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 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

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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.

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.

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(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

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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.

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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.

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

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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

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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.

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 52nd 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 52nd 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 52nd, 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, 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

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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 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

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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;

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- 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.

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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

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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.

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;

- 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	Year Ended December 31, 2012	Year Ended December 31, 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	(Historical) For the year ended December 31, 2013	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