improvements and leasing commissions per square foot, respectively. This lease excludes the $4.5 million in tenant improvement costs associated with signage.

(3) Includes 2099 Pennsylvania Avenue, which was acquired on January 31, 2012.

(4) Excludes 22 year Chadbourne & Park LLP lease of 203,120 square feet with $96.92 and $31.13 of tenant improvements and leasing commissions per square foot respectively.

(5) Excludes 21 year Fogo de Chao lease of 18,067 square feet with $115.04 and $59.99 of tenant improvements and leasing commissions per square foot, respectively.

(6) Excludes 23 year Kasowitz Benson Torres & Friedman LLP lease of 50,891 square feet with $176.04 and $48.93 of tenant improvements and leasing commissions per square foot respectively. The entire lease of 203,394 square feet includes $12.0 million in tenant improvement costs reallocated from rent abatements. An additional 152,503 square feet is set to commence on December 1, 2015.

(7) Assumes all tenant improvements and leasing commissions are paid in the calendar year in which the lease commenced, which may not correspond to the year in which they were actually paid.

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**Historical Recurring Capital Expenditures**

The following table sets forth certain information regarding historical recurring capital expenditures at the properties in our portfolio for the years ended December 31, 2011, 2012 and 2013 and for the nine months ended September 30, 2014.

| | Year Ended December 31, | | | Nine Months Ended September 30, | Weighted Average January 1, 2011 to September 30, 2014 |
|---|---|---|---|---|---|
| | 2011 (1)(2) | 2012 (3) | 2013 | 2014 | 2014 |
| Recurring capital expenditures (4)(5) | $ 1,674,107 | $ 5,083,722 | $ 4,554,926 | $ 1,276,494 | |
| Total square feet | 10,157,351 | 10,365,987 | 10,365,987 | 10,365,987 | |
| Recurring capital expenditures per square foot | $ 0.16 | $ 0.49 | $ 0.44 | $ 0.12 | $ 0.32 |

(1) Recurring capital expenditures for properties acquired during the period are annualized.

(2) Includes Liberty Place, which was acquired on June 22, 2011.

(3) Includes 2099 Pennsylvania Avenue, which was acquired on January 31, 2012.

(4) Figures exclude capital expenditures relating to leasing related costs of vacant tenant space, in lieu of a full tenant improvement allowance of $2,185,584, $3,911,094, $4,448,616 and $1,829,088 for nine months ended September 30, 2014, and the year ended December 31, 2013, 2012 and 2011, respectively.

(5) Figures exclude non-recurring capital expenditures of $4,744,329, $1,125,603, $2,726,377 and $2,437,021 for nine months ended September 30, 2014, and the year ended December 31, 2013, 2012 and 2011, respectively.

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## Submarket and Building Overviews

### New York City, New York

Our New York City properties are located in midtown Manhattan, in what we believe are among the most desirable submarkets: the West Side, Sixth Avenue/Rockefeller Center, East Side and Madison/Fifth Avenue submarkets. We focus only on premier office submarkets in midtown Manhattan. Our submarkets are characterized by constrained supply, a concentration of elite tenants in industries such as finance, consulting, professional services and creative industries, and a high level of lifestyle amenities. As a result, these submarkets generally command premium rents and higher occupancies compared to other submarkets in midtown Manhattan and New York City generally.

The following map shows the relative locations of the West Side, Sixth Avenue/Rockefeller Center, East Side and Madison/Fifth Avenue submarkets in midtown Manhattan.

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## West Side Submarket

The West Side submarket is bounded by Seventh Avenue to the east and reaches to the Hudson River from 42nd Street north to 72nd Street. Zoning in the late 1980s spurred a burst of construction on the West Side establishing it as a competitive office market. These new office buildings added a new element to what had previously simply been the theater district and contributed to a revitalization of this tourist attraction. The market also includes both high-rise and low-rise residential buildings and a mix of retail. The submarket contains 30.2 million square feet of space, of which a total of 10.8% was vacant in the third quarter of 2014 with 10.1% available directly and the remainder through sublease. Leasing activity in 2013 totaled 1.7 million square feet; net overall absorption was 956,620 square feet, giving the West Side the strongest demand performance of all Manhattan submarkets. Office rents are on the low side relative to other markets, with overall rents on a weighted average basis for all classes in the third quarter of 2014 at $75.31. Class A office rents on the same basis were $79.66.

There were no office buildings under construction as of the third quarter of 2014. RCG expects that high barriers to entry should limit the amount of new supply delivered through the near to medium term, in spite of favorable market conditions.

The following chart shows Class A office property rental rates and occupancy rates for the West Side submarket as compared to the overall midtown Manhattan market over the previous 14 years.

### *1633 Broadway*

In 1976, Dr. h.c. Werner Otto, founder of our predecessor, acquired 1633 Broadway, a 48-story, 2,643,065 square foot building. The building was constructed in 1971 and has served as the headquarters for our predecessor since 1979. A private equity real estate fund managed by us, in conjunction with joint venture partners, acquired the property from the Otto family in 2006. The building is comprised of premier office space, two well-known Broadway theaters including the internationally renowned Gershwin Theatre, home to the musical Wicked, one of the top box office grossing shows on Broadway, a 225-space parking garage and ground-floor retail space, including two large sunken retail wells in the front of the building, and a large public plaza on Broadway. The property is located between West 50th Street and West 51st Street and Broadway and Eighth Avenues. The area surrounding 1633 Broadway features some of the most popular and widely recognized cultural and entertainment destinations worldwide with Times Square, Radio City Music Hall, Carnegie Hall and

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Columbus Circle all within blocks of the property. 1633 Broadway has direct access to the New York subway system including separate connections to subway lines at both the base of the property and within steps of the West 50th Street entrance. In-building services and amenities include a 24/7 attended lobby, a bank and various restaurants as well as tenant dining facilities.

1633 Broadway is the recipient of the 2013 BOMA/NY Pinnacle Award for Operating Office Building (over 1 million square feet category) and the 2014 BOMA Middle Atlantic Region Outstanding Building of the Year Award (over 1 million square feet category). 1633 Broadway received its LEED certification in 2013 and the Energy Star Award in 2009.

*1633 Broadway Primary Tenants*

The following table summarizes information regarding the primary tenants of 1633 Broadway as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Allianz Global Investors, LP | Financial Services | 1/31/2031 | Combo of 5/10 to total of 15 | 320,911 | 12.1% | $ 24,922,509 | 16.5% | $ 77.66 |
| Kasowitz Benson Torres & Friedman, LLP (3) | Legal Services | 3/31/2037 | 2x5 years | 302,213 | 11.4 | 17,227,302 | 11.4 | 57.00 |
| WMG Acquisition Corp. (Warner Music Group) | Media | 7/31/2029 | 1x5 or 10 years | 293,487 | 11.1 | 16,051,801 | 10.6 | 54.69 |
| Deloitte & Touche, LLP | Financial Services | 3/31/2016 | | 212,052 | 8.0 | 16,121,952 | 10.7 | 76.03 |
| Showtime Networks, Inc. | Media | 1/31/2026 | 1x5 or 10 years | 210,495 | 8.0 | 9,725,265 | 6.4 | 46.20 |
| BNY ConvergEx Group, LLC | Financial Services | 8/31/2015 | 1x3 years | 152,174 | 5.8 | 10,759,782 | 7.1 | 70.71 |
| Morgan Stanley & Co., LLC | Financial Services | 1/31/2015 | | 152,020 | 5.8 | 8,209,080 | 5.4 | 54.00 |
| Bank Of America, | Financial Services | 8/31/2015 | | 151,880 | 5.7 | 9,637,955 | 6.4 | 63.46 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| N.A. | | | | | | | | |
| U T Associates [4] | Arts | 5/31/2022 | | 110,622 | 4.2 | 3,485,265 | 2.3 | 31.51 |
| Dickstein Shapiro, LLP | Legal Services | 8/31/2024 | 1x5 years | 108,477 | 4.1 | 10,178,963 | 6.7 | 93.84 |
| **Total / Weighted Average** | | | | **2,014,331** | **76.2%** | **$ 126,319,874** | **83.5%** | **$ 62.71** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space for the 12 months ended September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $7.8 million.

(3) 201,791 of tenant s leased square feet expires March 31, 2037 and the remaining 100,422 expires on November 30, 2015. Tenant possesses a one time termination option for all or a portion (to be selected by the tenant) of the top or bottom floor of its leased space. If exercised upon one year s notice, the termination option is effective on March 31, 2024 and is subject to a termination penalty.

(4) Annualized rent includes $2,660,265 of percentage rent for the 12 months ended September 30, 2014.

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*1633 Broadway Lease Expirations*

The following table sets forth the lease expirations for leases in place at 1633 Broadway as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [(1)] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 61,607 | 2.3% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 3 | 6,110 | 0.2 | $ 367,218 | 0.2% | $ 60.10 | $ 541,020 | $ 88.55 |
| 2015 | 5 | 613,269 | 23.2 | 37,371,337 | 24.7 | 60.94 | 37,371,336 | 60.94 |
| 2016 | 2 | 219,974 | 8.3 | 16,557,662 | 10.9 | 75.27 | 16,557,662 | 75.27 |
| 2017 | 1 | 52,700 | 2.0 | 3,636,300 | 2.4 | 69.00 | 3,636,300 | 69.00 |
| 2018 | 1 | 33,279 | 1.3 | 966,422 | 0.6 | 29.04 | 966,422 | 29.04 |
| 2019 | 1 | 25,458 | 1.0 | 740,729 | 0.5 | 29.10 | 840,623 | 33.02 |
| 2020 | 2 | 179,385 | 6.8 | 8,687,308 | 5.7 | 48.43 | 9,232,856 | 51.47 |
| 2021 | 1 | 34,570 | 1.3 | 632,014 | 0.4 | 18.28 | 864,250 | 25.00 |
| 2022 | 3 | 116,337 | 4.4 | 4,903,151 | 3.2 | 42.15 | 4,903,151 | 42.15 |
| 2023 | 1 | 941 | 0.0 | 109,180 | 0.1 | 116.03 | 109,180 | 116.03 |
| Thereafter | 7 | 1,223,990 | 46.3 | 77,336,264 | 51.1 | 63.18 | 91,350,457 | 74.63 |
| Signed leases not commenced | | | | | | | | |
| Building management use | | 5,888 | 0.2 | | | | | |
| REBNY adjustment | | 69,557 | 2.6 | | | | | |
| **Total.** | **27** | **2,643,065** | **100.0%** | **$ 151,307,586** | **100.0%** | **$ 60.38** | **$ 166,373,257** | **$ 66.39** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014, including percentage rent received from our theater and retail space for the 12 months ended September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $7.9 million.

*1633 Incremental Office Revenue*

The following table provides information as of September 30, 2014, unless otherwise indicated, about our office space lease expirations at 1633 Broadway over the next four and one-half years, the rent per square foot at the expiration of the leases and the weighted average estimated market rent for the leases upon expiration based on our internal estimates used for budgeting purposes.

| | **Expiring Rentable Office Square Feet (1)** | **Rent Per Square Foot at Expiration (2)** | **Weighted Average Market Rent Per Square Foot (3)** | **Incremental Office Space Revenue** |
|---|---|---|---|---|
| 2014 | | $ | $ 63.94 | $ |
| 2015 | 631,501 | 68.71 | 75.63 | 4,372,421 |
| 2016 | 219,935 | 77.73 | 89.75 | 2,645,540 |
| 2017 | 54,187 | 72.32 | 108.99 | 1,987,386 |
| 2018 | 39,733 | 24.32 | 84.55 | 2,393,027 |
| **Total/Weighted Average** | **945,356** | **$ 69.15** | **$ 81.21** | **$ 11,398,374** |

(1) Represents remeasured square footage according to either REBNY or BOMA 2010 remeasurements. Expiring square footage representative of leasing and renewal activity as of October 27, 2014.

(2) Represents the base rent per square foot plus tenant reimbursements based on September 2014 amounts annualized.

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(3) Based on our internal estimates of 2015 market rents that we use for budgeting purposes, which are determined on a lease-by-lease basis. The compound average growth rate for market rents reflected in our internal estimates for the period ending 2018 is 7.2% for 1633 Broadway.

*1633 Broadway Percent Leased and Base Rent*

| Date | Percentage Leased (1) | Annualized Rent per Leased Square Foot (2) | Net Effective Annual Rental Income Per Leased Square Foot (3) |
|---|---|---|---|
| 9/30/2014 | 97.7% | $ 60.38 | $ 62.40 |
| 12/31/2013 | 97.6 | 60.72 | 57.38 |
| 12/31/2012 | 90.1 | 56.31 | 63.77 |
| 12/31/2011 | 93.2 | 50.68 | 59.78 |
| 12/31/2010 | 88.3 | 46.53 | 57.58 |
| 12/31/2009 | 92.6 | 43.39 | 54.01 |

(1) Based on leases signed as of the dates indicated above and calculated as total rentable square feet less available square feet divided by total rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(3) Net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Building and improvements to the property are being depreciated on a straight-line basis over their estimated useful lives ranging from 30-39 years. The current real estate tax rate for 1633 Broadway is $106.84 per $1,000.00 of assessed value. Real estate taxes for the year ended December 31, 2013 were $28.6 million.

**Sixth Avenue/Rockefeller Center Submarket**

The Sixth Avenue (also known as Avenue of the Americas) office corridor is dominated by the Art Deco Rockefeller Center complex. Running from 41st Street to 59th Street on Sixth Avenue, the submarket borders the edge of the theater district on the west and the Madison/Fifth Avenue office market on the east. The submarket ends at Central Park South, adjacent to the Artists Gate traffic entrance to Central Park. Sixth Avenue is served by the Sixth Avenue subway line, creating easy access from residential neighborhoods. The submarket includes a total of 40.5 million square feet of inventory of which over 8 million square feet is contained in the Rockefeller Center complex. The complex consists of 19 commercial buildings constructed between 1930 and 1939, which cover 22 acres between 48th and 51st Streets. The landmark buildings in the complex include the Time-Life Building, News Corp. Building, Exxon Building and McGraw-Hill Building, as well as Radio City Music Hall. The southernmost end of the market is anchored by the 2.1 million square feet Bank of America Tower at One Bryant Park, which was completed in 2009 and is the third tallest building in New York City. As of the third quarter of 2014, 9.1% of that space was vacant overall with 7.6% available directly and the remainder through sublease. Nearly 3.0 million square feet of space was leased in the submarket during 2013. Absorption was slightly positive with an addition of nearly 40,000 square feet of net occupancy. A new building at 55 West 46$^{th}$ Street was completed for nearly 300,000 square feet in 2013. Overall weighted average gross rent for all classes of space was $82.35 per square foot in the third quarter of 2014. Class A office rents for direct space on a weighted average basis were $86.00 per square foot.

No office projects were under construction in this submarket as of the third quarter of 2014. RCG expects that a lack of land for development and high construction costs should keep the level of new supply low through the foreseeable future.

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The following chart shows Class A office property rental rates and occupancy rates for the Sixth Avenue/Rockefeller Center submarket as compared to the overall midtown Manhattan market over the previous 14 years.

***1301 Avenue of the Americas***

Our predecessor acquired its interest in 1301 Avenue of the Americas in 2008. The 45-story, 1,767,992 rentable square foot property was built in 1963. In 1989, the property underwent a complete rehabilitation, renovation and modernization designed by Skidmore, Owings & Merrill LLP, including the outdoor plaza which was renovated with reflecting pools, seating and new sidewalks. Sitting on Avenue of the Americas, or Corporate Row as it is sometimes called, this Class A building is a highly recognizable property. The large outdoor plaza features landscaping, seating, reflecting pools and three large sculptures by artist Jim Dine. Approximately 31,000 square feet of retail space is located on the ground and concourse levels, including a restaurant and a men s clothing retailer. The 52,000 square foot concourse level provides a connection to the Rockefeller Center concourse, which is a below-ground connection between the area buildings, stretching from 47th Street to 53rd Street and from Fifth Avenue to Seventh Avenue. Access to the concourse shops, restaurants, health clubs, Sixth Avenue subway line and Rockefeller Center ice-skating rink is therefore weather protected. Significantly setback from Sixth Avenue, the property has views of Central Park and other Manhattan landmarks. The property is located between 52nd Street and 53rd Street, occupying the entire westerly block front of Sixth Avenue. Eight subway lines are located within walking distance of the property. Covered access to four subway lines is available via the concourse-level connection to Rockefeller Center. Aside from Rockefeller Center, numerous other New York sights and institutions are located near the property, including Central Park, Radio City Music Hall, the Museum of Modern Art and many other museums, luxury hotels and retail stores. Moreover, Ocean Prime, a seafood, steak and cocktail restaurant backed by Cameron Mitchell, is expected to open its first New York City location and its twelfth location nationwide in the ground and mezzanine levels of this building in the Spring of 2015. This award-winning supper club signed an approximately 16-year, 7,378 rentable square foot lease with us in 2014, with rent starting at $155.87 per square foot and escalating to $220.02 per square foot by expiration.

The property was awarded the 2012 BOMA/NY Pinnacle Award for Operating Office Building (over 1 million square feet category), and received a LEED certification in 2013. Additionally, the property was a recipient of the Energy Star Award in 2009.

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*1301 Avenue of the Americas Primary Tenants*

The following table summarizes information regarding the primary tenants of 1301 Avenue of the Americas as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Barclays Capital, Inc. | Financial Services | 12/31/2020 | 3x5 years | 497,418 | 28.1% | $ 27,372,278 | 27.0% | $ 55.03 |
| Crédit Agricole Corp & Inv. Bank | Financial Services | 2/28/2023 | 2x5 years | 313,879 | 17.8 | 25,065,659 | 24.8 | 79.86 |
| Commerzbank AG | Financial Services | 5/31/2016 | | 287,535 | 16.3 | 20,974,325 | 20.7 | 72.95 |
| Chadbourne & Parke, LLP (5) | Legal Services | 9/30/2034 | 2x5 years | 203,102 | 11.5 | 15,836,327 | 15.6 | 77.97 |
| Wilson Sonsini Goodrich & Rosati | Legal Services | 8/31/2023 | 1x5 years | 48,980 | 2.8 | 4,604,120 | 4.5 | 94.00 |
| Oaktree Capital Mgmt., LLC | Financial Services | 11/30/2016 | 1x5 years | 29,600 | 1.7 | 2,040,960 | 2.0 | 68.95 |
| Smith, Gambrell & Russell, LLP | Legal Services | 12/31/2024 | | 29,499 | 1.7 | 1,843,688 | 1.8 | 62.50 |
| Destination XL Group, Inc. | Retail | 1/31/2017 | | 18,349 | 1.0 | 1,564,893 | 1.5 | 85.28 |
| Cameron Mitchell (Ocean Prime) | Eating Places | 3/31/2030 | | 7,378 | 0.4 | 1,150,000 | 1.1 | 155.87 |
| West 53rd Gourmet, Inc. | Eating Places | 2/8/2016 | | 3,500 | 0.2 | 217,016 | 0.2 | 62.00 |
| **Total /Weighted Average** | | | | **1,439,240** | **81.4%** | **$ 100,669,266** | **99.4%** | **$ 69.95** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.5 million.

(3) Rent commences on October 1, 2014.

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*1301 Avenue of the Americas Lease Expirations*

The following table sets forth the lease expirations for leases in place at 1301 Avenue of the Americas as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [1] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 321,708 | 18.2% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 7 | 1,949 | 0.1 | $ 213,364 | 0.2% | $ 109.47 | $ 213,364 | $ 109.47 |
| 2015 | 1 | 495 | 0.0 | 54,024 | 0.1 | 109.14 | 54,029 | 109.15 |
| 2016 | 3 | 320,135 | 18.1 | 23,199,241 | 22.9 | 72.47 | 23,199,225 | 72.47 |
| 2017 | 1 | 18,349 | 1.0 | 1,564,893 | 1.5 | 85.28 | 1,564,892 | 85.28 |
| 2018 | | | | | | | | |
| 2019 | | | | | | | | |
| 2020 | 1 | 497,418 | 28.1 | 27,372,278 | 27.0 | 55.03 | 29,844,368 | 60.00 |
| 2021 | | | | | | | | |
| 2022 | 1 | 1,659 | 0.1 | 367,250 | 0.4 | 221.37 | 403,983 | 243.51 |
| 2023 | 2 | 362,859 | 20.5 | 29,669,779 | 29.3 | 81.77 | 31,526,725 | 86.88 |
| Thereafter | 3 | 239,979 | 13.6 | 18,830,015 | 18.6 | 78.47 | 20,026,121 | 83.45 |
| Signed leases not commenced | | | | | | | | |
| Building management use | | 7,443 | 0.4 | | | | | |
| REBNY adjustment | | (4,002) | (0.2) | | | | | |
| **Total** | **19** | **1,767,992** | **100.0%** | **$ 101,270,844** | **100.0%** | **$ 70.19** | **$ 106,832,708** | **$ 74.04** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.5 million.

*1301 Avenue of the Americas Percent Leased and Base Rent*

| Date | Percentage Leased [1] | Annualized Rent Per Leased Square Foot [2] | Net Effective Annual Rent Per Leased Square Foot [3] |
|---|---|---|---|
| September 30, 2014 | 81.8% | $ 70.19 | $ 67.82 |
| December 31, 2013 | 79.6 | 69.87 | 62.55 |
| December 31, 2012 | 83.9 | 64.38 | 66.69 |
| December 31, 2011 | 96.7 | 60.42 | 71.07 |
| December 31, 2010 | 100.0 | 52.42 | 70.32 |
| December 31, 2009 | 100.0 | 52.29 | 70.40 |

(1) Based on leases signed as of the dates indicated above and calculated as total rentable square feet less available square feet divided by total rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(3) Net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

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The building and improvements to the property are being depreciated on a straight-line basis over their estimated useful lives of 40 years. The current real estate tax rate for 1301 Avenue of the Americas is $106.84 per $1,000.00 of assessed value. Real estate taxes for the year ended December 31, 2013 were $30.1 million.

### *31 West 52nd Street*

Our predecessor acquired 31 West 52nd Street in December 2007. The 30-story building was developed in 1987 and includes two basement levels and retail space and contains approximately 786,647 rentable square feet. There is a large public plaza connecting 52nd Street and 53rd Street featuring the large granite Lapstrake sculpture by artist Jesús Moroles and a 120-space parking garage. The property is located mid-block between Fifth Avenue and Sixth Avenue, with frontage on both 52nd Street and 53rd Street and has views of Central Park, Rockefeller Center and other Manhattan landmarks. Five subway lines are located within three blocks of the property. Rockefeller Center, Radio City Music Hall and Central Park are within walking distance, as are numerous luxury hotels, museums and retail stores.

31 West 52nd Street was awarded the prestigious 2014 BOMA/NY Pinnacle Award for Operating Office Building (500,000 square feet 1 million square feet category). Additionally, the building received a LEED Silver certification in the same year. The property won Energy Star Awards in 2012 and 2013.

*31 West 52nd Street Primary Tenants*

The following table summarizes information regarding the primary tenants of 31 West 52nd Street as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Clifford Chance US, LLP | Legal Services | 6/1/2024 | 1x5 or 10 years, 1x5 years | 328,992 | 41.8% | $ 22,998,010 | 42.4% | $ 69.90 |
| Toronto-Dominion Bank | Financial Services | 4/30/2021 | 2x5 years | 131,297 | 16.7 | 8,944,104 | 16.5 | 68.12 |
| Financial Security Assurance | Financial Services | 3/31/2026 | 1x10 years | 110,338 | 14.0 | 7,061,632 | 13.0 | 64.00 |
| Stone Harbor Investment Partners (3) | Financial Services | 6/30/2029 | 2x5 years | 52,071 | 6.6 | 4,224,754 | 7.8 | 81.13 |
| Morgan Stanley & Co., LLC | Financial Services | 6/30/2017 | 1x5 years | 52,056 | 6.6 | 3,019,248 | 5.6 | 58.00 |
| Centerview Partners, LLC | Financial Services | 3/23/2020 | | 45,089 | 5.7 | 3,838,376 | 7.1 | 85.13 |
| Fogo de Chão | | 12/18/2033 | 2x5 years | 18,067 | 2.3 | 1,550,000 | 2.9 | 85.79 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 53rd Street New York, LLC | Eating Places | | | | | |
| **Total / Weighted Average** | | **737,910** | **93.8%** | **$ 51,636,126** | **95.2%** | **$ 69.98** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.3 million.

(3) Tenant possesses a termination option which may only be exercised effective April 30, 2025.

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*31 West 52nd Street Lease Expirations*

The following table sets forth the lease expirations for leases in place at 31 West 52nd Street as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [(1)] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | | | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 2 | 9,696 | 1.2% | $ 1,202,304 | 2.2% | $ 124.00 | $ 1,202,304 | $ 124.00 |
| 2015 | | | | | | | | |
| 2016 [(2)] | 1 | | | 387,023 | 0.7 | | 387,023 | |
| 2017 | 1 | 52,056 | 6.6 | 3,019,248 | 5.6 | 58.00 | 3,019,248 | 58.00 |
| 2018 | | | | | | | | |
| 2019 | | | | | | | | |
| 2020 | 1 | 45,089 | 5.7 | 3,838,377 | 7.1 | 85.13 | 4,028,244 | 89.34 |
| 2021 | 2 | 132,041 | 16.8 | 8,986,876 | 16.6 | 68.06 | 9,783,571 | 74.09 |
| 2022 | | | | | | | | |
| 2023 | | | | | | | | |
| Thereafter | 6 | 516,744 | 65.7 | 36,809,397 | 67.9 | 71.23 | 41,212,185 | 79.75 |
| Signed leases not commenced | | | | | | | | |
| Building management use | | 1,391 | 0.2 | | | | | |
| REBNY adjustment | | 29,630 | 3.8 | | | | | |
| **Total** | **13** | **786,647** | **100.0%** | **$ 54,243,225** | **100.0%** | **$ 71.27** | **$ 59,632,575** | **$ 78.41** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.3 million.

(2) Parking structure lease with no associate rentable square feet.

*31 West 52nd Street Percent Leased and Base Rent*

| Date | Percentage Leased [1] | Annualized Rent Per Leased Square Foot [2] |
|---|---|---|
| September 30, 2014 | 100.0% | $71.27 |
| December 31, 2013 | 100.0 | 68.57 |
| December 31, 2012 | 100.0 | 64.31 |
| December 31, 2011 | 97.6 | 65.19 |
| December 31, 2010 | 97.6 | 63.42 |
| December 31, 2009 | 100.0 | 68.61 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

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*31 West 52nd Street Joint Venture*

Upon completion of this offering and the formation transactions, we will have an aggregate 64.2% interest in 31 West 52nd Street. We will serve as general partner of the joint venture in charge of its day-to-day operations with the overall authority to manage and conduct operations and affairs of the joint venture and its subsidiaries and to make decisions regarding the joint venture and its subsidiaries. Our joint venture partner will have approval rights over certain major decisions, including, but not limited to, transferring interests in the property, entering into certain leases and renewing, modifying or refinancing any loan secured by the property. Under certain circumstances, in the event we desire to transfer, sell or assign any portion of our interest in the joint venture to a third party, our joint venture partner shall have the right to approve the transfer, sale or assignment, or to elect to purchase our interests, subject to certain conditions. At any time, our joint venture partner shall have the right to cause a sale of the property by delivering a written notice to us designating the sales price and other material terms and conditions upon which our joint venture partner desires to cause a sale of the property. Upon receipt of the sale notice from the joint venture partner, we will have the right either to attempt to sell the property to a third party for not less than 95% of the sales price set forth in the sales notice, or to elect to purchase the interests of the joint venture partner for cash at a price equal to the amount the joint venture partner would have received if the property had been sold for the sales price set forth in the sales notice (and the joint venture paid any applicable financing breakage costs and transfer taxes, prepaid all liquidated liabilities of the joint venture and distributed the balance to the partners). We have the same right to initiate a sale of the property at any time on the same terms (including our joint venture partner s right to purchase our interests rather than allow us to proceed with a sale of the property). The partnership agreement also contains a buy-sell provision, under which at any time, we or the joint venture partner may deliver a notice designating the amount that we or the joint venture partner determines to be the market value of the property. The party receiving a buy-sell notice will have the right either to purchase the entire partnership interest of the partner delivering the buy-sell notice, or to sell its entire partnership interest to the partner delivering the buy-sell notice, in each case for cash at a price equal to the amount the selling partner would have received if the property had been sold for the amount listed in the notice (and the joint venture paid any applicable financing breakage costs and transfer taxes, prepaid all liquidated liabilities of the joint venture and distributed the balance to the partners).

***1325 Avenue of the Americas***

Our predecessor acquired 1325 Avenue of the Americas in 1999. The 34-story, 814,892 square foot building designed by Kohn Pedersen Fox Associates was built in 1989 and is comprised of premier office space, ground floor retail and a private theater. The property, adjacent to the New York Hilton Hotel on Avenue of the Americas, is located between 53rd Street and 54th Street and has direct lobby access from both streets. With a prestigious Avenue of the Americas address, the property is located in one of the most dynamic office corridors in Manhattan. In the heart of midtown, the property has superb access to a number of nearby attractions, amenities and forms of transportation, including Rockefeller Center, Central Park, Radio City Music Hall, the Museum of Modern Art and many other museums, luxury hotels and retail stores. The property is located within walking distance of eight subway lines, including four subway lines accessible through covered walkways under Rockefeller Center.

1325 Avenue of the Americas was the recipient of the 2013 BOMA/NY Pinnacle Award for Operating Office Building (500,000 - 1 million square feet category). 1325 Avenue of the Americas received a LEED Silver certification in 2012 and has won Energy Star Awards every year since 2011.

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*1325 Avenue of the Americas Primary Tenants*

The following table summarizes information regarding the primary tenants of 1325 Avenue of the Americas as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration [1] | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent [2] | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| ING Financial Holdings Corporation | Financial Services | 12/31/2016 | 1x5 years | 168,917 | 20.7% | $ 9,889,560 | 24.2% | $ 58.55 |
| Warner Bros. Entertainment, Inc. [3] | Media | 6/30/2019 | | 94,213 | 11.6 | 4,661,045 | 11.4 | 49.47 |
| Hilton Worldwide Holdings, Inc. | Travel & Leisure | 12/31/2022 | 1x5 years | 73,620[5] | 9.0 | 3,681,000 | 9.0 | 50.00 |
| William Morris Endeavor Entertainment, LLC | Entertainment | 6/30/2015 | | 49,995 | 6.1 | 2,318,050 | 5.7 | 46.37 |
| RGN-New York VIII, LLC | Executive Office Suite | 8/31/2015 | | 46,845 | 5.7 | 2,576,475 | 6.3 | 55.00 |
| Nikkei America, Inc. | Media | 4/30/2017 | 1x5 years | 35,737 | 4.4 | 2,858,960 | 7.0 | 80.00 |
| Edelman Shoes | Apparel | 9/30/2030 | 1x5 years | 29,332 | 3.6 | 1,824,626[6] | 4.5 | 62.21 |
| Merrill Communications, LLC | Business Services | 10/31/2024 | 1x5 years | 25,059 | 3.1 | 1,562,555[7] | 3.8 | 62.36 |
| Gartner, Inc. [4] | Noncommercial Research Organizations | 10/22/2024 | 1x5 years | 24,844 | 3.0 | 1,291,888[8] | 3.2 | 52.00 |
| Crown Media United States, LLC | Media | 4/30/2016 | | 24,278 | 3.0 | 2,381,450 | 5.8 | 98.09 |
| **Total / Weighted Average** | | | | **572,840** | **70.3%** | **$ 33,045,609** | **80.9%** | **$ 57.69** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for

the 12 months ending September 30, 2015 were $3.0 million.

(3) Tenant possesses a termination option for 22,096 square feet which may only be exercised effective June 30, 2016.

(4) Tenant possesses a termination option which may be exercised effective October 22, 2021.

(5) Does not include 16,637 square feet leased by Hilton on the cellar level and ground floor and for a mechanical room and roof ceiling tower.

(6) Rent commences on September 5, 2015.

(7) Rent commences on November 1, 2014.

(8) Rent commences on October 23, 2014.

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*1325 Avenue of the Americas Lease Expirations*

The following table sets forth the lease expirations for leases in place at 1325 Avenue of the Americas as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent(1) | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 44,299 | 5.4% | | | | | |
| 2014 (October1, 2014 to December 31, 2014) | | | | | | | | |
| 2015 | 5 | 125,978 | 15.5 | $ 6,903,677 | 16.9% | $ 54.80 | $ 6,903,677 | $ 54.80 |
| 2016 | 4 | 201,658 | 24.7 | 12,842,147 | 31.4 | 63.68 | 12,866,866 | 63.81 |
| 2017 | 3 | 45,779 | 5.6 | 3,513,071 | 8.6 | 76.74 | 3,521,090 | 76.91 |
| 2018 | 3 | 22,573 | 2.8 | 1,335,470 | 3.3 | 59.16 | 1,356,790 | 60.11 |
| 2019 | 1 | 94,213 | 11.6 | 4,661,045 | 11.4 | 49.47 | 4,661,045 | 49.47 |
| 2020 | 1 | 10,014 | 1.2 | 700,000 | 1.7 | 69.90 | 1,389,142 | 138.72 |
| 2021 | | | | | | | | |
| 2022 | 1 | 73,620 | 9.0 | 3,681,000 | 9.0 | 50.00 | 4,049,100 | 55.00 |
| 2023 | 1 | 3,506 | 0.4 | 217,372 | 0.5 | 62.00 | 238,408 | 68.00 |
| Thereafter | 5 | 120,984 | 14.8 | 6,984,937 | 17.1 | 57.73 | 8,038,366 | 66.44 |
| Signed leases not commenced | 2 | 42,794 | 5.3 | | | | 2,881,127 | 67.33 |
| Building management use | | 2,462 | 0.3 | | | | | |
| REBNY adjustment | | 27,012 | 3.3 | | | | | |
| **Total** | **26** | **814,892** | **100.0%** | **$ 40,838,719** | **100.0%** | **$ 58.48** | **$ 45,905,611** | **$ 61.94** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $3.2 million.

*1325 Avenue of the Americas Percent Leased and Base Rent*

| Date | Percentage Leased [1] | Annalized Rent Per Leased Square Foot [2] |
|---|---|---|
| September 30, 2014 | 94.6% | $ 58.48 |
| December 31, 2013 | 83.3 | 57.44 |
| December 31, 2012 | 76.3 | 61.89 |
| December 31, 2011 | 75.5 | 59.64 |
| December 31, 2010 | 92.1 | 60.54 |
| December 31, 2009 | 99.9 | 58.05 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

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## East Side Submarket

The East Side submarket is bounded by Lexington Avenue to the west, the East River to the east, 72nd Street to the north, and 47th Street west of Second Avenue and 49th Street east of Second Avenue to the south. The smallest of the Paramount Group submarkets in midtown Manhattan, the East Side contains nearly 19 million square feet of space with 7.8% vacant overall, of which 6.0% is available directly and the remainder through sublease. The submarket has a diverse mix of uses including office, residential and retail with a range of building sizes from high rise to low rise. Well-known buildings in the submarket include the Lipstick Building at 885 Third Avenue and the Citigroup Center at 601 Lexington Avenue at 53rd Street between Lexington Avenue and Third Avenue. Leasing activity for 2013 totaled 1.1 million square feet; net overall absorption dropped by 244,034 square feet last year. Rents in the submarket are significantly lower this far to the east with overall weighted average rents for all classes at $64.72 per square foot in the third quarter of 2014 and Class A office rents on the same basis slightly higher at $65.29 per square foot.

No new projects were under construction in the East Side as of the third quarter of 2014 and new supply should remain limited through the near to medium term.

The following chart shows Class A office property rental rates and occupancy rates for the East Side submarket as compared to the overall midtown Manhattan market over the previous 14 years.

### *900 Third Avenue*

Our predecessor acquired a portion of 900 Third Avenue through a private partnership in 1999, a second partial interest in 2007 and the remainder in 2012. The 36-story, approximately 596,270 rentable square foot building was designed by Cesar Pelli and is comprised of premier office space and ground-floor retail space. Built in 1983, 900 Third Avenue occupies the northwest corner of 54th Street and Third Avenue, bordering the Park Avenue submarket. Within six blocks of the property is access to eight subway lines (the 4, 5, 6 , E, M, N, Q and R trains) as well as the Roosevelt Island Tram Station. The property also has close access to the FDR Drive, the Midtown Tunnel and East River bridges.

900 Third Avenue received a LEED Gold certification in 2013 and won Energy Star Awards in 2012 and 2013.

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*900 Third Avenue Primary Tenants*

The following table summarizes information regarding the primary tenants of 900 Third Avenue as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration [(1)] | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent [(2)] | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Permal (PGI) LLC | Financial Services | 12/14/2017 | | 79,567 | 13.3% | $ 7,365,106 | 19.4% | $ 92.56 |
| Shiseido Americas Corporation | Medicinal Chemicals and Botanical Products | 6/30/2020 | 1x5 years | 52,274 | 8.8 | 2,399,298 | 6.3 | 45.90 |
| Tannenbaum Helpern Syracuse & Hirschtritt LLP | Legal Services | 3/31/2018 | 1x5 years | 51,852 | 8.7 | 4,388,477 | 11.6 | 84.63 |
| Zweig-Dimenna Associates Inc. | Financial Services | 1/31/2017 | | 45,382 | 7.6 | 3,085,976 | 8.1 | 68.00 |
| Littler Mendelson P.C. | Legal Services | 12/31/2018 | 1x5 years | 37,350 | 6.3 | 2,794,858 | 7.4 | 74.83 |
| Goldman Sachs Execution & Clearing, LP | Financial Services | 2/18/2018 | 1x3 years | 34,123 | 5.7 | 1,501,412 | 4.0 | 44.00 |
| Carl Marks & Co., Inc. | Financial Services | 5/31/2025 | 1x5 years | 28,399 | 4.8 | 1,599,801 | 4.2 | 56.33 |
| Thompson & Knight LLP | Legal Services | 3/24/2024 | | 25,580 | 4.3 | 1,436,288 | 3.8 | 56.15 |
| CORE Media Group | Entertainment | 3/31/2023 | 1x5 years | 18,245 | 3.1 | 1,112,945 | 2.9 | 61.00 |
| Davies Ward Phillips | Legal Services | 4/30/2022 | 1x5 years | 18,245 | 3.1 | 1,112,944 | 2.9 | 61.00 |
| **Total / Weighted Average** | | | | **391,017** | **65.6%** | **$ 26,797,107** | **70.6%** | **$ 68.53** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the

12 months ending September 30, 2015 were $1.8 million.

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*900 Third Avenue Lease Expirations*

The following table sets forth the lease expirations for leases in place at 900 Third Avenue as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [(1)] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 28,588 | 4.8% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 3 | 11,694 | 2.0 | $ 745,318 | 2.0% | $ 63.74 | $ 745,318 | $ 63.74 |
| 2015 | 2 | 28,452 | 4.8 | 2,300,529 | 6.1 | 80.86 | 2,300,529 | 80.86 |
| 2016 | 2 | 7,632 | 1.3 | 474,144 | 1.2 | 62.13 | 474,144 | 62.13 |
| 2017 | 4 | 145,767 | 24.4 | 11,887,138 | 31.3 | 81.55 | 11,981,220 | 82.19 |
| 2018 | 4 | 128,885 | 21.6 | 9,002,457 | 23.7 | 69.85 | 9,159,788 | 71.07 |
| 2019 | 2 | 15,154 | 2.5 | 1,350,399 | 3.6 | 89.11 | 1,773,172 | 117.01 |
| 2020 | 1 | 52,274 | 8.8 | 2,399,298 | 6.3 | 45.90 | 3,269,814 | 62.55 |
| 2021 | 5 | 55,283 | 9.3 | 2,742,530 | 7.2 | 49.61 | 3,230,065 | 58.43 |
| 2022 | 1 | 18,245 | 3.1 | 1,112,945 | 2.9 | 61.00 | 1,204,170 | 66.00 |
| 2023 | 2 | 36,490 | 6.1 | 2,244,135 | 5.9 | 61.50 | 2,426,585 | 66.50 |
| Thereafter | 4 | 65,219 | 10.9 | 3,684,966 | 9.7 | 56.50 | 5,756,650 | 88.27 |
| Signed leases not commenced | | | | | | | | |
| Building management use | | 1,417 | 0.2 | | | | | |
| REBNY adjustment | | 1,170 | 0.2 | | | | | |
| **Total** | **30** | **596,270** | **100.0%** | **$ 37,943,860** | **100.0%** | **$ 67.15** | **$ 42,321,456** | **$ 74.89** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $2.6 million.

*900 Third Avenue Percent Leased and Base Rent*

| Date | Percentage Leased [(1)] | Annualized Rent Per |
|---|---|---|

| | | Leased Square Foot (2) | |
|---|---|---|---|
| September 30, 2014 | 95.2% | $ | 67.15 |
| December 31, 2013 | 96.1 | | 66.97 |
| December 31, 2012 | 93.6 | | 59.68 |
| December 31, 2011 | 91.1 | | 59.53 |
| December 31, 2010 | 95.1 | | 61.22 |
| December 31, 2009 | 87.9 | | 64.34 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

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**Madison/Fifth Avenue Submarket**

Madison Avenue is a north-south avenue in the borough of Manhattan whose name has been synonymous with the American advertising industry since the 1920s, but is now home to banks, law firms, hedge funds, private-equity firms and others. The Madison/Fifth Avenue office submarket runs from 47th Street to 72nd Street and includes 57th Street, a major east-west thoroughfare that is home to upscale retailers, galleries, restaurants and office users. It contains some of the highest rent buildings in midtown Manhattan with reported asking rental rates of up to $215 per square foot according to RCG, making it the priciest submarket in the United States. Overall asking rents in this submarket on a weighted average basis for all classes of office space were the highest in the City as of the third quarter of 2014 at $97.16 per square foot. Weighted average Class A office rents on the same basis were $101.61 per square foot, largely driven by this area being the location of choice for hedge funds and private-equity firms. The submarket contains 24.7 million square feet of office space, of which a total of 13.9% was vacant as of the third quarter of 2014, with 12.9% available directly and the remainder through sublease. Leasing activity totaled 1.8 million square feet in 2013; net overall absorption was negative 119,621 square feet.

Only one small project was under construction as of the third quarter of 2014: a 71,100 square foot building at 34 East 51st Street, scheduled for delivery in 2015. High barriers to entry should limit the amount of new supply delivered through the near term and beyond.

The following chart shows Class A office property rental rates and occupancy rates for the Madison/Fifth Avenue submarket as compared to the overall midtown Manhattan market over the previous 14 years.

***712 Fifth Avenue***

Our predecessor s interest in 712 Fifth Avenue was purchased in 1998. The 543,341 rentable square foot building, which includes 85,917 square feet of prime retail space, was designed by Kohn Pederson Fox Associates and constructed in 1991. 712 Fifth Avenue combines historic elements in its street-level townhouse façade with modern design in its 52-story limestone and granite office tower. The property is located on the southwest corner of 56th Street and Fifth Avenue, one block south of the one of the world s most exclusive commercial intersections (57th Street and Fifth Avenue). Rockefeller Center and Central Park are within walking distance as are numerous luxury hotels, museums and retail stores. Specialty retailer Henri Bendel occupies the four levels of retail space, the interior of which is designed around a four-story central skylight atrium with a large round, glass domed ceiling that showcases an original René Lalique masterpiece of 276 etched glass panes.

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Additionally, the 17-foot floor-to-ceiling height on each retail floor creates a unique setting for presenting exclusive, upscale merchandise. With the building s 50-foot setback from Fifth Avenue, its rear corner-loaded core and its 52-story height, the office floors enjoy excellent views, including of Central Park.

712 Fifth Avenue was awarded the prestigious 2012 BOMA/NY Pinnacle Award for Operating Office Building (500,000 square foot 1 million square foot category). Additionally, the building received a LEED Silver certification in 2013 and won Energy Star Awards in 2012 and 2013.

*712 Fifth Avenue Primary Tenants*

The following table summarizes information regarding the primary tenants of 712 Fifth Avenue as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Henri Bendel, Inc. (3) | Retail | 2/28/2021 | 2x5 years | 85,917 | 15.8% | $ 6,500,000 | 13.0% | $ 75.65 |
| Riverstone Equity Partners, LP | Financial Services | 8/21/2023 | 1x5 years | 29,305 | 5.4 | 3,029,610 | 6.0 | 103.38 |
| Peterson Management, LLC | Real Estate | 3/6/2018 | 1x5 years | 26,437 | 4.9 | 4,167,267 | 8.3 | 157.63 |
| CVC Capital Partners Advisory | Financial Services | 9/30/2025 | 1x5 years | 19,501 | 3.6 | 2,340,120 | 4.7 | 120.00 |
| Aberdeen Asset Management Inc (4). | Financial Services | 4/30/2024 | 1x5 years | 18,248 | 3.4 | 2,417,860 | 4.8 | 132.50 |
| Loeb Enterprises II, LLC | Marketing | 11/30/2018 | | 12,930 | 2.4 | 989,145 | 2.0 | 76.50 |
| Resource America, Inc. | Financial Services | 7/31/2020 | 1x5 years | 12,930 | 2.4 | 905,510 | 1.8 | 70.03 |
| Merchants Gate Capital, LP | Financial Services | 1/3/2018 | 1x5 years | 12,884 | 2.4 | 1,342,120 | 2.7 | 104.17 |
| Southern Star Shipping Co., Inc. (5) | Arrangement of Transportation of Freight and | 4/30/2018 | | 12,836 | 2.4 | 1,283,600 | 2.6 | 100.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Cargo | | | | | | |
| Wells Fargo Prime Services, LLC | Financial Services | 8/28/2016 | 10,480 | 1.9 | 677,879 | 1.4 | 64.68 |
| **Total / Weighted Average** | | | **241,468** | **44.4%** | **$ 23,653,111** | **47.2%** | **$ 97.96** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.6 million.

(3) Includes 9,186 square feet of ground floor space, 46,775 square feet of space on floors two through four and 29,956 square feet of storage space.

(4) Tenant possesses a termination option for 9,124 rentable square feet on the 51st floor, which may only be exercised effective July 31, 2019.

(5) Tenant exercised its option to terminate 3,023 square feet, which termination is effective November 21, 2014.

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*712 Fifth Avenue Lease Expirations*

The following table sets forth the lease expirations for leases in place at 712 Fifth Avenue as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [1] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 8,883 | 1.6% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 2 | 5,725 | 1.1 | $ 545,480 | 1.1% | $ 95.28 | $ 751,807 | $ 131.32 |
| 2015 | 5 | 31,149 | 5.7 | 2,251,358 | 4.5 | 72.28 | 2,476,459 | 79.50 |
| 2016 | 6 | 45,580 | 8.4 | 3,386,943 | 6.8 | 74.31 | 3,400,595 | 74.61 |
| 2017 | 6 | 32,178 | 5.9 | 3,757,792 | 7.5 | 116.78 | 3,757,792 | 116.78 |
| 2018 | 13 | 107,565 | 19.8 | 12,262,075 | 24.5 | 114.00 | 12,805,414 | 119.05 |
| 2019 | 5 | 22,455 | 4.1 | 1,998,414 | 4.0 | 89.00 | 2,527,087 | 112.54 |
| 2020 | 8 | 64,006 | 11.8 | 5,627,094 | 11.2 | 87.92 | 6,627,434 | 103.54 |
| 2021 | 2 | 95,452 | 17.6 | 7,253,689 | 14.5 | 75.99 | 7,307,483 | 76.56 |
| 2022 | 3 | 19,510 | 3.6 | 1,954,303 | 3.9 | 100.17 | 2,067,297 | 105.96 |
| 2023 | 5 | 54,834 | 10.1 | 5,784,870 | 11.6 | 105.50 | 6,144,216 | 112.05 |
| Thereafter | 3 | 42,049 | 7.7 | 5,261,080 | 10.5 | 125.12 | 5,655,787 | 134.50 |
| Signed leases not commenced | 2 | 11,165 | 2.1 | | | | 1,021,625 | 91.50 |
| Building management use | | 2,780 | 0.5 | | | | | |
| REBNY adjustment | | 10 | 0.0 | | | | | |
| **Total** | **60** | **543,341** | **100.0%** | **$ 50,083,098** | **100.0%** | **$ 96.22** | **$ 54,542,996** | **$ 102.59** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $1.3 million.

*712 Fifth Avenue Percent Leased and Base Rent*

| Date | Percentage Leased [1] | Annualized Rent Per Leased Square Foot [2] |
|---|---|---|
| September 30, 2014 | 98.4% | $ 96.22 |
| December 31, 2013 | 93.4 | 95.83 |
| December 31, 2012 | 86.2 | 85.21 |

| | | |
|---|---|---|
| December 31, 2011 | 77.8 | 92.56 |
| December 31, 2010 | 90.4 | 89.45 |
| December 31, 2009 | 94.9 | 91.89 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

*712 Fifth Avenue Joint Venture*

Upon completion of this offering and the formation transactions, we will have a 50.0% interest in the joint venture that owns 712 Fifth Avenue. We will serve as the managing general partner of the joint venture in charge of its day-to-day operations with the overall authority to manage and conduct operations and affairs of the joint venture and to make decisions regarding the joint venture. Our joint venture partner has an approval right in connection with certain major decisions, including, but not limited to, incurring additional debt or modifying the terms of existing debt outside of certain parameters, entering into any lease that exceeds 10.0% of the rentable square footage of the building and consenting to any change in net effective rent under any such lease, approving or authorizing actions requiring the consent of the joint venture under the property management agreement between us and the joint venture, and budget approvals. Beginning six years after the completion of this offering and any time thereafter, in the event we desire to transfer, sell or assign any portion of our interest in the joint venture to a third party, our joint venture partner shall have the right to elect to purchase our interests subject to certain conditions. Beginning six years after the completion of this offering and any time thereafter, our joint venture partner may exercise a forced sale right by delivering a written notice to us designating the sales price and other material terms and conditions upon which our joint venture partner desires to cause a sale of the property. Upon receipt of such sales notice, we will have the obligation either to attempt to sell the property to a third party for not less than 95.0% of the sales price or to elect to purchase the interests of our joint venture partner for cash at a price equal to the amount our joint venture would have received if the property had been sold for the sales price set forth in the sales notice (and the joint venture paid any applicable financing breakage costs, transfer taxes, brokerage fees and marketing costs, prepaid all liquidated liabilities of the joint venture and distributed the balance). Beginning six years after the completion of this offering and any time thereafter, we shall have the right to cause a sale of the property on these same terms (including our joint venture partner s right to acquire our interests in the joint venture rather than allow us to proceed with the sale of the property).

**Washington, D.C.**

Our Washington, D.C. area properties are located in what we believe are the most desirable submarkets of the Washington, D.C. and Northern Virginia markets: the CBD and East End submarkets in Washington, D.C. and the Rosslyn submarket in Northern Virginia. We focus only on the premier office submarkets in Washington, D.C. and Northern Virginia. These submarkets consistently command premium rents and higher occupancies compared to other submarkets in the Washington, D.C. and Northern Virginia markets.

The following map shows the relative locations of the CBD, East End and Rosslyn submarkets in Washington, D.C.

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## CBD Submarket

The CBD submarket consists of the area west of 15th Street, NW, east of Virginia Avenue and New Hampshire Avenue, south of Massachusetts Avenue, and north of E Street and Virginia Avenue. Widely considered to be the premier office market in the District of Columbia, it is home to top law firms, lobbyists, associations, unions, non-profits, consulting groups, financial institutions and banks. Compared with other parts of the District of Columbia, the CBD has fewer government agencies and was therefore relatively unaffected by sequestration. In fact, the government offices in the submarket are growing since they are related to the regulation of financial markets and therefore need to be in close proximity to regulatory decision-makers. While the CBD submarket is well-developed with little vacant land, new zoning has promoted mixed-use development, including street-level retail. Older buildings are prime candidates for residential conversion. These trends should increase the movement of the CBD toward a 24/7 environment. As a result, the submarket has the potential to become even more dynamic in the coming years. The CBD is well-served by mass transportation, and a number of residential neighborhoods are within walking distance. Universities such as Georgetown and George Washington Universities are nearby. The CBD submarket contained more than 33.4 million square feet of office space as of the third quarter of 2014. During the same period, the overall vacancy rate was 13.2%, with a direct vacancy rate of 12.2% and the remainder available through sublease. Leasing activity in 2013 totaled nearly 1.5 million square feet. Class A rents in this submarket are the highest in the region, with a weighted average overall asking rent of $51.80 per square foot and Class A office asking rent of $64.06 in the third quarter of 2014. In 2013, the CBD submarket recorded the highest leasing activity among District of Columbia submarkets with 1.5 million square feet, not including renewals. This total represents about 45% of all space leased in the District of Columbia office market during 2013.

No projects were under construction in the CBD as of the third quarter of 2014. 1200 17th Street, NW was delivered in the third quarter of 2014, bringing 170,000 square feet to market. The law firm Pillsbury Winthrop Shaw Pittman LLP is occupying 105,000 square feet of this space.

The following chart shows Class A office property rental rates and occupancy rates for the Washington, D.C. CBD submarket as compared to the overall District of Columbia market over the previous 12 years.

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***1899 Pennsylvania Avenue***

Our predecessor acquired 1899 Pennsylvania Avenue, a Class A quality office building, in 2010. The 11-story building contains 192,481 rentable square feet, with approximately 17,800 square foot floor plates, and was built in 1915. The property is located on the southwest corner of Pennsylvania Avenue, NW and 19th Street and within walking distance of the White House and three Metrorail lines. This property is in close proximity to many noteworthy business and arts institutions including the World Bank, the Treasury Department, the International Monetary Fund and the Corcoran Gallery of Art. The superior location features several premium restaurants within three blocks as well as the high-end retail collection at 2000 Pennsylvania Avenue, NW. The property features a Leo A. Daly design with a floor-to-ceiling glass façade, views of the White House, a rooftop terrace, on-site parking and an on-site fitness center. There is a single-level, below-grade parking garage containing 54 lined valet spaces (in addition to 10 above-grade spaces).

The building received a LEED Silver certification in 2012 and has an Energy Star Award every year since 2010.

*1899 Pennsylvania Avenue Primary Tenant*

The following table summarizes information regarding the primary tenant of 1899 Pennsylvania Avenue as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2)(3) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot (3) |
|---|---|---|---|---|---|---|---|---|
| Wilmer Cutler Pickering Hale and Dorr, LLP (4) | Legal Services | 7/31/2023 | 1x5 years, 1x4.25 years | 133,878 | 69.6% | $ 10,849,671 | 100.0% | $ 81.04 |
| **Total / Weighted Average** | | | | **133,878** | **69.6%** | **$ 10,849,671** | **100.0%** | **$ 81.04** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014 on a gross basis. As of September 30, 2014, there were no abatements for this property for the 12 months ending September 30, 2015.

(3) Amount includes September 2014 reimbursement revenue annualized.

(4) Tenant possesses a termination option that may not be exercised before August 1, 2018. Termination option requires 24 months notice.

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*1899 Pennsylvania Avenue Lease Expirations*

The following table sets forth the lease expirations for leases in place at 1899 Pennsylvania Avenue as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent (1)(2) | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot (2) | Annualized Rent at Expiration (2) | Expiring Rent Per Square Foot (2) |
|---|---|---|---|---|---|---|---|---|
| Available | | 54,165 | 28.1% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | | | | | | | | |
| 2015 | | | | | | | | |
| 2016 | | | | | | | | |
| 2017 | | | | | | | | |
| 2018 | | | | | | | | |
| 2019 | | | | | | | | |
| 2020 | | | | | | | | |
| 2021 | | | | | | | | |
| 2022 | | | | | | | | |
| 2023[3] | 3 | 134,778 | 70.0 | $ 10,849,671 | 100.0% | $ 80.50 | $ 12,015,234 | $ 89.15 |
| Thereafter | | | | | | | | |
| Signed leases not commenced | | | | | | | | |
| Building management use | | | | | | | | |
| BOMA adjustment | | 3,538 | 1.8 | | | | | |
| **Total** | **3** | **192,481** | **100.0%** | **$ 10,849,671** | **100.0%** | **$ 80.50** | **$ 12,015,234** | **$ 89.15** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014 on a gross basis.

(2) Amount includes September 2014 reimbursement revenue annualized. There were no abatements committed to for leases commenced as of September 30, 2014 for the 12 months ending September 30, 2015.

(3) Includes $54,336 of September 2014 annualized garage income which is assumed to remain constant throughout the term of the lease.

*1899 Pennsylvania Avenue Percent Leased and Base Rent*

| **Date** | **Percentage Leased** (1) | **Annualized Rent Per Leased Square Foot** (2)(3) |
|---|---|---|
| September 30, 2014 | 71.9% | $ 50.69 |
| December 31, 2013 | 81.0 | 49.11 |
| December 31, 2012 | 100.0 | 47.19 |
| December 31, 2011 | 100.0 | 46.17 |
| December 31, 2010 | 100.0 | 45.13 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(3) Figures are presented on a net basis and do not include reimbursement revenue.

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***2099 Pennsylvania Avenue***

Our predecessor acquired 2099 Pennsylvania Avenue in an off-market transaction in 2012. The property is a 12-story, 208,636 square foot Class A office building, located on the northeast corner of Pennsylvania Avenue, NW and 21st Street. The property was constructed in 2001, features direct views of the White House and is four blocks from the U.S. Treasury and Executive Office Buildings. It is also in close proximity to the World Bank, the International Monetary Fund and the Corcoran Gallery of Art. The building was designed by the world-renowned architectural firm Pei Cobb Freed & Partners and has a commanding corner presence on Pennsylvania Avenue as well as a rooftop terrace that overlooks the White House. There is a three-level, below-grade parking garage containing 169 spaces, currently leased to Colonial Parking.

The building received the Energy Star Award in 2012.

*2099 Pennsylvania Avenue Primary Tenant*

| Tenant | Principal Nature of Business | Lease Expiration [(1)] | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent [(2)] | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Sheppard Mullin | Legal Services | 6/30/2024 | 2 x 5 years | 59,133 | 28.3% | $ 4,469,649 | 96.1% | $ 75.59 |
| **Total/Weighted Average** | | | | **59,133** | **28.3%** | **$ 4,469,649** | **96.1%** | **$ 75.59** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.4 million.

*2099 Pennsylvania Avenue Lease Expirations*

The following table sets forth the lease expirations for leases in place at 2099 Pennsylvania Avenue as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2013 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases | Rentable Square Feet | Expiring Square Feet as a % of | Annualized Rent | Annualized Rent as a % of | Annualized Rent Per | Annualized Rent at Expiration[(2)] | Expiring Rent Per |
|---|---|---|---|---|---|---|---|---|

| | Expiring | | Total | | Total | Leased Square Foot | | Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 142,764 | 68.4% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | | | | | | | | |
| 2015 | | | | | | | | |
| 2016 | | | | | | | | |
| 2017 | | | | | | | | |
| 2018 | | | | | | | | |
| 2019 | | | | | | | | |
| 2020 | | | | | | | | |
| 2021[(1)] | 1 | | | $ 180,000 | 3.9% | | $ 180,000 | |
| 2022 | | | | | | | | |
| 2023 | | | | | | | | |
| Thereafter | 1 | 59,133 | 28.3 | 4,469,649 | 96.1 | $ 75.59 | 5,220,403 | $ 88.28 |
| Signed leases not commenced | 1 | 4,742 | 2.3 | | | | 351,430 | 74.11 |
| Building management use | | 1,183 | 0.6 | | | | | |
| BOMA adjustment | | 814 | 0.4 | | | | | |
| **Total** | **3** | **208,636** | **100.0%** | **$ 4,649,649** | **100.0%** | **$ 75.59** | **$ 5,751,833** | **$ 87.23** |

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(1) Figures represent parking structure lease with no associated rentable square feet.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014 on a gross basis. Abatements committed to for the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.4 million.

*2099 Pennsylvania Avenue Percent Leased and Base Rent*

| Date | Percentage Leased (1) | Annualized Rent Per Leased Square Foot (2)(3) |
|---|---|---|
| September 30, 2014 | 31.6% | $ 46.64 |
| December 31, 2013 | 28.9 | |
| December 31, 2012 | 74.8 | 36.48 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(3) Figures presented on a net basis and do not include reimbursement revenue.

**East End Submarket**

The East End is to the east of the Central Business District and to the north of the National Mall, generally bounded by 5th Street, NW to the east, 15th Street, NW to the west, Massachusetts Avenue to the north and Pennsylvania Avenue to the south. It shares a similar tenant base as that of the Central Business District, albeit with a more modern office building inventory due to the lack of developable land in the CBD. A hub for tourists, the submarket is located close to most of the District of Columbia s museums, such as the Smithsonian National Museum of Natural History, the Smithsonian National Museum of American History, the Smithsonian National Air and Space Museum, the National Portrait Gallery and the National Archives, the Walter E. Washington Convention Center and the Verizon Center. The East End is well-positioned for government-related businesses because of its proximity to the White House and Capitol Hill, and is well-served by mass transportation. As of the third quarter of 2014, the East End submarket contained 36.9 million square feet, with a 12.4% overall vacancy rate and 11.5% direct vacancy with the remainder through sublease. Leasing activity totaled more than 1.2 million square feet in 2013. Class A office asking rental rates are second only to the CBD, with a weighted average Class A office rental rate of $63.38 per square foot and average rental rate of $53.56 per square foot for all classes of office space in the third quarter of 2014. In 2013, the East End submarket recorded the second highest leasing activity among District of Columbia submarkets, second only to the CBD submarket, with 1.2 million square feet leased, not including renewals.

As of the third quarter of 2014, 991,000 square feet of office space was under construction in the East End submarket. 601 Massachusetts Avenue is scheduled to come online in 2015, with Arnold & Porter LLP to occupy 375,000 square feet in the 478,000 square foot building. Also in the East End, the speculative building at 900 G Street, NW is scheduled for delivery in early 2015, bringing 112,000 square feet of space online. Breaking ground in the third quarter of 2014, 600 Massachusetts Avenue is expected to come online in the first quarter of 2017 and bring more than 400,000 square feet to market. Venable LLP will anchor the building, which was 61% pre-leased as of the third quarter of 2014.

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The following chart shows Class A office property rental rates and occupancy rates for the East End submarket as compared to the overall District of Columbia market over the previous 12 years.

***425 Eye Street***

Our predecessor acquired 425 Eye Street in 2005. Originally built in 1973, the seven-story building was fully renovated in 2010. The building is approximately 380,090 rentable square feet and is comprised of premier office space, 266 parking spaces on two levels of below-grade parking and ground-floor retail space. It occupies the north west corner of Eye Street, NW and 4th Street, NW and is located in the center of the Mount Vernon Triangle area of Washington, D.C. The surrounding area benefits from close proximity to Union Station and immediate access to Downtown Washington, D.C. and Capitol Hill. The property is within blocks of the Gallery Place/Chinatown metro station (Red, Yellow and Green Lines) and the Judiciary Square metro station (Red Line). Additional amenities include state-of-the-art security provided by the U.S. Federal Government as part of its tenancy of 78.9% of the building, including manned check-in, metal detection and surveillance cameras. In addition, the property has a 12,000 square foot state-of-the-art Secure Compartmentalized Information Facility area.

425 Eye Street received a LEED Gold for Core and Shell certification in 2011 and a LEED Silver for Commercial Interiors certification in 2013. In addition, the building won Energy Star Awards in both 2012 and 2013.

*425 Eye Street Primary Tenant*

The following table summarizes information regarding the primary tenant of 425 Eye Street as of September 30, 2014:

| **Tenant** | **Principal Nature of Business** | **Lease Expiration** [1] | **Renewal Options** | **Total Leased Square Feet** | **Percent of Property Square Feet** | **Annualized Rent** [2] | **Percent of Property Annualized Rent** | **Annualized Rent Per Square Foot** |
|---|---|---|---|---|---|---|---|---|
| U.S. General Services Administration [3] | Government | 6/6/2021-8/7/2022 | | 299,746 | 78.9% | $ 12,903,385 | 95.2% | $ 43.05 |
| **Total / Weighted Average** | | | | **299,746** | **78.9%** | **$ 12,903,385** | **95.2%** | **$ 43.05** |

(1) Does not include the month-to-month leases for storage space.

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(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. As of September 30, 2014, there were no abatements for these tenants for the 12 months ending September 30, 2015.

(3) Tenant signed a lease expansion for 10,704 square feet on May 8, 2014 to commence 118 working days thereafter. This lease expansion amended the original lease to remove the early termination option.

*425 Eye Street Lease Expirations*

The following table sets forth the lease expirations for leases in place at 425 Eye Street as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [1] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 47,787 | 12.6% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | | | | | | | | |
| 2015 | | | | | | | | |
| 2016 | 1 | | | $ 264,000 | 1.9% | | $ 264,000 | |
| 2017 | | | | | | | | |
| 2018 [2] | 1 | | | 42,630 | 0.3 | | 42,630 | |
| 2019 | | | | | | | | |
| 2020 | | | | | | | | |
| 2021 | 1 | 285,434 | 75.1 | 12,273,662 | 90.6 | $ 43.00 | 12,273,662 | $ 43.00 |
| 2022 | 1 | 14,312 | 3.8 | 629,723 | 4.6 | 44.00 | 771,989 | 53.94 |
| 2023 | 2 | 5,438 | 1.4 | 226,340 | 1.7 | 41.62 | 292,629 | 53.81 |
| Thereafter | 1 | 3,169 | 0.8 | 117,253 | 0.9 | 37.00 | 150,084 | 47.36 |
| Signed leases not commenced | 1 | 10,704 | 2.8 | | | | 622,116 | 58.12 |
| Building management use | | | | | | | | |
| BOMA adjustment | | 13,246 | 3.5 | | | | | |
| **Total** | **8** | **380,090** | **100.0%** | **$ 13,553,608** | **100.0%** | **$ 43.10** | **$ 14,417,111** | **$ 44.36** |

(1) Based on an annualization of September 2014 base rent. Abatements committed to for leases commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.2 million.

(2) Figures represent signage lease with no associated rentable square feet.

*425 Eye Street Percent Leased and Base Rent*

| Date | Percentage Leased (1) | Annualized Rent Per Leased Square Foot (2) |
|---|---|---|
| September 30, 2014 | 87.4% | $ 43.10 |
| December 31, 2013 | 84.6 | 44.00 |
| December 31, 2012 | 83.0 | 42.28 |
| December 31, 2011 | 81.5 | 43.00 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

***Liberty Place***

Our predecessor acquired Liberty Place in 2011. Located just off Pennsylvania Avenue and situated equidistant from the White House and U.S. Capitol, Liberty Place consists of a 12-story, 174,201 rentable square foot Class A office tower that was constructed in 1991 and integrated with the historic, landmarked Fireman s Fund building, which was originally built in 1882. The property combines classic 19th-century design with the functionality of a modern office building and features 16,000 square foot floor plates, which are well suited for government affairs tenants. The property also contains a four-level, underground parking garage. Liberty Place is situated at the intersection of 7th Street, NW and Indiana Avenue, NW, just off of Pennsylvania Avenue, in the heart of the historic Penn Quarter neighborhood of downtown Washington, D.C. The U.S. National Mall lies three blocks to the south, while the National Archives and three Metrorail lines are located diagonally opposite of Liberty Place. The Gallery Place/Chinatown metro station lies three blocks to the north and provides access to a fourth Metrorail line. The Penn Quarter offers one of the largest, most diverse amenity bases in downtown Washington, D.C., in large part due to revitalization efforts and new development along the 7th Street Corridor near the Verizon Center. Notable landmarks such as Ford s Theater, the Smithsonian American Art Museum, and the Shakespeare Theater are surrounded by high-end retailers, premier restaurants, and a vibrant nightlife. The Verizon Center, the neighborhood s main attraction, is a state-of-the-art arena that seats over 20,000 patrons and serves as a major venue to over 200 concerts, sporting contests, and other events each year.

The building received a LEED Silver certification in 2011 and won Energy Star Awards in 2012 and 2013.

*Liberty Place Primary Tenants*

The following table summarizes information regarding the primary tenants of Liberty Place as of September 30, 2014:

| **Tenant** | **Principal Nature of Business** | **Lease Expiration [1]** | **Renewal Options** | **Total Leased Square Feet** | **Percent of Property Square Feet** | **Annualized Rent [2][3]** | **Percent of Property Annualized Rent** | **Annualized Rent Per Square Foot [3]** |
|---|---|---|---|---|---|---|---|---|
| FTI Consulting (Government Affairs), LLC | Management Consulting | 01/31/2020 | 1x5 years | 16,661 | 9.6% | $ 1,184,830 | 17.6% | $ 71.11 |
| ConocoPhillips Company [4] | Petroleum Refing | 12/31/2023 | 2x5 years | 13,375 | 7.7 | 742,313 | 11.0 | 55.50 |
| **Total / Weighted Average** | | | | **30,036** | **17.2%** | **$ 1,927,143** | **28.6%** | **$ 64.16** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014 on a gross basis. This amount reflects total cash before abatements. Abatements committed to for the tenants above as of

September 30, 2014 for the 12 months ending September 30, 2015 were $0.2 million.

(3) Amount includes September 2014 reimbursement revenue annualized.

(4) Tenant possesses a termination option that may not be exercised before December 31, 2020.

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*Liberty Place Lease Expirations*

The following table sets forth the lease expirations for leases in place at Liberty Place as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a% of Total | Annualized Rent (1)(2) | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot (1) | Annualized Rent at Expiration (2) | Expiring Rent Per Square Foot (2) |
|---|---|---|---|---|---|---|---|---|
| Available | | 61,277 | 35.2% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | | | | | | | | |
| 2015 | 2 | 8,546 | 4.9 | $ 955,718 | 14.2% | $ 66.81 | $ 955,718 | $ 66.81 |
| 2016 | 3 | 17,495 | 10.0 | 1,075,387 | 16.0 | 61.47 | 1,205,977 | 68.93 |
| 2017 | 1 | 3,933 | 2.3 | 294,929 | 4.4 | 74.99 | 309,388 | 78.66 |
| 2018 | | | | | | | | |
| 2019 | 6 | 23,796 | 13.7 | 1,846,683 | 27.4 | 77.60 | 1,940,059 | 81.53 |
| 2020 | 2 | 21,135 | 12.1 | 1,413,004 | 21.0 | 66.86 | 1,493,028 | 70.64 |
| 2021 | 1 | 5,560 | 3.2 | 408,829 | 6.0 | 73.53 | 472,991 | 85.07 |
| 2022 | | | | | | | | |
| 2023 | 1 | 13,375 | 7.7 | 742,312 | 11.0 | 55.50 | 906,959 | 67.81 |
| Thereafter | | | | | | | | |
| Signed leases not commenced | 1 | 13,811 | 7.9 | | | | 821,616 | |
| Building management use | | 3,213 | 1.8 | | | | | |
| BOMA adjustment | | 2,064 | 1.2 | | | | | |
| **Total** | **17** | **174,205** | **100.0%** | **$ 6,736,862** | **100.0%** | **$ 67.69** | **$ 8,105,737** | **$ 71.72** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014 on a gross basis. This amount reflects total cash before abatements. Abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015 were $0.4 million.

(2) Amount includes September 2014 reimbursement revenue annualized.

*Liberty Place Percent Leased and Base Rent*

| Date | Percentage Leased (1) | Annualized Rent Per Leased Square Foot (2) (3) |
|---|---|---|

| | | | |
|---|---|---|---|
| September 30, 2014 | 64.8%[4] | $ | 46.41 |
| December 31, 2013 | 99.3 | | 49.92 |
| December 31, 2012 | 100.0 | | 51.21 |
| December 31, 2011 | 100.0 | | 50.26 |

(1) Based on leases signed as of the dates indicated above and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

(3) Figures are presented on a net basis and do not include reimbursement revenue.

(4) Does not reflect a lease for 6,663 rentable square feet that was signed October 27, 2014, which would increase percentage leased to 68.6%.

**Rosslyn Submarket**

The Rosslyn submarket, an extension of the Washington, D.C. office market, is bounded by the Potomac River to the north and east, North Rhodes Street and North Queen Street to the west, and Fort Myers and Arlington National Cemetery to the south. Rosslyn is located within Arlington County, which is across from the District of Columbia on the South Bank of the Potomac River and is inside the Beltway, the highway that encircles the D.C. area. A mixed-use area

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including office, retail and residential, Arlington County serves as the headquarters for many departments and agencies of the federal government, as well as for many government contractors and service organizations. The submarket s already excellent access to transportation will shortly improve with the extension of the Washington Metro s rapid transit system s Silver Line to Tysons Corner and Reston in Northern Virginia, and eventually to Dulles International Airport. Opened in mid-2014, Rosslyn is the first stop in Virginia on this new extension and is one of three interchange points on the Metrorail system west of the Potomac River. The Rosslyn submarket included 8.8 million square feet of space as of the third quarter of 2014, with 30.4% overall vacancy and 29.5% direct vacancy, with the remainder available through sublease. Typically, vacancy in the Rosslyn submarket is much lower, but 1812 North Moore came online vacant during 2013, bringing more than 524,000 square feet of unoccupied space to market. Leasing activity totaled more than 145,000 square feet in 2013. Rosslyn commands the highest asking rents in the Northern Virginia market, with an average asking rental rate of $45.99 per square foot and Class A office average asking rental rate of $55.51 per square foot in the third quarter of 2014.

No projects were under construction as of the third quarter of 2014 in the Rosslyn submarket. RCG expects very limited new supply through the near to medium term, as an elevated level of vacant space and high construction costs are expected to deter new development.

The following chart shows Class A office property rental rates and occupancy rates for the Rosslyn submarket as compared to the Northern Virginia market over the previous 12 years.

***Waterview***

Our predecessor acquired the Waterview office building in mid-development in 2007 and completed the development later that year. The JBG Companies, one of the area s preeminent developers, began development of this premier office building, designed by James Ingo Freed of Pei Cobb Freed & Partners, as part of a larger mixed-use project. The 24-story, approximately 647,243 rentable square foot office tower, located on the banks of the Potomac River, offers excellent views of Washington, D.C. and the Potomac and includes approximately 5,500 square feet of retail space. On the office floors, the property s light-filled floor plates are approximately 30,000 square feet. The property is located on the east side of North Lynn Street and has close access to various modes of transportation. Two Metrorail lines are within one block of the property, providing service to various locations in Virginia, Washington, D.C. and Maryland, including service to Ronald Reagan National Airport. Ideally located, the building is situated within walking distance of Georgetown via the Key Bridge and at the crossroads of the area s transportation corridors. The property also has a parking garage with total of 901 spaces spread over the six-level garage (three below ground levels and three above ground levels), of which 188 spaces are sold to the condo owners in the adjacent tower.

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Waterview won the BOMA 360 Performance Award in 2012 and received a LEED Gold certification in 2012. In addition, the building has won the Energy Star Award every year since 2009.

*Waterview Primary Tenant*

The following table summarizes information regarding the primary tenant of Waterview as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (1) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| The Corporate Executive Board Company | Commercial, Economic, Sociological, and Educational Research | 1/31/2028 | 2x5 years | 625,062 | 96.6% | $ 29,254,350 | 93.7% | $ 46.80 |
| **Total / Weighted Average**. | | | | **625,062** | **96.6%** | **$ 29,254,350** | **93.7%** | **$ 46.80** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. There were no abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015.

*Waterview Lease Expirations*

The following table sets forth the lease expirations for leases in place at Waterview as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent (1) | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 7,169 | 1.1% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 1 | | | $ 1,729,896 | 5.5% | | $ 1,729,896 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2015 | | | | | | | | |
| 2016 | | | | | | | | |
| 2017 | | | | | | | | |
| 2018 | | | | | | | | |
| 2019 | | | | | | | | |
| 2020 | 1 | 762 | 0.1 | 33,357 | 0.1 | $ 43.77 | 39,830 | $ 52.27 |
| 2021 | 1 | 2,549 | 0.4 | 194,975 | 0.6 | 76.49 | 239,784 | 94.07 |
| 2022 | | | | | | | | |
| 2023 | | | | | | | | |
| Thereafter | 2 | 625,062 | 96.6 | 29,254,349 | 93.7 | 46.80 | 37,827,158 | 60.52 |
| Signed leases not commenced | | | | | | | | |
| Building management use | | | | | | | | |
| BOMA adjustment | | 11,701 | 1.8 | | | | | |
| **Total** | **5** | **647,243** | **100.0%** | **$ 31,212,577** | **100.0%** | **$ 49.67** | **$ 39,836,668** | **$ 63.40** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. There were no abatements committed to for commenced leases as of September 30, 2014 for the 12 months ending September 30, 2015.

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*Waterview Percent Leased and Base Rent*

| Date | Percentage Leased [1] | Annualized Rent Per Leased Square Foot [2] |
|---|---|---|
| September 30, 2014 | 98.9% | $ 49.67 |
| December 31, 2013 | 98.9 | 46.23 |
| December 31, 2012 | 99.1 | 45.41 |
| December 31, 2011 | 99.0 | 44.58 |
| December 31, 2010 | 99.0 | 43.67 |
| December 31, 2009 | 98.6 | 42.88 |

(1) Based on leases signed by rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

Upon completion of this offering and the formation transactions, we will wholly-own 100% of our properties in Washington, D.C.

**San Francisco, California**

Our San Francisco, California property is located in one of the most desirable San Francisco submarkets: the South Financial District submarket. The following map shows the location of the South Financial District in San Francisco.

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**South Financial District Submarket**

The South Financial District office submarket includes buildings south of Market Street, west of the Embarcadero waterfront, east of Third Street, and north of Harrison Street. In the South Financial District submarket, the tenant mix includes technology, professional services, media and other creative industries. The South Financial District submarket benefits from an abundance of retail, restaurant and entertainment options, access to waterfront space and views, ample public transportation links, and proximity to a highly dynamic workforce. Office rental rates increased strongly in recent years, as the expanding high tech industry propelled demand. As of the third quarter of 2014, the weighted average Class A office rental rate was $63.72 per square foot with an average of $59.54 per square foot for all classes of office space. Leasing activity totaled 2.1 million square feet during 2013 and nearly 3 million square feet in the first three quarters of 2014, sending the overall vacancy rate down to 8.7%, with a direct vacancy rate of 7.3%.

Approximately 575,000 square feet will come online in the South Financial District during 2014. 505 Howard Street, anchored by Neustar, came online during the first quarter and 535 Mission Street, anchored by Trulia, is expected to come online in the fall. Both projects are located in the South Financial District. In 2015, six more projects are scheduled to come online in the South Financial District: 333 Brannan Street and 345 Brannan Street which will form the new Dropbox campus; 390 Main, the future home of the Metropolitan Transportation Commission; 270 Brannan Street which will be fully-occupied by Splunk; 222 Second Street, which is 100% leased by LinkedIn and 350 Mission, which is fully leased to Salesforce.com. In 2016, 181 Fremont Street, a mixed-use office and residential project, is scheduled for completion. All of the major office projects currently under construction are substantially preleased. In addition, the Salesforce Tower should reach completion in 2017 in the South Financial District. Adjacent to the under-construction Transbay Transit Center, which would serve as a transit hub for the region, this project would bring 1.5 million square feet to market and become the tallest building on the West Coast.

The following chart shows Class A office property rental rates and occupancy rates for the South Financial District submarket as compared to the San Francisco CBD market over the previous 14 years.

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***One Market Plaza***

Our predecessor acquired its interest in One Market Plaza in 2007. Constructed in 1976, One Market Plaza is a Class A office building in a premier waterfront location. Originally developed by Southern Pacific Railroad, the two towers, 42-story Spear Street Tower and 27-story Steuart Street Tower, which comprise 1,611,125 square feet of office and retail space, are situated directly on the Embarcadero, San Francisco s waterfront boulevard. Situated at the end of Market Street, One Market Plaza occupies a prime location in San Francisco s Financial District with views of the San Francisco Bay and Market Street from both low and high-rise floors. One Market Plaza provides tenants with amenities that include approximately 55,000 square feet of retail space, access to restaurants and access to diverse cultural attractions. The property is currently undergoing a $20 million lobby and retail repositioning. The property has close access to the Bay Bridge, Interstates 80 and 280 and Highway 101. San Francisco s transportation infrastructure will be further enhanced with the completion of the Transbay Transit Center redevelopment, located minutes from One Market Plaza. This over $4 billion program will create a modern regional transit hub connecting eight Bay Area counties and other communities in California through 11 transit systems.

The property received the 2012 BOMA San Francisco Earth Award (over 600,000 square feet category) 3rd Place and the 2011 BOMA 360 Performance Award. One Market Plaza received a LEED Gold certification in 2012 and has won Energy Star Awards every year since 2010.

*One Market Plaza Primary Tenants*

The following table summarizes information regarding the primary tenants of One Market Plaza as of September 30, 2014:

| Tenant | Principal Nature of Business | Lease Expiration (1) | Renewal Options | Total Leased Square Feet | Percent of Property Square Feet | Annualized Rent (2) | Percent of Property Annualized Rent | Annualized Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Morgan Lewis & Bockius, LLP (3) | Legal Services | 2/28/2021 | 2x5 years | 155,543 | 9.7% | $ 7,864,345 | 10.7% | $ 50.56 |
| Autodesk, Inc. (4) | Software | 12/31/2020 | 2x5 years | 144,802 | 9.0 | 7,418,700 | 10.1 | 51.23 |
| Capital Research Company | Financial Services | 10/31/2016 | 2x5 years | 94,128 | 5.8 | 5,669,244 | 7.7 | 60.23 |
| Visa | Financial Services | 9/30/2026 | 2x5 years | 72,405 | 4.5 | 4,416,705 | 6.0 | 61.00 |
| RPX Corporation | Patent Owners and Lessors | 10/31/2019 | 1x5 years | 67,059 | 4.2 | 4,026,867 | 5.5 | 60.05 |
| Duane Morris, LLP (5) | Legal Services | 9/30/2019 | 1x3 years | 50,161 | 3.1 | 3,222,844 | 4.4 | 64.25 |
| | | 6/30/2016 | 3x5 years | 44,220 | 2.7 | 1,901,460 | 2.6 | 43.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Landmark Venture Holdings, LLC | Financial Services | | | | | | | |
| Schiff Hardin, LLP | Legal Services | 12/31/2018 | 1x5 years | 41,422 | 2.6 | 2,263,200 | 3.1 | 54.64 |
| Regus Equity Business Centers, LLC | Business Services | 9/30/2016 | 1x5 years | 39,242 | 2.4 | 2,344,710 | 3.2 | 59.75 |
| PG&E Corp. | Energy | 2/28/2022 | 1x5 years | 38,509 | 2.4 | 2,310,540 | 3.2 | 60.00 |
| **Total / Weighted Average** | | | | **747,491** | **46.4%** | **$ 41,438,615** | **56.5%** | **$ 55.44** |

(1) Does not include the month-to-month leases for storage space.

(2) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to the tenants above as of September 30, 2014 for the 12 months ending September 30, 2015 were $1.7 million.

(3) Tenant possesses a termination option which may only be exercised effective March 1, 2018.

(4) Tenant possesses a termination option relating to 36,436 square feet of leased space, which may only be exercised effective December 31, 2016 upon payment of a termination fee of $1.3 million.

(5) Tenant possesses a termination option which may only be exercised effective September 30, 2016.

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*One Market Plaza Lease Expirations*

The following table sets forth the lease expirations for leases in place at One Market Plaza as of September 30, 2014 for each of the 10 calendar years beginning with the year ending December 31, 2014 and thereafter. Unless otherwise stated in the footnotes, the information set forth in this table assumes that tenants exercise no renewal options or early termination rights.

| | Number of Leases Expiring | Rentable Square Feet | Expiring Square Feet as a % of Total | Annualized Rent [(1)] | Annualized Rent as a % of Total | Annualized Rent Per Leased Square Foot | Annualized Rent at Expiration | Expiring Rent Per Square Foot |
|---|---|---|---|---|---|---|---|---|
| Available | | 44,317 | 2.8% | | | | | |
| 2014 (October 1, 2014 to December 31, 2014) | 19 | 32,462 | 2.0 | $ 2,211,553 | 3.0% | $ 68.13 | $ 2,211,553 | $ 68.13 |
| 2015 | 10 | 50,858 | 3.2 | 3,267,937 | 4.5 | 64.26 | 3,464,635 | 68.12 |
| 2016 | 15 | 255,866 | 15.9 | 15,753,163 | 21.5 | 61.57 | 16,269,566 | 63.59 |
| 2017 | 6 | 74,832 | 4.6 | 3,907,900 | 5.3 | 52.22 | 4,127,868 | 55.16 |
| 2018 | 8 | 137,562 | 8.5 | 7,526,154 | 10.3 | 54.71 | 8,155,667 | 59.29 |
| 2019 | 6 | 146,913 | 9.1 | 9,589,772 | 13.1 | 65.28 | 10,420,656 | 70.93 |
| 2020 | 5 | 197,239 | 12.2 | 11,540,867 | 15.7 | 58.51 | 13,178,489 | 66.81 |
| 2021 | 3 | 178,977 | 11.1 | 9,500,644 | 13.0 | 53.08 | 10,613,036 | 59.30 |
| 2022 | 3 | 46,321 | 2.9 | 2,874,090 | 3.9 | 62.05 | 3,005,495 | 64.88 |
| 2023 | | | | | | | | |
| Thereafter | 8 | 101,106 | 6.3 | 7,129,719 | 9.7 | 57.80 | 9,512,385 | 81.36 |
| Signed leases not commenced | 5 | 292,527 | 18.2 | | | | 24,514,159 | 83.80 |
| Building management use | | 640 | 0.0 | | | | | |
| BOMA adjustment | | 51,505 | 3.2 | | | | | |
| **Total** | **88** | **1,611,125** | **100.0%** | **$ 73,301,800** | **100.0%** | **$ 58.93** | **$ 105,473,511** | **$ 68.79** |

(1) Represents annualized monthly contractual rent under leases commenced as of September 30, 2014. This amount reflects total cash before abatements. Abatements committed to for leases commenced as of September 30, 2014 for the 12 months ending September 30, 2015 were $1.8 million.

*One Market Plaza Percent Leased and Base Rent*

| Date | Percentage Leased [(1)] |
|---|---|

| | | Annualized Rent Per Leased Square Foot [2] | Net Effective Annual Rent Per Leased Square Foot [3] |
|---|---|---|---|
| September 30, 2014 | 97.2% | $ 58.93 | $ 60.06 |
| December 31, 2013 | 93.1 | 53.80 | 52.80 |
| December 31, 2012 | 94.8 | 52.33 | 52.72 |
| December 31, 2011 | 91.5 | 52.06 | 55.15 |
| December 31, 2010 | 91.9 | 53.00 | 58.03 |
| December 31, 2009 | 91.9 | 51.96 | 55.97 |

(1) Based on leases signed as of the dates indicated above and calculated as total rentable square feet less available square feet divided by total rentable square feet.

(2) Annualized rent per leased square foot is calculated by dividing (i) cash base rent (before abatements) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

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(3) Net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The building and improvements to the property are being depreciated on a straight-line basis over their estimated useful lives of 39 years. The current real estate tax rate for One Market Plaza is $11.74 per $1,000 of assessed value. Real estate taxes for the year ended December 31, 2013 were $9.4 million.

*One Market Plaza Joint Venture*

As of December 31, 2013, private equity real estate funds controlled by our management company owned a 75.0% interest in the joint venture that owned One Market Plaza. In March 2014, one of the private equity real estate funds controlled by our management company purchased the remaining 25.0% interest in this joint venture, following which we owned 100.0% of this joint venture. Subsequently, on July 23, 2014, an independent global investment and advisory firm acquired a 49.0% interest in this joint venture. Accordingly, because we will own a 49.0% interest in the joint venture and we will indirectly wholly own the general partner of a limited partnership that owns a 2.0% interest in the joint venture, we will effectively have 51.0% voting power in connection with the property and the property is subject to the rights of that third party.

We will serve as the general partner of the joint venture in charge of its day-to-day operations with the overall authority to make decisions regarding the joint venture. Our joint venture partner has an approval right in connection with certain major decisions, including, but not limited to, encumbering the property, incurring additional debt or modifying the terms of existing debt and acquiring additional properties. Our joint venture partner has the right to remove us as the general partner of the joint venture under certain circumstances, including in connection with a material default in our performance of an undertaking as the general partner that either would (i) have a material adverse effect on the joint venture or the property or (ii) if such default was willful. In the event we desire to transfer, sell or assign any portion of our interest in the joint venture to a third party at any time before October 23, 2015, our joint venture partner shall have the right to consent to the transfer. On or after October 23, 2015, under certain circumstances, if we desire to consummate a transfer of our interests to an unaffiliated third party that is not expressly permitted pursuant to the terms of the joint venture agreement, our joint venture partner will have the right to elect to purchase our interests subject to certain conditions. The joint venture agreement also contains a forced sale provision, under which at any time on or after March 31, 2021, we and our joint venture partner may exercise a forced sale right. Upon exercise of this right, we and our joint venture partner have 60 days to negotiate a mutually agreeable transaction regarding the property. If we cannot mutually agree upon a transaction, then we will work together in good faith to market the property in a commercially reasonable manner and neither we nor our joint venture partner will be allowed to bid on the property. If the partner that sent the notice, after consultation with the partner that received the notice and a qualified broker, finds a third-party bid for the property acceptable, the joint venture will cause the property to be sold.

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### Real Estate Funds, Property Management and Other Assets

The following table sets forth the private equity real estate funds and other assets that we will hold or manage following the consummation of the formation transactions. None of our executive officers have any interests, other than as a result of our interests, in these funds or other assets.

| Fund / Asset | Percentage Ownership | Description |
|---|---|---|
| **Funds / Fund Assets** | | |
| 60 Wall Street | 5.12% | Office building located in New York, NY. |
| | | Held through Funds II and III, which collectively own a 62.3% interest, and the remainder is owned by the funds joint venture partner. |
| | | Cash NOI for the nine months ended September 30, 2014 was $49.7 million. |
| | | The property is encumbered by a mortgage with a balance of $925.0 million and a fixed interest rate of 5.77% that matures in June 2017. |
| | | We will hold a 2-year option to acquire this property. See 60 Wall Street - Option Agreement below. |
| One Market Plaza | 0.06% | Held through Fund III, which will hold a 2.0% interest. |
| Paramount Group Real Estate Special Situations Fund, L.P. and parallel funds, or PGRESS | 4.9% | Focused on debt and preferred equity investments. Pro forma as of September 30, 2014, held $93.9 million(1) of assets. Investment period ends December 31, 2014; 42.0% of total equity commitments invested as of September 30, 2014. |
| Paramount Group Real Estate Fund VII, LP and parallel fund, or Fund VII | 7.2% | Focused on investing in value-add office properties in major U.S. CBDs. Fund VII holds a 42.78% interest in a joint venture that owns 50 Beale Street, an office building in San Francisco, which was purchased by the joint venture for $395.0 million on September 9, 2014. Fund VII has invested $82.0 million of its $139.6 million of total equity commitments as of September 30, 2014. |
| Paramount Group Residential Development Fund, LP, or RDF | 7.4% (2) | Focused on development of a multifamily residential project in San Francisco, CA, with $75.6 million invested and $135.6 million of total capital |

| | | |
|---|---|---|
| | | commitments as of September 30, 2014. |
| Paramount Group Real Estate Fund VIII, LP, or Fund VIII | TBD (3) | Expected to focus primarily on debt and preferred equity investments.<br><br>Not yet closed; targeting $400 million of committed capital. |
| **Other Assets / Managed Assets** | | |
| 745 Fifth Avenue | 1.0% | Office building located in New York, NY that we manage, but which is controlled by the principal third-party owner.<br>Cash NOI for the nine months ended September 30, 2014 was $20.5 million.<br><br>The property is encumbered by a mortgage with a balance of $180.0 million and a fixed interest rate of 4.89% that matures in October 2020.<br><br>The property has a $20.0 million line of credit with $10.0 million drawn as of September 30, 2014 and an interest rate of 3-month LIBOR + 200 bps. |
| Oder-Center Schwedt | 9.5% | Shopping center located in Brandenburg, Germany contained in joint venture controlled by the Otto family.<br><br>2.375% of our interest was acquired by our predecessor as of September 26, 2014. The remaining 7.125% interest was acquired after September 30, 2014. The total cost for our interest was $4.1 million. |
| 718 Fifth Avenue | NA | Retail property located in New York, NY that we manage.<br><br>Former joint venture partner has a put right to the 712 Fifth Avenue joint venture at fair market value for its interests in the property. |
| Commercial National Bank Building | NA | Office building located in Washington, D.C. that we manage.<br><br>Owned by the Otto family. |

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(1) Excludes PGRESS s investments (i) in One Market Plaza, which was sold on July 23, 2014 and proceeds of approximately $90.5 million distributed to its investors on August 21, 2014 and (ii) a 666 Fifth Avenue First Mortgage which was sold on September 24, 2014 for net proceeds of $25.8 million which was distributed to its investors on September 30, 2014. At September 30, 2014 the fair market value of the remaining assets was $93.9 million, which included cash of $5.1 million. The stated principal amounts and yield of each investment is set forth in the table below (dollars in thousands):

| Asset | Stated Principal Amount | Stated Dividend/ Interest Rate |
|---|---|---|
| One Court Square Equity | $ 35,000 | 15.0% |
| 2 Herald Square Preferred Equity | 12,500 | 10.3 |
| 470 Vanderbilt Preferred Equity | 33,750 | 10.3 |

(2) Percentage based on total capital commitments as of September 30, 2014 and is subject to change upon subsequent closings. We have invested $10.0 million in a general partner interest.

(3) We expect to invest $10.0 million in a general partner interest. Percentage to be based on total capital commitments.

After the formation transactions we will provide property management and asset management services to six private equity real estate funds (and their associated parallel funds) through our indirectly wholly owned subsidiaries. The investors in the private equity real estate funds currently consist of, or will consist of, certain institutions and high-net-worth individuals, including the Otto family. The six private equity real estate funds are Fund II and Fund III (whose sole assets are interests in 60 Wall Street and One Market Plaza), PGRESS, Fund VII, RDF and Fund VIII. For the services that we provide to these private equity real estate funds, we will receive certain fees such as property management fees and asset management fees, and we will also receive, except for Fund II and Fund III, promoted interests if certain performance thresholds are met.

We have the ability, but not the obligation, to co-invest with PGRESS and Fund VII on new investments by those funds going forward to the extent it is determined that it is in the best interest of us and the fund making the investment. In connection with any property that we co-invest in with Fund VII, Fund VII will have the authority, subject to our consent in limited circumstances, to make most of the decisions in connection with such property. We will have the option (but not the obligation) of participating in each of Fund VIII s investments in debt or preferred equity for up to 25% of the total investment, and in each of Fund VIII s equity investments for up to 50% of the total investment, and may, where it is attractive to us and determined to be in the best interest of Fund VIII, acquire greater percentages of a given investment opportunity.

In connection with the formation of Fund VII we agreed that we would make all investments that meet its stated investment objectives through Fund VII (provided that Fund VII is able to participate in the investment and subject to our ability to co-invest), until the fund is substantially committed or July 18, 2017, unless we, as the general partner of Fund VII, choose to extend it until July 18, 2018. We expect that, subject to certain prior rights granted to other of our private equity real estate funds, we would make all investments that meet Fund VIII s stated investment objectives through Fund VIII (provided that Fund VIII is able to participate in the investment and subject to our right to co-invest), until the fund is substantially committed or the end of the fund s investment period, which is expected to be four and one half years after the initial closing of the fund, unless we, as the general partner of Fund VIII, choose to extend the period an additional year.

In addition to the property management services that we will provide to the private equity real estate funds that will continue holding assets following the formation transactions, we also have agreements to provide property management services for the following buildings: (i) the Commercial National Bank Building, Washington, D.C.; (ii) 718 Fifth Avenue, New York, New York and (iii) 745 Fifth Avenue, New York, New York. We will receive certain fees in connection with the property management services that we provide with respect to those properties. Although we do not expect the asset and property management business to represent a significant portion of our revenues going forward after the formation transactions, the fees we earn in connection with that business should enhance our potential for higher overall returns.

***60 Wall Street - Option Agreement***

We own an interest in 60 Wall Street, New York, New York through Fund II and Fund III, which collectively own an aggregate of 62.3% of a joint venture that owns the property, and the remainder is owned by the funds joint venture partner. 60 Wall Street is a 47-story, 1,625,483 rentable square foot building built in 1989, which underwent an extensive $250 million capital improvement program in 2001 to upgrade infrastructure, office facilities, trading floors and amenities. The Class A office tower is located steps from the New York Stock Exchange in the heart of New York s financial district, features a two-story retail arcade and enclosed park on the ground floor and serves as the American headquarters of Deutsche Bank. The property is 100% net leased to Deutsche Bank through 2022. Deutsche Bank has five five-year renewal options to extend the lease term through 2047 and a contraction option on up to 174,420 rentable square feet exercisable between June 2017 and June 2018. Annualized rent as of September 30, 2014 was $67,000,372, or $41.22 per square foot, and annualized rent at expiration, assuming the contraction option is not exercised, is expected to be $73,599,945, or $45.28 per square foot.

In connection with the formation transactions, we have entered into an option agreement with each of Fund II and Fund III pursuant to which we will have the right to acquire their interests in the joint venture that owns 60 Wall Street. We will have the right to acquire these interests at any time for up to two years after the completion of this offering at a purchase price based on the fair market value of the property, subject to a minimum floor price, and the net value of the other assets and liabilities of the joint venture on the date on which the option is exercised. In order to determine the fair market value of the property, we will obtain three independent appraisals from nationally recognized valuation firms and the fair market value will be deemed to be the average of the two highest appraisals; provided that the fair market value will be subject to a minimum floor price equal to 95% of the appraised value of the property as of December 31, 2013. We will have the right to acquire these interests for either cash or shares of our common stock, based on the then current market value. Our acquisition of these interests upon exercise of the option will be subject to Fund II and Fund III obtaining all applicable consents or waivers, including the consent or waiver of any lenders or tenants to the extent required. In addition, the purchase price will be increased to the extent we enter into any new lease or lease amendment at the property within 90 days after the closing that would have resulted in the fair market value of the property increasing by more than one percent if such lease or lease amendment had been in place as of the date of the appraisals used to determine the fair market value of the property. If we were to exercise the option, we have agreed to provide our joint venture partner with the right to tag-along and transfer their interests in the joint venture that owns 60 Wall Street at a purchase price based on the same valuation procedures pursuant to which we would acquire each of Fund II s and Fund III s interests.

If we were to exercise the option and our joint venture partner did not exercise its right to tag-along , we would continue to act as the general partner of the joint venture that is in charge of the property s day-to-day operations. In the event we desire to transfer, sell or assign any portion of our interest in the joint venture to a third party, our joint venture partner will have the right to elect to purchase our interests subject to certain conditions. The partnership agreement contains a buy-sell provision, under which at any time, we or the joint venture partner may deliver a notice designating the amount that we or the joint venture partner determines the market value of the property to be. The party receiving a buy-sell notice will have the right to either purchase the entire partnership interest of the partner delivering the buy-sell notice, or to sell its entire partnership interest to the partner delivering the buy-sell notice, in each case for cash at a price equal to the amount the selling partner would have received if the property had been sold for the amount listed in the notice (with financing breakage costs and transfer taxes to be apportioned between the partners in accordance with their percentage interests in the joint venture).

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*718 Fifth Avenue - Put Right*

Following the formation transactions, we will manage 718 Fifth Avenue, New York, New York and receive certain ongoing fees and commissions in connection thereof. The property contains 19,050 square feet of prime retail space spread over five retail floors and was built in 1872 and later remodeled in 1959 by Jacques Régnault, creating its current 18th-century French-style façade. The property is located on the southwest corner of 56th Street and Fifth Avenue, one block south of one of the world s most exclusive commercial intersections (57th Street and Fifth Avenue). Rockefeller Center and Central Park are within walking distance, as are numerous luxury hotels, museums and retail stores, including the Plaza Hotel, the Museum of Modern Art, FAO Schwarz, Bergdorf Goodman and Saks Fifth Avenue. The property serves as the flagship store of Harry Winston, a high-end American luxury jeweler and producer of Swiss timepieces owned by The Swatch Group. As of September 30, 2014, 718 Fifth Avenue had one lease with Harry Winston for 100.0% of the square feet which expires in 2025. The annualized rent as of September 30, 2014 was $8,332,043, or $437.38 per square foot, and annualized rent at expiration is expected to be $11.5 million, or $605.43 per square foot.

Prior to the formation transactions, an affiliate of our predecessor owned a 25.0% interest in 718 Fifth Avenue (based on its 50.0% interest in a joint venture that held a 50.0% tenancy-in-common interest in the property). Prior to the completion of the formation transactions, this interest was sold to its partner in the 718 Fifth Avenue joint venture, who is also our partner in the joint venture that owns 712 Fifth Avenue, New York, New York. In connection with this sale, we granted our joint venture partner a put right, pursuant to which the 712 Fifth Avenue joint venture will be required to purchase the entire direct or indirect interests held by our joint venture partner or its affiliates in 718 Fifth Avenue at a purchase price equal to the fair market value of such interests. The put right may be exercised at any time after the four-year anniversary of the sale of its interest in 718 Fifth Avenue upon 12 months written notice with the actual purchase occurring no earlier than the five-year anniversary of the sale of its interest in 718 Fifth Avenue. If the put right is exercised and the 712 Fifth Avenue joint venture acquires the 50.0% tenancy-in-common interest in the property that will be held by our joint venture partner following the sale of its interest to our joint venture partner, we will own a 25.0% interest in 718 Fifth Avenue.

**Employees**

As of September 30, 2014, we had approximately 217 employees, including approximately 143 on-site building and property management personnel. Certain of our employees are covered by collective bargaining agreements.

**Insurance**

We carry commercial general liability coverage on our properties, with limits of liability customary within the industry to insure against liability claims and related defense costs. Similarly, we are insured against the risk of direct and indirect physical damage to our properties including coverage for the perils of flood and earthquake shock. Our policies also cover the loss of rental income during any reconstruction period. Our policies reflect limits and deductibles customary in the industry and specific to the buildings and portfolio. We also obtain title insurance policies when acquiring new properties, which insure fee title to our real properties. We currently have coverage for losses incurred in connection with both domestic and foreign terrorist-related activities. While we do carry commercial general liability insurance, property insurance and terrorism insurance with respect to our properties, these policies include limits and terms we consider commercially reasonable. In addition, there are certain losses (including, but not limited to, losses arising from known environmental conditions or acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in our belief, economically impractical to maintain such coverage. Should an uninsured loss arise against us, we would be required to use our own funds to resolve the issue, including litigation costs. In addition, for properties we may self-insure certain portions of our insurance program, and therefore, use our own funds to satisfy those limits, when applicable. We believe the policy specifications and insured limits are adequate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our management, the properties in our portfolio are adequately insured.

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## Competition

The leasing of real estate is highly competitive in markets 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. 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 we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants leases expire.

## Regulation

### *Environmental and Related Matters*

Under various federal, state and/or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages, or third-party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract and/or retain tenants, and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property.

Some of our properties may be adjacent to or near other properties used for industrial or commercial purposes or that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. Releases from these properties could impact our properties. While certain properties contain or contained uses that could have or have impacted our properties, we are not aware of any liabilities related to environmental contamination that we believe will have a material adverse effect on our operations.

In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have a material adverse effect on us. We sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities in our leases with them. But in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. We are not presently aware of any instances of material noncompliance with environmental or health and safety laws or regulations at our properties, and we believe that we and/or our tenants have all material permits and approvals necessary under current laws and regulations to operate our properties.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material. Environmental and health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for noncompliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of releases of ACM into the environment. We are not presently aware of any material liabilities related to building conditions, including any instances of material noncompliance with asbestos requirements or any material liabilities related to asbestos.

In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or costs for remediation. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

***Americans with Disabilities Act***

Our properties must comply with Title III of the ADA to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe the existing properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

**Legal Proceedings**

From time to time, we are a party to various claims and routine litigation arising in the ordinary course of business. We do not believe that the results of any such claims or litigation, individually or in the aggregate, will have a material adverse effect on our business, financial position or results of operations.

**Emerging Growth Company Status**

We are an emerging growth company, as defined in the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding

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executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We have not yet made a decision as to whether we will take advantage of any or all of these exemptions. If we do take advantage of any of these exemptions, we do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to opt out of this extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds $1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt or (iv) the date on which we are deemed to be a large accelerated filer under the Exchange Act.

**Corporation Information**

Our principal executive offices are located at 1633 Broadway, Suite 1801, New York, NY 10019. Our telephone number is (212) 237-3100. We maintain a website at www.paramount-group.com. Information contained on, or accessible through our website is not incorporated by reference into and does not constitute a part of this prospectus or any other report or documents we file with or furnish to the SEC.

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## MANAGEMENT

### Our Directors, Director Nominees and Executive Officers

Upon completion of this offering, at least a majority of our board of directors will be independent in accordance with the NYSE listing standards. Pursuant to our charter, each of our directors will be elected by our stockholders to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies. The first annual meeting of our stockholders after this offering will be held in 2015. Subject to rights pursuant to any employment agreements, officers serve at the pleasure of our board of directors.

The following table sets forth certain information concerning our directors, director nominees, executive officers and certain other senior officers upon completion of this offering:

| Name | Age | Position |
|---|---|---|
| Albert Behler | 62 | Chairman, Chief Executive Officer and President |
| David Spence | 54 | Executive Vice President, Chief Financial Officer and Treasurer |
| Jolanta Bott | 62 | Executive Vice President, Operations and Human Resources |
| Daniel Lauer | 52 | Executive Vice President, Chief Investment Officer |
| Theodore Koltis | 46 | Executive Vice President, Leasing |
| Ralph DiRuggiero | 64 | Senior Vice President, Property Management |
| Gage Johnson | 52 | Senior Vice President, General Counsel and Secretary |
| Vito Messina | 51 | Senior Vice President, Asset Management |
| Wilbur Paes | 37 | Senior Vice President, Chief Accounting Officer |
| Thomas Armbrust | 62 | Director |
| Dan Emmett | 74 | Director Nominee* |
| Lizanne Galbreath | 57 | Director Nominee* |
| Peter Linneman | 63 | Director Nominee* |
| David O Connor | 50 | Director Nominee* |
| Katharina Otto-Bernstein | 50 | Director Nominee* |

* Will become a director upon completion of this offering.

The following is a biographical summary of the experience of our directors, director nominees, executive officers and certain other senior officers.

*Albert Behler* 62 will be our Chairman, Chief Executive Officer and President. Mr. Behler has been President and Chief Executive Officer of our management company since October 1991, where he has overseen all of the acquisitions and dispositions that produced our current portfolio of assets. Prior to joining our management company, Mr. Behler held various leadership positions in the Thyssen entities, a German multinational conglomerate that he joined in 1973. He ran Thyssen Saudia Company, Ltd as Managing Director and was President of Thyssen Rheinstahl in Atlanta, Georgia from 1985 to 1991. In his positions with the Thyssen entities, Mr. Behler was responsible for, among other duties, the acquisition, financing, development and disposition of more than ten million square feet of commercial real estate in various countries. Mr. Behler s board and association memberships presently include serving as a member of the Real Estate Roundtable, Washington, D.C.; a member of the Board of Governors of the Real Estate Board of New York; a member of the Urban Land Institute; a member of the American Council on Germany s

Business Advisory Committee; a member of the Board of Citymeals-on-Wheels; and a member of the Board of Trustees at The Arthur F. Burns Fellowship. Mr. Behler is also a former member of the Executive Committee of Greenprint Foundation and a former Chairman of the Association of Foreign Investors in Real Estate (AFIRE). Mr. Behler studied law at the University of Cologne and graduated from Georgia State University with a Master s degree in Business Administration.

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*David Spence* 54 will be our Executive Vice President, Chief Financial Officer. Mr. Spence joined our management company in April 2007, where he has been responsible for all finance and accounting operations. Prior to joining our management company, since 2006, Mr. Spence was Senior Vice President and Controller of New Plan Excel Realty Trust, a formerly publicly-traded REIT focused on the ownership, management and development of shopping centers. From 2002 to 2006, Mr. Spence was Chief Accounting Officer for Tishman Speyer Properties, a real estate building and operating company, where he was eventually named a Senior Managing Director, responsible for the firm s accounting operations in the United States, Europe, Brazil, India, China, and Australia. Prior to joining Tishman Speyer Properties, Mr. Spence spent approximately 12 years in various roles in finance, merger integrations, information technology, treasury, and tax compliance at Equity Office Properties Trust, a publicly-traded office owner and manager, and its predecessor, most recently as Senior Vice President of Accounting. From 1987 to 1990, Mr. Spence was Controller of the Chicago Office Division of Trammell Crow Company, a real estate development, investment and operations company, where he was involved in a variety of office development projects, acquisitions, dispositions, leasing, and property management. Prior to that, Mr. Spence held various positions at First Capital Financial Corporation, a sponsor of large public syndicates investing in commercial real estate in the southeastern United States, where he was responsible for regulatory filings for a number of funds and was eventually named Assistant Controller. Mr. Spence graduated from Wheeling College with a Bachelor of Arts degree in Accounting.

*Jolanta Bott* 62 will be our Executive Vice President, Operations and Human Resources. Ms. Bott has been a Senior Vice President with our management company since June 2002, responsible for all human resource matters. Prior to that, Ms. Bott held various other management positions at our management company since July 1979. Prior to joining our management company, Ms. Bott held a position in marketing and public relations at the European American Bank, where she reported directly to the Vice Chairman. Ms. Bott studied Art, Business and Psychology in Europe, Africa and Latin America, and is fluent in several languages.

*Daniel Lauer* 52 will be our Executive Vice President, Chief Investment Officer. Mr. Lauer has been a Vice President of Acquisitions at our management company since 2002 and Senior Vice President, Acquisitions and Business Development since February, 2013, overseeing the acquisition and disposition process, including due diligence and the closing of numerous transactions. Prior to that, Mr. Lauer held various other management positions at our management company since 1989. From 1985 to 1989, Mr. Lauer served in the accounting department of Turner Construction Company, a general builder and construction management firm, where he was responsible for financial reporting and budgeting for the New Jersey regional office. Mr. Lauer is a Member of the Urban Land Institute and the Samuel Zell and Robert Lurie Real Estate Center at the Wharton School, University of Pennsylvania, and an Associate Member of Association of Foreign Investors in U.S. Real Estate. Mr. Lauer graduated from Fairfield University with a Bachelor of Arts degree in Economics and from Rutgers University with a Master s degree in Business Administration.

*Theodore Koltis* 46 will be our Executive Vice President, Leasing. Mr. Koltis has been Senior Vice President of Leasing at our management company since December 2010. He is responsible for the leasing of our management company s portfolio in New York, Washington, D.C. and San Francisco. Prior to joining our management company, since September 2002, Mr. Koltis served as a Managing Director at Tishman Speyer Properties, a real estate building and operating company, where he was responsible for leasing in New York, including Rockefeller Center, The Chrysler Building, 666 Fifth Avenue, and The MetLife Building. Prior to joining Tishman Speyer Properties in 2002, Mr. Koltis worked at CB Richard Ellis, a publicly-traded commercial real estate services and investment firm, in the consulting group and at Tishman Realty and Construction in their real estate consulting group specializing in tenant advisory. He is a member of both the Real Estate Board of New York and the Young Men s/Women s Real Estate Association of New York. Mr. Koltis graduated from Cornell University with a Bachelor of Science and received a Master s degree in Business Administration from Columbia University.

*Ralph DiRuggiero* 64 will be our Senior Vice President, Property Management. Mr. DiRuggiero has been Vice President of Property Management at our management company since May 2001 where he has been directly involved in all aspects of property management and security for the entire portfolio. From 1999 to 2001,

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Mr. DiRuggiero was Senior Vice President of Property Management and Regional Director at the Trammell Crow Company, a real estate development, investment and operations company. From 1989 to 1999, Mr. DiRuggiero served in various management roles with Jones Lang LaSalle, a publicly-traded professional services and investment management company specializing in real estate, and its affiliates and predecessors, most recently as Executive Vice President. Mr. DiRuggiero graduated from the University of Scranton with a Bachelor of Science degree and from The City University of New York (Baruch College) with a Master s degree in Public Administration.

*Gage Johnson* 52 will be our Senior Vice President, General Counsel. Mr. Johnson has been General Counsel of our management company since May 2009. Previously, since 2005, Mr. Johnson was General Counsel of Citi Property Investors, the global real estate investment management arm of Citigroup, where he was a Managing Director responsible for virtually all legal aspects of real estate investments throughout the United States, Europe and Asia in all property sectors. From 2003 to 2005, Mr. Johnson was an Executive Director in the Law Department at Morgan Stanley Real Estate, the investment firm s real estate unit. From 1998 to 2003, Mr. Johnson served in various roles at Lend Lease Real Estate, part of a publicly-traded property group specializing in project management and construction, real estate investment and development, most recently as General Counsel. Prior to joining Lend Lease Real Estate, Mr. Johnson was an attorney with the law firm of Paul Hastings LLP in Washington, D.C. Mr. Johnson graduated from Princeton University with a Bachelor of Arts degree from the Woodrow Wilson School of Public & International Affairs and from University of Virginia School of Law with a Juris Doctorate.

*Vito Messina* 51 will be our Senior Vice President, Asset Management. Mr. Messina joined our management company in July 2002 as Vice President of Controlling and assumed responsibility for accounting, property financing, financial accounting and financial reporting for its portfolio of properties. In July 2013 he was promoted to Senior Vice President, Asset Management where he has been responsible for overseeing the asset management function for our management company s property portfolio. Previously, since 1994, Mr. Messina was Assistant Corporate Controller and later Vice President and Corporate Operations Controller at Devon Properties, Inc., an apartment and commercial property management services company. From 1986 to 1994, Mr. Messina provided audit and consulting services at Deloitte & Touche LLP to real estate clients. Mr. Messina graduated from Queens College of the City University of New York with a Bachelor of Arts degree in Accounting. Mr. Messina is a Certified Public Accountant, a Member of the American Institute of Certified Public Accountants, and a Member of the New York State Society of Certified Public Accountants.

*Wilbur Paes* 37 will be our Senior Vice President, Chief Accounting Officer. Mr. Paes joined our management company in August 2014 and has assumed responsibility for all accounting and financial reporting matters. Prior to joining our management company, Mr. Paes spent over 11 years at Vornado Realty Trust, a publicly traded REIT, where he held various positions in accounting and finance, most recently as Senior Vice President of SEC Reporting. Prior to that, Mr. Paes worked for the international public accounting firms of KPMG LLP and Arthur Andersen LLP, where he served some of the firms largest real estate clients. Mr. Paes graduated from Queens College of the City University of New York with a Bachelor of Arts degree in Accounting and Information Systems. He is a Certified Public Accountant, licensed in the State of New York, and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

*Thomas Armbrust* 62 will be a member of our board of directors. Mr. Armbrust has been the Managing Director of CURA Vermögensverwaltung, a real estate management firm and affiliate of our management company, since 1992. From 1985 to 1992, Mr. Armbrust was Vice President Tax, Accounting, Reporting and M&A of Gruner & Jahr Publishing Group, Hamburg. Prior to that, Mr. Armbrust held various other finance positions since 1977. Mr. Armbrust serves as a member of the supervisory board of Deutsche EuroShop AG, a public German real estate stock company, as a member of the supervisory board of Otto Versand, an international retailer, and as chairman of the supervisory board of ECE Projektmanagement, an international shopping center manager and developer. Mr.

Armbrust also serves as a director of certain of the

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entities comprising our predecessor entities and their affiliates. Mr. Armbrust studied national economics and received his Masters of Economics from the University of Mainz. Mr. Armbrust was selected to serve on our board of directors based on his extensive experience in the real estate industry, his background in finance and his extensive knowledge of our company.

*Dan Emmett* 74 will be a member of our board of directors. Mr. Emmett has served as the chairman of the board of directors of Douglas Emmett, Inc., a publicly-traded high-quality office and multifamily property REIT, since its inception in 2006. Mr. Emmett co-founded the predecessors of Douglas Emmett, Inc. in 1971 and 1991. Mr. Emmett received his bachelor s degree from Stanford University and his Juris Doctorate from Harvard University. Mr. Emmett was selected to serve on our board of directors based on his extensive experience in the real estate industry as well as his senior leadership background.

*Lizanne Galbreath* 57 will be a member of our board of directors. Ms. Galbreath has been the Managing Partner of Galbreath & Company, a real estate investment firm, since 1999. From April 1997 to 1999, Ms. Galbreath was Managing Director of LaSalle Partners/Jones Lang LaSalle, a publicly-traded real estate services and investment management firm, where she also served as a director. From 1984 to 1997, Ms. Galbreath served as a Managing Director then Chairman and Chief Executive Officer of The Galbreath Company, the predecessor entity of Galbreath & Company. Ms. Galbreath has also been a member of the board of directors of Starwood Hotel & Resorts Worldwide, Inc., a publicly-traded hotel and leisure company, since 2005. Ms. Galbreath received a Masters of Business Administration from The Wharton School at the University of Pennsylvania and a Bachelor of Arts from Dartmouth College. Ms. Galbreath was selected to serve on our board of directors based on her extensive experience in the real estate industry as well as her senior leadership background.

*Peter Linneman* 63 will be a member of our board of directors. From 1979 to 2011, Dr. Linneman was a Professor of Real Estate, Finance and Public Policy at the University of Pennsylvania, Wharton School of Business and is currently an Emeritus Albert Sussman Professor of Real Estate there. Dr. Linneman is also currently a principal of Linneman Associates, a real estate advisory firm, and a principal of American Land Funds, a private equity firm. Dr. Linneman has served on over 20 public and private company boards, including serving as Chairman of the Board of Rockefeller Center Properties, Inc., a REIT, and Dr. Linneman serves as a member on the board of trustees of Equity Commonwealth (formerly known as CommonWealth REIT), a publicly-traded REIT, and as a member of the board of directors of Equity One, Inc., a publicly-traded REIT. Dr. Linneman is also currently serving as an independent director of Atrium European Real Estate Ltd. and AG Mortgage Investment Trust, Inc., a publicly-traded REIT. Dr. Linneman previously served as a director of Bedford Property Investors, Inc. and JER Investors Trust, Inc., a finance company that acquires real estate debt securities and loans. Dr. Linneman holds both Masters and Doctorate degrees in economics from the University of Chicago and a Bachelor of Arts degree from Ashland University. Dr. Linneman was selected to serve on our board of directors based on his experience over many years in financial and business advisory services and investment activity and his experience as a member of numerous public and private boards, including many real estate companies.

*David O Connor* 50 will be a member of our board of directors. Mr. O Connor has been the Co-Founder and Senior Managing Partner of High Rise Capital Management, L.P., a real estate investment firm, since 2001. From April 1994 to 2000, Mr. O Connor was Principal, Co-Portfolio Manager and Investment Committee Member of European Investors, Inc., a private real estate investment management firm. From 1989 to 1992, Mr. O Connor served in various positions at real estate investment firms. Mr. O Connor has also been a member of the board of directors of Regency Centers, Inc., a publicly-traded shopping center REIT, and Songbird Estates plc, a private real estate investment management company and majority owner of Canary Wharf, London, UK. Mr. O Connor received a Master of Science from New York University and a Bachelor of Science from Boston College. Mr. O Connor was selected to serve on our board of directors based on his extensive investment management experience in the real estate industry.

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*Katharina Otto-Bernstein* 50 will be a member of our board of directors. Ms. Otto-Bernstein is an award winning writer and film maker, who began her career as a journalist. Currently, she is the President of Film Manufacturers Inc., an international production company specializing in the development, production and co-production of high quality fiction and non-fiction motion pictures, as well as selected works for stage and print, a position which she has held since 1992. Ms. Otto-Bernstein is also a principal owner of ECE Projektmanagement, an international shopping center manager and developer, and a member of the board of directors of CURA Vermögensverwaltung, a real estate management firm and affiliate of our management company. Ms. Otto-Bernstein is a member of the Dean s Council of the Columbia University School of the Arts and was awarded the Columbia University Alumni Medal of Achievement in 2009. She is also a member of the board of directors of the Metropolitan Opera and of the International Council of the Guggenheim Museum and served for ten years on the board of the Wildlife Conservation Society.
Ms. Otto-Bernstein received a Bachelor of Arts from Columbia College in philosophy and political science and a Masters of Fine Arts in film from Columbia University. Ms. Otto-Bernstein was selected to serve on our board of directors based on her significant ownership interest in our company and experience in the real estate industry.

### Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- Our board of directors is not staggered, meaning that each of our directors is subject to re-election annually;

- We provide for majority voting in uncontested director elections;

- Immediately after the completion of this offering and the formation transactions, a majority of our directors will be independent for purposes of the NYSE s corporate governance listing standards and Rule 10A-3 under the Exchange Act;

- At least one of our directors will qualify as an audit committee financial expert as defined by the SEC;

- We have opted out of the business combination and control share acquisition provisions of the MGCL and we may not opt in without stockholder approval;

- We do not have a shareholder rights plan and, in the future, we do not intend to adopt a shareholder rights plan unless our stockholders approve in advance the adoption of a plan or, if adopted by our board of directors, we then submit the shareholder rights plan to our stockholders for a ratification vote within 12 months of adoption or the plan will terminate; and

- We have entered into a stockholders agreement, which is described in more detail under Certain Relationships and Related Transactions Stockholders Agreement, pursuant to which Maren Otto, Katharina Otto-Bernstein and Alexander Otto will have specified director nomination rights.

**Director Independence**

Our board of directors has determined that each of the following, constituting a majority of our board of directors, is an independent director as defined by the NYSE rules: Dan Emmett, Lizanne Galbreath, Peter Linneman, and David O Connor. Our independent directors will meet regularly in executive sessions without the presence of our officers and non-independent directors.

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## Lead Independent Director

Upon completion of this offering, we will have a lead independent director, who will have the following responsibilities:

- presiding at all meetings of the board of directors at which the Chairman is not present, including executive sessions of independent directors;
- serving as liaison between the Chairman and the independent directors;
- approving information sent to our board of directors;
- approving board of director meeting agendas;
- approving board of director meeting schedules to assure that there is sufficient time for discussion of all agenda items; and
- if requested by major stockholders, ensuring that he or she is available for consultation and direct communication.

Our lead independent director also will have the authority to call meetings of the independent directors. The lead independent director of our board of directors initially will be Peter Linneman.

## Board Committees

Upon completion of this offering, our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees will be composed exclusively of independent directors, in accordance with the NYSE listing standards. The principal functions of each committee are briefly described below. Additionally, our board of directors may from time to time establish certain other committees to facilitate the management of our company.

### *Audit Committee*

Upon completion of this offering, our audit committee will consist of three of our directors, each of whom will be an independent director. At least one member of our audit committee will qualify as an audit committee financial expert as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards and our board of directors has determined that each of the audit committee members is financially literate as that term is defined by the NYSE corporate governance listing standards. We have adopted an audit committee charter, which details the principal functions of the audit committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the performance of our internal audit function; and
- our overall risk assessment and management.

The audit committee will also be responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit

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engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee also will prepare the audit committee report required by SEC regulations to be included in our annual proxy statement. Mr. Emmett has been designated as chair and Mr. Linneman and Ms. Galbreath have been appointed as members of the audit committee.

***Compensation Committee***

Upon completion of this offering, our compensation committee will consist of three of our directors, each of whom will be an independent director. We have adopted a compensation committee charter, which details the principal functions of the compensation committee, including:

- reviewing and approving the corporate goals and objectives relevant to our chief executive officer s compensation, evaluating our chief executive officer s performance in light of such goals and objectives and determining and approving the remuneration of our chief executive officer based on such evaluation;
- reviewing and approving the compensation of other senior officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation and equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Ms. Galbreath has been designated as chair and Mr. O Connor and Mr. Emmett have been appointed as members of the compensation committee.

***Nominating and Corporate Governance Committee***

Upon completion of this offering, our nominating and corporate governance committee will consist of three of our directors, each of whom will be an independent director. We have adopted a nominating and corporate governance committee charter, which details the principal functions of the nominating and corporate governance committee, including:

identifying and recommending to the full board of directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;

developing and recommending to the board of directors corporate governance guidelines and implementing and monitoring such guidelines;

reviewing and making recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;

recommending to the board of directors nominees for each committee of the board of directors;

annually facilitating the assessment of the board of directors performance, as required by applicable law, regulations and the NYSE corporate governance listing standards; and

- annually reviewing and making recommendations to the board regarding revisions to the corporate governance guidelines and the code of business conduct and ethics.

Mr. Linneman has been designated as chair and Mr. O Connor and Mr. Emmett have been appointed as members of the nominating and corporate governance committee.

**Code of Business Conduct and Ethics**

Our board of directors has established a code of business conduct and ethics that applies to our officers, directors and employees. Among other matters, our code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Any waiver of the code of business conduct and ethics for our directors or officers may be made only by our board of directors or our Nominating and Corporate Governance Committee and will be promptly disclosed as required by law or stock exchange regulations.

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# EXECUTIVE AND DIRECTOR COMPENSATION

## Executive Compensation

### *Compensation Discussion and Analysis*

Prior to this offering, Paramount Group, Inc. did not pay compensation to any of its executive officers, and, accordingly, it did not have compensation policies or objectives governing our executive officer compensation. Accordingly, we have not adopted compensation policies with respect to, among other things, setting base salaries, awarding bonuses or making future grants of equity awards to our executive officers. We anticipate that our compensation committee will design a compensation program that rewards, among other things, favorable total stockholder returns, our company s competitive position within the office real estate industry, our operating results and contributions to our company. In particular, we anticipate that our compensation committee will adopt an outperformance plan which will provide long term incentive awards to our executive officers but only if over the term of the performance period established under the plan, our total stockholder returns exceed the hurdles (absolute, relative or a combination of both) previously established by our compensation committee.

The following is a non-exhaustive list of items that we expect our compensation committee will consider in formulating our compensation philosophy and applying that philosophy to the implementation of our overall compensation program for named executive officers and other employees:

- attraction and retention of talented and experienced executives in our industry;
- motivation of our executives whose knowledge, skills and performance are critical to our success;
- alignment of the interests of our executive officers and stockholders by motivating executive officers to increase stockholder value and rewarding executive officers when stockholder value increases; and
- encouragement of our executives to achieve meaningful levels of ownership of our stock.

We expect that our compensation committee will retain a compensation consultant to review our policies and procedures with respect to executive compensation and assist our compensation committee in implementing and maintaining compensation plans.

### *Summary Executive Compensation*

The following table sets forth the annualized base salary and other compensation that we expect to pay in 2014 to our chief executive officer, our chief financial officer and the three other executive officers, whom we refer to collectively as our named executive officers, excluding the one-time founders grants and IPO grants that we expect to make in connection with this offering described below under Founders Grants upon our IPO and IPO Grants under our Equity Incentive Plan.

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While the table below accurately reflects our current expectations with respect to these components of 2014 named executive officer compensation, actual 2014 compensation for these officers may be increased or decreased, including through the use of compensation components not currently contemplated or described herein.

| Name and Principal Position | Salary ($) (1) | Bonus ($) (2) | All Other Compensation ($) (3) |
|---|---|---|---|
| Albert Behler<br>Chairman, Chief Executive Officer and President | $ 1,100,000 | $ | $ |
| David Spence<br>Executive Vice President, Chief Financial Officer and Treasurer | 600,000 | | |
| Jolanta Bott<br>Executive Vice President, Operations and Human Resources | 475,000 | | |
| Daniel Lauer<br>Executive Vice President, Chief Investment Officer | 400,000 | | |
| Vito Messina<br>Senior Vice President, Asset Management | 380,000 | | |

(1) Salary amounts are annualized for the year ending December 31, 2014 based on the expected base salary levels to be effective upon the completion of this offering.

(2) Any cash bonuses will be determined in the sole discretion of our compensation committee based upon such factors to be established by the compensation committee, including corporate and individual performance. Messrs. Behler and Spence and Ms. Bott have target bonuses that are set forth in their employment agreements. See Employment Agreements.

(3) We expect that our full-time employees, including our named executive officers, will be eligible to participate in health and welfare benefit plans, such as medical, dental, life and long-term disability insurance and a Section 401(k) plan. Our compensation committee may, in its discretion, provide Messrs. Behler and Spence and Ms. Bott with an employer contribution in our deferred compensation plan. Such contribution will be funded through our rabbi trust. In addition, Mr. Behler, pursuant to his employment agreement, will be entitled to reimbursement for club memberships up to $20,000 annually, and minimum life and disability insurance coverage of $5 million and 60% of the sum of his base salary and target bonus, respectively. We will provide an annual car allowance of $9,600 and free parking to each of Mr. Spence and Ms. Bott. We will also reimburse Ms. Bott for the cost of her automobile insurance. See Employment Agreements.

***IPO Grants under our Equity Incentive Plan***

Prior to or upon completion of this offering, we expect to grant an aggregate of 857,143 LTIP units and options to acquire 1,500,000 shares of common stock to our executive officers and employees under the 2014 Equity Incentive Plan, including options to acquire an aggregate of 500,000 shares to our employees who are not executive officers. The expected grants to our named executive officers are as follows: Mr. Behler, 285,714 LTIP units and 500,000 option shares; Mr. Spence, 91,429 LTIP units and 100,000 option shares; Ms. Bott, 80,000 LTIP units and 100,000 option shares; Mr. Lauer, 80,000 LTIP units and 100,000 option shares; and Mr. Messina, 51,429 LTIP units and 100,000 option shares.

These awards are intended to reward our executive officers and employees for their two-year effort to complete this offering and to incentivize them to continue to work with us. All of these awards will be subject to vesting based on continued employment. The LTIP units awards will be subject to vesting ratably over five years and the options will be subject to vesting ratably over five years and will have a ten-year term. The options will have an exercise price per share equal to the public offering price per share in the offering. Upon a change in control, the vesting of all of these equity awards will be accelerated. These equity grants will be made under our 2014 Equity Incentive Plan and will reduce the reserved share equivalents available under such plan. See Equity Incentive Plan.

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***Founders Grants upon our IPO***

Upon the completion of this offering, we expect to make one-time founders grants to our executive officers and certain other employees. These one-time grants are expected to be made in recognition of services these executive officers and employees have provided to us in connection with this offering and to create alignment with our stockholders and reward these executive officers and employees for future services that they will provide to us. Pursuant to these one-time founders grants, we expect to grant an aggregate of 4,057,143 LTIP units to our executive officers and employees. These LTIP units will be fully vested upon grant and will be made outside of the 2014 Equity Incentive Plan, and accordingly will not reduce the reserved share equivalents available under such plan. In connection with these grants, the Otto family has agreed to reduce the number of shares of common stock they otherwise would have received in the formation transactions by 1,200,000 shares of common stock, or approximately 29.6% of these grants, in order to bear the cost of a portion of these grants and reduce the impact of these grants on other stockholders and unitholders in our operating partnership. Our named executive officers are expected to receive the following number of LTIP units as one-time founders grants: Mr. Behler, 2,628,572 LTIP units; Mr. Spence, 194,286 LTIP units; Ms. Bott, 142,857 LTIP units; Mr. Lauer, 142,857 LTIP units; and Mr. Messina, 171,429 LTIP units.

***Employment Agreements***

*The summary contained below of our agreements with Messrs. Behler and Spence and Ms. Bott does not purport to be complete and is subject to and qualified in its entirety by reference to the full text of these agreements, copies of which are filed as exhibits to the registration statement of which this prospectus forms a part.*

Upon completion of this offering, we intend to enter into employment agreements with Messrs. Behler and Spence and Ms. Bott. The agreement with Mr. Behler will have a term of three years beginning on the effective date of this offering while the agreements with the other two named executive officers will have a term of two years beginning on the completion of this offering. Each agreement will automatically extend for an additional one-year term at the expiration of the initial term unless either party provides written notice of a non-renewal no later than 180 days prior to the expiration of the initial term. Under the terms of the agreements, Messrs. Behler and Spence and Ms. Bott will be entitled to receive an annual base salary of $1,100,000, $600,000 and $475,000, respectively, subject to potential merit increases (but not decreases) each year.

Each employment agreement also provides for fiscal year 2015 target bonuses in the amounts of $650,000, $230,000, and $150,000, respectively, for Messrs. Behler and Spence and Ms. Bott and in each fiscal year thereafter, cash bonuses with a target amount of at least 150%, 150% and 100% of base salary for each of Messrs. Behler and Spence and Ms. Bott, respectively. The amount of the actual cash bonuses will be made by the compensation committee of our board of directors, in its sole discretion, based on such factors relating to the performance of the executive or us as it deems relevant and may be more or less than the target amount. Each agreement also provides eligibility for vacation and for participation in various employee benefits such as health, dental, life and disability insurance, deferred compensation plan (with funding through a rabbi trust), 2014 Equity Incentive Plan, and Section 401(k) plan. The employment agreement for Mr. Behler also provides for reimbursement of club memberships up to $20,000 each year, minimum life insurance coverage of $5 million and long-term disability insurance coverage of at least 60 percent of the sum of Mr. Behler s base salary and target bonus, in effect from time to time. The employment agreements for Mr. Spence and Ms. Bott provide for an annual car allowance of $9,600 and free parking. Ms. Bott is also entitled to receive reimbursement of her automobile insurance under her employment agreement.

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*Termination without cause or for good reason*

Each employment agreement provides that upon the termination of the executive s employment by us without cause (as defined in the applicable employment agreement) or by the executive for good reason (as defined in the applicable employment agreement), subject to the executive signing a separation agreement and mutual release, the executive will be entitled to the following severance payments and benefits:

- a lump sum cash payment equal to the sum of the executive s earned but unpaid base salary, earned but unpaid annual cash incentive bonus, unpaid expense reimbursement and accrued but unused vacation time to the date of termination;

- a lump sum cash payment equal to a multiple of (x) the executive s then-current annual base salary, plus (y) the average of the annual cash incentive bonuses earned by the executive with respect to the three most recent fiscal years ending on or before the date of termination (but not less than $1,250,000 for Mr. Behler); the multiple is two for Mr. Behler and one for Mr. Spence and Ms. Bott or, in the event such termination occurs in connection with or within two years after a change in control (as defined in the applicable employment agreement), three for Mr. Behler and two for Mr. Spence and Ms. Bott;

- a prorated portion of the annual bonus for the year of termination, calculated based on the executive s target bonus for such year;

- a lump sum cash payment equal to a multiple of annual premium payable by us for the executive s health and dental insurance; the multiple is two for Mr. Behler and one for Mr. Spence and Ms. Bott; or, in the event such termination occurs in connection with or within two years after a change in control, two for Mr. Behler and 1.5 for Mr. Spence and Ms. Bott; and

- accelerated vesting of all equity grants subject to only time-based vesting based on continued employment, with the vesting of equity grants with performance vesting only accelerated to the extent provided by the applicable award agreement.

None of the employment agreements provide for any tax gross ups and, in the event the executive becomes subject to the Section 280G golden parachute excise tax under Section 4999 of the Code, the amounts payable as described above would be reduced to the level so that the excise tax will not apply, but only if such reduction would result in a greater after-tax amount to the executive. Each employment agreement provides that, upon a change in control, we will set aside funds in a rabbi trust in an amount sufficient to pay the severance payments due in the event of the termination of the executive in connection with or within two years after a change in control of our company either by us without cause or by the executive for good reason, provided that the executive will only be entitled to these funds in the event the executive s employment is actually terminated in connection with or within two years after a change in control of our company either by us without cause or by the executive for good reason.

All of the cash severance payments described above are to be made as lump sum payments within 30 days after the date of termination of employment. However, to the extent necessary to avoid the imposition of an additional tax under Section 409A of the Code, severance pay and benefits will be delayed until six months and one day after termination during which time the payments will accrue interest at the short-term applicable federal rate.

*Termination in the event of death or disability*

Each employment agreement provides that in the event the executive s employment is terminated on account of his or her death or disability, the executive or his or her beneficiary in the case of death will receive the following payments:

a lump sum cash payment equal to the sum of the executive s earned but unpaid base salary, earned but unpaid annual cash incentive bonus, unpaid expense reimbursement and accrued but unused vacation time to the date of termination;

- a prorated portion of the annual bonus payable for the year of such termination, calculated based on actual achievement of applicable performance metrics for the applicable year; and

- accelerated vesting of all equity grants subject to only time-based vesting based on continued employment, with the vesting of equity grants with performance vesting only accelerated to the extent provided by the applicable award agreement.

Under the employment agreement, each executive is subject to certain restrictive covenants, including non-competition and non-solicitation covenants during their employment with us and for six months after termination of employment.

***Executive Severance Plan***

Upon the completion of this offering, we expect to adopt an Executive Severance Plan for the benefit of certain specified executive officers who are not parties to an employment agreement, including Messrs. Lauer, Messina and Koltis. In the event a participating officer is terminated by us without cause, subject to the officer signing a separation agreement and release with restrictive covenants, including non-competition and non-solicitation covenants for six months after termination of employment, this plan will provide severance benefits in the amount of the sum of the officer s base salary, most recent cash bonus and an amount equal to the annual premium payable by us for the officer s health and dental insurance.

***Equity Incentive Plan***

We have adopted our 2014 Equity Incentive Plan, under which we expect to grant future cash and equity incentive awards to our executive officers, non-employee directors, eligible employees and other key persons in order to attract, motivate and retain the talent for which we compete. Following this offering, all awards under the 2014 Equity Incentive Plan will be subject to the approval of our compensation committee. The material terms of the 2014 Equity Incentive Plan are summarized below.

The 2014 Equity Incentive Plan will permit us to make grants of options, stock appreciation rights, restricted stock units, restricted stock, unrestricted stock, dividend equivalent rights, performance-based awards and other equity-based awards, including LTIP units, or any combination of the foregoing. We will initially reserve 17,142,857 share equivalents under the 2014 Equity Incentive Plan (including the equity awards intended to be granted to our executive officers, directors and other employees pursuant to the 2014 Equity Incentive Plan). Share equivalents are the measuring unit for determining the number of shares of common stock that may be subject to awards under the 2014 Equity Incentive Plan.

The 2014 Equity Incentive Plan is commonly referred to as a fungible unit plan. LTIP units, restricted stock, restricted stock units or other securities that have a value equivalent to a full share of common stock are referred to as full value awards. Awards such as options or stock appreciation rights that require the grantee to pay an exercise price or otherwise do not have the full value of a share of common stock are not full value awards. When a grant is made under the 2014 Equity Incentive Plan, we will reduce the number of share equivalents available under the 2014 Equity Incentive Plan as follows: (i) one share equivalent for each share awarded pursuant to an award that is a full value award and (ii) one-half of a share equivalent for each share awarded pursuant to an award that is not a full value award. This means, for instance, if we were to award only restricted stock, LTIP units or other full value awards under the 2014 Equity Incentive Plan, we could award 17,142,857 shares of common stock. On the other hand, if we were to award only options or other awards that are not full value awards under the 2014 Equity Incentive Plan, we could award options to purchase 34,285,714 shares of common stock. Our compensation committee could issue any combination of the foregoing (or other awards available under the 2014 Equity Incentive Plan) with the reduction in availability to be made in accordance with the foregoing ratios.

The shares we issue under the 2014 Equity Incentive Plan may be authorized but unissued shares or shares that we reacquire. The shares of our common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without any issuance of stock, expire or are otherwise terminated (other than by exercise) under the 2014 Equity Incentive Plan are added back to the shares available for issuance under the 2014 Equity Incentive Plan. The number of share equivalents reserved under the 2014 Equity Incentive Plan is also subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

The 2014 Equity Incentive Plan will be administered by our compensation committee. Our compensation committee will have full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2014 Equity Incentive Plan. Persons eligible to participate in the 2014 Equity Incentive Plan will be those full- or part-time officers, employees, non-employee directors and other key persons as selected from time to time by our compensation committee in its discretion.

The 2014 Equity Incentive Plan will permit the granting of both options to purchase shares of our common stock intended to qualify as incentive stock options under Section 422 of the Code and options that do not so qualify. The option exercise price of each option will be determined by our compensation committee but may not be less than 100% of the fair market value of our common stock on the date of grant. The term of each option will be fixed by our compensation committee and may not exceed 10 years from the date of grant. Our compensation committee will determine the vesting conditions for each option.

Our compensation committee may award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of our common stock equal to the value of the appreciation in our stock price over the exercise price. The exercise price of a stock appreciation right may not be less than 100% of fair market value of our common stock on the date of grant and the term of each stock appreciation right may not exceed 10 years. Stock options or stock appreciation rights with respect to no more that 10 million shares of our common stock may be granted to any one employee in any calendar year.

Our compensation committee may award restricted stock and restricted stock units to participants subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified vesting period. Our compensation committee may also grant shares of our common stock that are free from any restrictions under the 2014 Equity Incentive Plan. Unrestricted stock may be granted to participants in recognition of past services or for other valid consideration and may be issued in lieu of cash compensation due to such participant.

Our compensation committee may grant performance share awards to participants which entitle the recipient to receive stock upon the achievement of certain performance goals and such other conditions as our compensation committee shall determine. Our compensation committee may grant dividend equivalent rights to participants which entitle the recipient to receive credits for dividends that would be paid if the recipient had held a specified number of shares of our common stock.

Our compensation committee may grant cash bonuses under the 2014 Equity Incentive Plan to participants, subject to the achievement of certain performance goals.

Under the 2014 Equity Incentive Plan, we may use LTIP units as a form of share-based award. LTIP units are designed to qualify as profits interests in our operating partnership for U.S. federal income tax purposes. Each LTIP unit awarded is deemed equivalent to an award of one share of common stock reserved under the 2014 Equity Incentive Plan, reducing availability for other equity awards on a one-for-one basis. Unless our compensation committee provides otherwise, LTIP units, whether vested or not, will receive the same per unit distributions as our common units, which will equal per share dividends (both regular and special) on our common stock. In the future, we may issue LTIP units with economic characteristics comparable to options to purchase shares of our common stock.

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Our compensation committee may grant awards of restricted stock, restricted stock units, performance shares or cash-based awards under the 2014 Equity Incentive Plan that are intended to qualify as performance-based compensation under Section 162(m) of the Code. Those awards would only vest or become payable upon the attainment of performance goals that are established by our compensation committee and related to one or more performance criteria. From and after the time that we become subject to Section 162(m) of the Code, the maximum award that is intended to qualify as performance-based compensation under Section 162(m) of the Code that may be made to any one employee during any one calendar year period is 5,000,000 shares of our common stock with respect to a stock-based award and $50.0 million with respect to a cash-based award.

Our board of directors may amend or discontinue the 2014 Equity Incentive Plan and our compensation committee may amend or cancel outstanding awards for purposes of satisfying changes in law or any other lawful purpose, but no such action may adversely affect rights under an award without the holder s consent. Certain amendments to the 2014 Equity Incentive Plan require the approval of our stockholders. The 2014 Equity Incentive Plan provides that without stockholder approval our compensation committee may not reduce the exercise price of outstanding stock options or stock appreciation rights or reprice these awards through cancellation and re-grants or through cancellation in exchange for a cash payment.

No awards may be granted under the 2014 Equity Incentive Plan after the date that is 10 years from the date of stockholder approval of the 2014 Equity Incentive Plan and no incentive stock options may be granted after the date that is 10 years from the date on which our board of directors adopts the 2014 Equity Incentive Plan. No awards under the 2014 Equity Incentive Plan have been made prior to the date hereof.

The 2014 Equity Incentive Plan provides that upon the effectiveness of a sale event (as defined in the 2014 Equity Incentive Plan), except as otherwise provided by our compensation committee in an award agreement, the parties to such sale event may cause the assumption or continuation of awards by the successor entity in the sale event, or the substitution of awards by such successor, with appropriate adjustment to awards as the parties shall agree. To the extent, however, that the parties to such sale event do not provide for assumption, continuation or substitution of awards, all stock options and stock appreciation rights shall become fully exercisable, awards subject to time-based vesting conditions will become vested and non-forfeitable and all awards with conditions and restrictions relating to the attainment of performance goals shall become vested and non-forfeitable to the extent provided in the relevant award agreement, and upon the effective time of the sale event, the 2014 Equity Incentive Plan and all awards thereunder shall terminate. In the event of such termination, the company may make or provide for a cash payment to participants holding options and stock appreciation rights equal to the difference between the per-share consideration received in the sale event and the exercise price of the options or stock appreciation rights in exchange for the cancellation thereto or provide such participants with a specified period of time to exercise outstanding stock options and stock appreciation rights prior to the consummation of the sale event.

***Deferred Compensation Plan***

In connection with the formation transactions, we will assume a deferred compensation plan that had been maintained by our predecessor in which Messrs. Behler and Spence and Ms. Bott had participated. Under this deferred compensation plan, deferred bonuses were awarded to participants and participants were permitted to defer a portion of their income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the participants. In connection with this plan, our predecessor typically acquired, in a separate account that was not restricted as to its use, similar or identical investments as those selected by each participant in order to generally match its liabilities to the participants under the deferred compensation plan with equivalent assets and thereby limit market risk. We will also be acquiring these investments from our predecessor in connection with the formation transactions. All amounts deferred under this deferred compensation plan will be paid to a participant upon his or her attainment of Social Security retirement age. In the future, we may permit one or more of our executive officers to elect to defer a portion of their compensation pursuant to this deferred compensation plan or make awards to our executive officers of deferred compensation pursuant to this deferred compensation plan.

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### *Tax Considerations*

*Deductibility of Executive Compensation*. Under Section 162(m) of the Code, a publicly held corporation may not deduct compensation of more than $1 million paid to any covered employee in any year unless the compensation qualifies as performance-based compensation within the meaning of Section 162(m). We expect Section 162(m) to have limited impact on the company for a number of reasons. First, as a newly public company, certain compensation payable by us to our executive officers during a transition period that may extend until the annual meeting of stockholders that occurs in the fourth calendar year after our initial public offering may be exempt from the cap on deduction imposed by Section 162(m) under a special transition rule provided by the regulations promulgated under Section 162(m). Second, based on our interpretation of certain private letter rulings, it is our position that compensation payable to our executive officers that is attributable to services for our operating partnership is not subject to Section 162(m) as our operating partnership is not a publicly held corporation within the meaning of Section 162(m). As a result, and based on the level of cash compensation expected to be payable to our executive officers, the possible loss of a U.S. federal tax deduction would not be expected to have a material impact on us. Accordingly, we do not expect Section 162(m) to have a significant impact on our compensation committee s compensation decisions for our executive officers.

*Section 409A of the Code*. Section 409A of the Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A.

### *Accounting Standards*

Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives. ASC Topic 718 requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of equity awards under the 2014 Equity Incentive Plan will be accounted for under ASC Topic 718.

## Compensation Committee Interlocks and Insider Participation

Upon completion of the formation transactions and this offering, we do not anticipate that any of our executive officers will serve as a member of a board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

## Director Compensation

Our board of directors has established a compensation program for our non-employee directors. Under this program, we will pay the following fees to our non-employee directors on a quarterly basis, in cash:

an annual retainer of $40,000;

an additional annual retainer of $50,000 to our lead director;

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- an additional annual retainer of $15,000 to each chair of a committee; and

- an additional annual retainer of $5,000 to each member of a committee.

We will also reimburse each of our directors for his or her travel expenses incurred in connection with his or her attendance at full board of directors and committee meetings.

In order to encourage our non-employee directors to acquire a significant equity stake in us and to align our non-employee directors and stockholders, at each annual stockholder meeting we will grant each of our non-employee directors LTIP units or shares of restricted common stock under our 2014 Equity Incentive Plan with a value of $100,000 which will vest upon the anniversary of the date of grant or the next annual stockholder meeting. Upon the completion of this offering, we expect to grant 5,714 LTIP units to each of our non-employee directors, except one non-employee director will receive 5,714 shares of restricted stock in lieu of LTIP units. Such awards will vest if they remain on our board until the next annual stockholder meeting. Our non-employee directors may also elect to receive their cash fees in the form of LTIP units or shares of restricted common stock.

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## PRINCIPAL STOCKHOLDERS

The following table presents information regarding the beneficial ownership of shares of our common stock and units in our operating partnership following the completion of the formation transactions, this offering and the concurrent private placements with respect to:

- each of our directors and director nominees;
- certain of our executive officers;
- each person who will be the beneficial owner of 5% or more of the outstanding shares of our common stock or the outstanding shares of our common stock and units in our operating partnership; and
- all directors, director nominees and executive officers as a group.

Beneficial ownership of shares and units is determined under rules of the SEC and generally includes any shares or units, as applicable, over which a person exercises sole or shared voting or investment power. Except as noted by footnote, and subject to community property laws where applicable, we believe based on the information provided to us that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock and units in our operating partnership shown as beneficially owned by them. Shares of our common stock and units in our operating partnership that a person has the right to acquire within 60 days of the date of this prospectus are deemed to be outstanding and beneficially owned by the person having the right to acquire such shares or units for purposes of the table below, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

We currently have outstanding 1,000 shares of our common stock, which are owned by Alexander Otto.

Unless otherwise indicated, all shares and units are owned directly. Except as indicated in the footnotes to the table below, the business address of the stockholders listed below is the address of our principal executive office, 1633 Broadway, Suite 1801, New York, NY 10019.

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| Name of Beneficial Owner | Common Stock: Number of Shares Beneficially Owned | Common Stock: Percentage of All Shares[1] | Common Stock and Units: Number of Shares and Units Beneficially Owned | Common Stock and Units: Percent of All Shares and Units[2] |
|---|---|---|---|---|
| **5% Stockholders:** | | | | |
| The Otto Family Group[3] | 33,115,587 | 17.2% | 33,121,301 | 13.6% |
| Alexander Otto[4] | 14,145,495 | 7.4% | 14,145,495 | 5.8% |
| Katharina Otto-Bernstein[16] | 11,831,489 | 6.2% | 11,837,203 | 4.9% |
| Wilhelm von Finck[5] | 10,854,230 | 5.6% | 10,854,230 | 4.4% |
| **Executive Officers, Directors and Director Nominees:** | | | | |
| Albert Behler[6] | 111,812 | * | 5,037,937 | 2.1% |
| David Spence[7] | 7,214 | * | 304,757 | * |
| Jolanta Bott[8] | 7,214 | * | 312,692 | * |
| Daniel Lauer[9] | 7,214 | * | 291,131 | * |
| Vito Messina[10] | 3,607 | * | 278,557 | * |
| Thomas Armbrust[11] | 134,285 | * | 134,285 | * |
| Dan Emmett[12] | 57,142 | * | 62,856 | * |
| Lizanne Galbreath[13] | 15,625 | * | 21,339 | * |
| Peter Linneman[14] | 30,000 | * | 43,232 | * |
| David O Connor[15] | 14,285 | * | 19,999 | * |
| Katharina Otto-Bernstein[16] | 11,831,489 | 6.2% | 11,837,203 | 4.9% |
| All directors, director nominees and executive officers as a group (15 persons)[17] | 12,233,494 | 6.4% | 18,826,951 | 7.7% |

* Represents less than 1.0%

(1) Assumes 192,247,023 shares of our common stock will be outstanding immediately upon the completion of the formation transactions, this offering and the concurrent private placements, including 57,327,026 shares of our common stock to be issued in the formation transactions, 131,000,000 shares of our common stock to be issued in this offering, 3,914,283 shares of our common stock to be issued in the concurrent private placements and 5,714 restricted shares to be issued concurrently with the completion of this offering and the concurrent private placements.

(2) Assumes 192,247,023 shares of our common stock and 51,752,973 units in our operating partnership will be outstanding immediately upon the completion of this offering and the concurrent private placements, comprised of 192,247,023 shares of our common stock, including 57,327,026 shares of our common stock to be issued in the formation transactions, 131,000,000 shares of our common stock to be issued in this offering and 3,914,283 shares of our common stock to be issued in the concurrent private placements, and 51,752,973 units in our operating partnership, including 46,810,117 common units to be issued in the formation transactions and 4,942,856 LTIP units to be issued concurrently with the completion of this offering and the concurrent private placements.

(3) Represents the shares beneficially owned by Maren Otto and her two children, Alexander Otto and Katharina Otto-Bernstein. Maren Otto will have sole voting and sole dispositive power over 7,138,603 of these shares of common stock. For the number of these shares beneficially owned by each of Alexander Otto and Katharina Otto-Bernstein refer to footnotes