

VORNADO REALTY TRUST
Form 10-K
February 27, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: December 31, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ **to**

Commission File Number: _____ **001 11954**

VORNADO REALTY TRUST
(Exact name of Registrant as specified in its charter)

Maryland

22 1657560

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York
(Address of Principal Executive Offices)

10019
(Zip Code)

Registrant's telephone number including area code: **(212) 894 7000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|------------------------------------------------------------------------------|--------------------------------------------------|
| Common Shares of beneficial interest, \$.04 par value per share | New York Stock Exchange |
| Series A Convertible Preferred Shares of beneficial interest, no par value | New York Stock Exchange |
| Cumulative Redeemable Preferred Shares of beneficial interest, no par value: | |
| 8.5% Series B | New York Stock Exchange |
| 8.5% Series C | New York Stock Exchange |
| 7.0% Series E | New York Stock Exchange |
| 6.75% Series F | New York Stock Exchange |
| 6.625% Series G | New York Stock Exchange |
| 6.75% Series H | New York Stock Exchange |
| 6.625% Series I | New York Stock Exchange |
| 6.875% Series J | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer
 Non-Accelerated Filer (Do not check if smaller reporting company)

Accelerated Filer
 Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The aggregate market value of the voting and non-voting common shares held by non affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$15,602,381,000 at June 30, 2011.

As of December 31, 2011, there were 185,080,020 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 24, 2012.

This Annual Report on Form 10-K omits financial statements required under Rule 3-09 of Regulation S-X, for Toys "R" Us, Inc. An amendment to this Annual Report on Form 10-K will be filed as promptly as practicable following the availability of such financial statements.

INDEX

| | Item | Financial Information: | Page Number | |
|-----------------|------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----|
| PART I. | 1. | Business | 4 | |
| | 1A. | Risk Factors | 11 | |
| | 1B. | Unresolved Staff Comments | 24 | |
| | 2. | Properties | 24 | |
| | 3. | Legal Proceedings | 61 | |
| | 4. | Mine Safety Disclosures | 61 | |
| PART II. | 5. | Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 62 | |
| | 6. | Selected Financial Data | 64 | |
| | 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 66 | |
| | 7A. | Quantitative and Qualitative Disclosures about Market Risk | 117 | |
| | 8. | Financial Statements and Supplementary Data | 118 | |
| | 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 174 | |
| | 9A. | Controls and Procedures | 174 | |
| | 9B. | Other Information | 176 | |
| | PART III. | 10. | Directors, Executive Officers and Corporate Governance ⁽¹⁾ | 176 |
| | | 11. | Executive Compensation ⁽¹⁾ | 177 |
| 12. | | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters ⁽¹⁾ | 177 | |
| 13. | | Certain Relationships and Related Transactions, and Director Independence ⁽¹⁾ | 177 | |
| 14. | | Principal Accounting Fees and Services ⁽¹⁾ | 177 | |
| PART IV. | 15. | Exhibits, Financial Statement Schedules | 178 | |
| | | Signatures | 179 | |

(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2011, portions of which are incorporated by reference herein.

Forward-Looking Statements

Certain statements contained herein constitute forward looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “may” or other similar expressions in this Annual Report on Form 10 K. We also note the following forward-looking statements: in the case of our development and redevelopment projects, the estimated completion date, estimated project cost and cost to complete; and estimates of future capital expenditures, dividends to common and preferred shareholders and operating partnership distributions. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see “Item 1A. Risk Factors” in this Annual Report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Accordingly, Vornado’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.5% of the common limited partnership interest in the Operating Partnership at December 31, 2011. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2011, we own all or portions of:

Office Properties:

- In Midtown Manhattan – 30 properties aggregating 20.8 million square feet;
- In the Washington, DC / Northern Virginia area – 77 properties aggregating 20.5 million square feet, including 63 office properties aggregating 17.5 million square feet and seven residential properties containing 2,424 units;
- In San Francisco’s financial district – a 70% controlling interest in 555 California Street, a three-building office complex aggregating 1.8 million square feet, known as the Bank of America Center;

Retail Properties:

- In Manhattan – 2.2 million square feet in 46 properties, of which 1.0 million square feet in 21 properties is in our Retail Properties segment and 1.2 million square feet in 25 properties is in our New York Office Properties segment;
- 134 strip shopping centers, regional malls, and single tenant retail assets aggregating 24.2 million square feet, primarily in the northeast states, California and Puerto Rico;

Merchandise Mart Properties:

- 5.7 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Other Real Estate and Related Investments:

- A 32.4% interest in Alexander's, Inc. (NYSE: ALX), which owns seven properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg headquarters building;
- A 25.0% interest in Vornado Capital Partners, our \$800 million real estate fund. We are the general partner and investment manager of the fund;
- The 1,700 room Hotel Pennsylvania in Midtown Manhattan;
- A 32.7% interest in Toys "R" Us, Inc.;
- An 11.0% interest in J.C. Penney Company, Inc. (NYSE: JCP); and
- Other real estate and related investments, marketable securities and mezzanine loans on real estate, including a 26.2% equity interest in LNR Property Corporation, an industry leading mortgage servicer and special servicer.

Objectives and Strategy

Our business objective is to maximize shareholder value. We intend to achieve this objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Developing and redeveloping our existing properties to increase returns and maximize value; and
- Investing in operating companies that have a significant real estate component.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets. We may also offer Vornado common or preferred shares or Operating Partnership units in exchange for property and may repurchase or otherwise reacquire these securities in the future.

VorNADO CAPITAL PARTNERS REAL ESTATE FUND (The “FUND”)

In February 2011, the Fund’s subscription period closed with an aggregate of \$800,000,000 of capital commitments, of which we committed \$200,000,000. We are the general partner and investment manager of the Fund, which has an eight-year term and a three-year investment period. During the investment period, which concludes in July 2013, the Fund is our exclusive investment vehicle for all investments that fit within its investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) non-controlling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund is accounted for under the AICPA Investment Company Guide and its

Other Real Estate and Related Investments:

investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

During 2011, the Fund made three investments (described below) aggregating \$248,500,000 and exited two investments. As of December 31, 2011, the Fund has five investments with an aggregate fair value of approximately \$346,650,000, or \$11,995,000 in excess of cost, and has remaining unfunded commitments of \$416,600,000, of which our share is \$104,150,000.

One Park Avenue

On March 1, 2011, the Fund as a co-investor (64.7% interest), together with Vornado (30.3% interest), acquired a 95% interest in One Park Avenue, a 932,000 square foot office building located between 32nd and 33rd Streets in New York, for \$374,000,000. The purchase price consisted of \$137,000,000 in cash and 95% of a \$250,000,000 five-year mortgage that bears interest at 5.0%.

Crowne Plaza Times Square

On December 16, 2011, the Fund formed a joint venture with the owner of the property to recapitalize the Crowne Plaza Hotel in Times Square. The property is located at 48th Street and Broadway in Times Square and is comprised of a 795-key hotel, 14,000 square feet of prime retail space, 212,000 square feet of office space, nine large signage offerings, a 159-space parking garage and a health club. The joint venture plans to reconfigure and reposition the retail and office space as well as add additional signage. Vornado will manage and lease the commercial components of the property and the joint venture partner will asset manage the hotel. This transaction was initiated by us in May 2011, when the Fund acquired a \$34,000,000 mezzanine position in the junior most tranche of the property's mezzanine debt. In December 2011, the Fund contributed \$31,000,000 and its partner contributed \$22,000,000 of new capital to pay down third party debt and for future capital expenditures. The new capital was contributed in the form of debt that is convertible into preferred equity that receives a priority return and then will receive a profit participation. The Fund has an economic interest of approximately 38% in the property. The Fund's investment is subordinate to the property's \$259,000,000 of senior debt which matures in December 2013, with a one-year extension option.

VorNADO CAPITAL PARTNERS REAL ESTATE FUND (The “FUND”) - CONTINUED

11 East 68th Street

On December 29, 2011, the Fund committed to acquire the retail portion of 11 East 68th Street, an 11-story residential and retail property located on Madison Avenue and 68th Street, for \$50,500,000. The retail portion of the property consists of two retail units aggregating 5,000 square feet. The Fund provided \$21,200,000 at closing and will provide the remaining \$29,300,000 over the next two years. In addition, the Fund has also provided a \$21,000,000 mezzanine loan on the residential portion of the property, which bears paid-in-kind interest at 15%, matures in three years and has a one-year extension option.

ACQUISITIONS and investments

1399 New York Avenue (the “Executive Tower”)

On December 23, 2011, we acquired the 97.5% interest that we did not already own in the Executive Tower, an 11-story, 128,000 square foot Class A office building located in the Washington, CBD East End submarket close to the White House, for \$104,000,000 in cash.

666 Fifth Avenue Office

On December 16, 2011, we formed a joint venture with an affiliate of the Kushner Companies to recapitalize the office portion of 666 Fifth Avenue, a 39-story, 1.4 million square foot Class A office building in Manhattan, located on the full block front of Fifth Avenue between 52nd and 53rd Street. We acquired a 49.5% interest in the property from the Kushner Companies, the current owner. In connection therewith, the existing \$1,215,000,000 mortgage loan was modified by LNR, the special servicer, into a \$1,100,000,000 A-Note and a \$115,000,000 B-Note and extended to February 2019; and a portion of the current pay interest was deferred to the B-Note. We and the Kushner Companies have committed to lend the joint venture an aggregate of \$110,000,000 (of which our share is \$80,000,000) for tenant improvements and working capital for the property, which is senior to the \$115,000,000 B-Note. In addition, we have

provided the A-Note holders a limited recourse and cooperation guarantee of up to \$75,000,000 if an event of default occurs and is ongoing.

Independence Plaza

On June 17, 2011, a joint venture in which we are a 51% partner invested \$55,000,000 in cash (of which we contributed \$35,000,000) to acquire a face amount of \$150,000,000 of mezzanine loans and a \$35,000,000 participation in a senior loan on Independence Plaza, a residential complex comprised of three 39-story buildings in the Tribeca submarket of Manhattan.

280 Park Avenue Joint Venture

On March 16, 2011, we formed a 50/50 joint venture with SL Green Realty Corp to own the mezzanine debt of 280 Park Avenue, a 1.2 million square foot office building located between 48th and 49th Streets in Manhattan (the "Property"). We contributed our mezzanine loan with a face amount of \$73,750,000 and they contributed their mezzanine loans with a face amount of \$326,250,000 to the joint venture. We equalized our interest in the joint venture by paying our partner \$111,250,000 in cash and assuming \$15,000,000 of their debt. On May 17, 2011, as part of the recapitalization of the Property, the joint venture contributed its debt position for 99% of the common equity of a new joint venture which owns the Property. The new joint venture's investment is subordinate to \$710,000,000 of third party debt. The new joint venture expects to spend \$150,000,000 for re-tenanting and repositioning the Property.

Dispositions

On January 6, 2012, we completed the sale of 350 West Mart Center, a 1.2 million square foot office building located in Chicago, Illinois, for \$228,000,000 in cash, which resulted in a net gain of \$54,200,000 that will be recognized in the first quarter of 2012.

On March 31, 2011, the receiver completed the disposition of the High Point Complex in North Carolina. In connection therewith, the property and related debt were removed from our consolidated balance sheet and we recognized a net gain of \$83,907,000 on the extinguishment of debt.

On January 12, 2011, we sold 1140 Connecticut Avenue and 1227 25th Street in Washington, DC, for \$127,000,000 in cash, which resulted in a net gain of \$45,862,000.

In 2011, we sold three retail properties in separate transactions for an aggregate of \$40,990,000 in cash, which resulted in net gains of \$5,761,000.

Financing Activities

Senior Unsecured Debt

On November 30, 2011, we completed a public offering of \$400,000,000 aggregate principal amount of 5.0%, ten-year senior unsecured notes and retained net proceeds of approximately \$395,584,000. The notes were sold at 99.546% of their face amount to yield 5.057%.

In 2011, we renewed both of our unsecured revolving credit facilities aggregating \$2,500,000,000. The first facility, which was renewed in June 2011, bears interest on drawn amounts at LIBOR plus 1.35% and has a 0.30% facility fee (drawn or undrawn). The second facility, which was renewed in November 2011, bears interest on drawn amounts at LIBOR plus 1.25% and has a 0.25% facility fee (drawn or undrawn). The LIBOR spread and facility fee on both facilities are based on our credit ratings. Both facilities mature in four years and have one-year extension options. As

of December 31, 2011, an aggregate of \$138,000,000 was outstanding under these facilities.

Secured Debt

On January 9, 2012, we completed a \$300,000,000 refinancing of 350 Park Avenue, a 557,000 square foot Manhattan office building. The five-year fixed rate loan bears interest at 3.75% and amortizes based on a 30-year schedule beginning in the third year. The proceeds of the new loan and \$132,000,000 of existing cash were used to repay the existing loan and closing costs.

On December 28, 2011, we completed a \$330,000,000 refinancing of Eleven Penn Plaza, a 1.1 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.35% and amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$126,000,000 after repaying the existing loan and closing costs.

On September 1, 2011, we completed a \$600,000,000 refinancing of 555 California Street, a three-building office complex aggregating 1.8 million square feet in San Francisco's financial district, known as the Bank of America Center, in which we own a 70% controlling interest. The 10-year fixed rate loan bears interest at 5.10% and amortizes based on a 30-year schedule beginning in the fourth year. The proceeds of the new loan and \$45,000,000 of existing cash were used to repay the existing loan and closing costs.

On May 11, 2011, we repaid the outstanding balance of the construction loan on West End 25, and closed on a \$101,671,000 mortgage at a fixed rate of 4.88%. The loan has a 10-year term and amortizes based on a 30-year schedule beginning in the sixth year.

On February 11, 2011, we completed a \$425,000,000 refinancing of Two Penn Plaza, a 1.6 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for the term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$139,000,000 after repaying the existing loan and closing costs.

On February 10, 2011, we completed a \$150,000,000 financing of 2121 Crystal Drive, a 506,000 square foot office building located in Crystal City, Arlington, Virginia. The 12-year fixed rate loan bears interest at 5.51% and amortizes based on a 30-year schedule beginning in the third year. This property was previously unencumbered.

Financing Activities - CONTINUED

Secured Debt - continued

On January 18, 2011, we repaid the outstanding balance of the construction loan on 220 20th Street and closed on a \$76,100,000 mortgage at a fixed rate of 4.61%. The loan has a seven-year term and amortizes based on a 30-year schedule.

On January 10, 2011, we completed a \$75,000,000 financing of North Bergen (Tonnelle Avenue), a 410,000 square foot strip shopping center. The seven-year fixed rate loan bears interest rate at 4.59% and amortizes based on a 25-year schedule beginning in the sixth year. This property was previously unencumbered.

On January 6, 2011, we completed a \$60,000,000 financing of land under a portion of the Borgata Hotel and Casino complex. The 10-year fixed rate loan bears interest at 5.14% and amortizes based on a 30-year schedule beginning in the third year.

Preferred Equity

On April 20, 2011, we sold 7,000,000 6.875% Series J Cumulative Redeemable Preferred Shares at a price of \$25.00 per share, in an underwritten public offering pursuant to an effective registration statement. On April 21, 2011, the underwriters exercised their option to purchase an additional 1,050,000 shares to cover over-allotments. On May 5, 2011 and August 5, 2011 we sold an additional 800,000 and 1,000,000 shares, respectively, at a price of \$25.00 per share. We retained aggregate net proceeds of \$238,842,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 9,850,000 Series J Preferred Units (with economic terms that mirror those of the Series J Preferred Shares).

Development and Redevelopment Projects

We are evaluating various development and redevelopment opportunities which we estimate could require as much as \$1.5 billion to be expended over the next five years. These opportunities include:

- demolition of a 372,000 square foot office building in Crystal City, to construct a 700,000 square foot office building;
- renovation of the Hotel Pennsylvania;
- construction of a luxury residential condominium at 220 Central Park South, adjacent to Central Park;
- re-tenanting and repositioning of 330 West 34th Street;
- re-tenanting and repositioning of 280 Park Avenue;
- complete renovation of the 1.4 million square foot Springfield Mall; and
- re-tenanting and repositioning a number of our strip shopping centers.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, Rosslyn, Pentagon City and Crystal City, for which plans, budgeted costs and financings have yet to be determined.

Cleveland Medical Mart Development Project

In 2010, two of our wholly owned subsidiaries entered into agreements with Cuyahoga County, Ohio (the “County”) to develop and operate the Cleveland Medical Mart and Convention Center (the “Facility”), a 1,000,000 square foot showroom, trade show and conference center in Cleveland’s central business district. The County is funding the development of the Facility, using the proceeds it received from the issuance of general obligation bonds and other sources, up to the development budget of \$465,000,000 and maintain effective control of the property. During the 17-year development and operating period, our subsidiaries will receive net settled payments of approximately

Other Real Estate and Related Investments:

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\$10,000,000 per year, which are net of its \$36,000,000 annual obligation to the County. Our subsidiaries' obligation has been pledged by the County to the bondholders, but is payable by our subsidiaries only to the extent that they first receive at least an equal payment from the County. Construction of the Facility is expected to be completed in 2013. As of December 31, 2011, \$145,824,000 of the \$465,000,000 development budget was expended.

There can be no assurance that any of our development projects will commence, or if commenced, be completed on schedule or within budget.

SEGMENT DATA

We operate in the following business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys “R” Us (“Toys”). Financial information related to these business segments for the years ended December 31, 2011, 2010 and 2009 is set forth in Note 22 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K. The Merchandise Mart Properties segment has trade show operations in Canada and Switzerland. The Toys segment has 770 locations internationally.

SEASONALITY

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore impacts comparisons of the current quarter to the previous quarter. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income, which we record on a one-quarter lag basis in our first quarter, accounts for more than 80% of its fiscal year net income. The New York and Washington, DC Office Properties and Merchandise Mart Properties segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart Properties segment has also experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail Properties segment revenue in the fourth quarter is typically higher due to the recognition of percentage and specialty rental income.

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2011, 2010 and 2009.

Certain Activities

We do not base our acquisitions and investments on specific allocations by type of property. We have historically held our properties for long term investment; however, it is possible that properties in the portfolio may be sold as circumstances warrant. Further, we have not adopted a policy that limits the amount or percentage of assets which could be invested in a specific property or property type. While we may seek the vote of our shareholders in connection with any particular material transaction, generally our activities are reviewed and may be modified from time to time by our Board of Trustees without the vote of shareholders.

Employees

As of December 31, 2011, we have approximately 4,823 employees, of which 322 are corporate staff. The New York Office Properties segment has 137 employees and an additional 2,816 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York Office and Washington, DC Office properties. The Washington, DC Office Properties, Retail Properties and Merchandise Mart Properties segments have 457, 168 and 409 employees, respectively, and the Hotel Pennsylvania has 514 employees. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, of which we own 32.7% and 32.4%, respectively.

principal executive offices

Our principal executive offices are located at 888 Seventh Avenue, New York, New York 10019; telephone (212) 894 7000.

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners of us, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are

available free of charge through our website (www.vno.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies of these documents are also available directly from us free of charge. Our website also includes other financial information, including certain non-GAAP financial measures, none of which is a part of this Annual Report on Form 10-K. Copies of our filings under the Securities Exchange Act of 1934 are also available free of charge from us, upon request.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below. The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. See “Forward-Looking Statements” contained herein on page 3.

Real Estate Investments’ Value and Income Fluctuate Due to Various Factors.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also adversely impact our revenues and cash flows.

The factors that affect the value of our real estate investments include, among other things:

- national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- the development and/or redevelopment of our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass all or portions of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;
- changes in zoning laws and taxation;

- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- potential liability under environmental or other laws or regulations;
- natural disasters;
- general competitive factors; and
- climate changes.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If rental revenues and/or occupancy levels decline, we generally would expect to have less cash available to pay indebtedness and for distribution to shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs generally do not decline when the related rents decline.

Capital markets and economic conditions can materially affect our financial condition and results of operations and the value of our debt and equity securities.

There are many factors that can affect the value of our debt and equity securities, including the state of the capital markets and the economy, which over the past few years have negatively affected substantially all businesses, including ours. Demand for office and retail space may continue to decline nationwide as it did in 2008 and 2009, due to bankruptcies, downsizing, layoffs and cost cutting. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our debt and equity securities.

Real estate is a competitive business.

Our business segments – New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys – operate in a highly competitive environment. We have a large concentration of properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments than we are. Principal factors of competition include rents charged, attractiveness of location, the quality of the property and the breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulation, legislation and population trends.

We depend on leasing space to tenants on economically favorable terms and collecting rent from tenants who may not be able to pay.

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income comes from renting of real property, our income, funds available to pay indebtedness and funds available for distribution to shareholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain occupancy levels on favorable terms. If a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and may incur substantial legal costs. During periods of economic adversity, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates.

Bankruptcy or insolvency of tenants may decrease our revenue, net income and available cash.

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to suffer lower revenues and operational difficulties, including leasing the remainder of the property. As a result, the bankruptcy or insolvency of a major tenant could result in decreased revenue, net income and funds available for the payment of indebtedness or for distribution to shareholders.

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Each of our properties has been subject to varying degrees of environmental assessment. The environmental assessments did not, as of this date, reveal any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in clean-up or compliance requirements could result in significant costs to us.

Inflation or deflation may adversely affect our financial condition and results of operations.

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income. In addition, we own residential properties which are leased to tenants with one-year lease terms. Because these are short-term leases, declines in market rents will impact our residential properties faster than if the leases were for longer terms.

Some of our potential losses may not be covered by insurance.

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$180,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Coverage for NBCR losses is up to \$2.0 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Because we operate a hotel, we face the risks associated with the hospitality industry.

We own and operate the Hotel Pennsylvania in New York City. The following factors, among others, are common to the hotel industry and may reduce the revenues generated by the hotel, which would reduce cash available for distribution to our shareholders:

- our hotel competes for guests with other hotels, a number of which have greater marketing and financial resources;

- if there is an increase in operating costs resulting from inflation and other factors, we may not be able to offset such increase by increasing room rates;
- our hotel is subject to the fluctuating and seasonal demands of business travelers and tourism;
- our hotel is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism; and
- physical condition, which may require substantial additional capital.

Because of the ownership structure of the Hotel Pennsylvania, we face potential adverse effects from changes to the applicable tax laws.

Under the Internal Revenue Code, REITs like us are not allowed to operate hotels directly or indirectly. Accordingly, we lease the Hotel Pennsylvania to our taxable REIT subsidiary (“TRS”). While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the hotel at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to a TRS are modified, we may be forced to modify the structure for owning the hotel, and such changes may adversely affect the cash flows from the hotel. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from the hotel.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act (“ADA”) generally requires that public buildings, including our properties, meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time to time persons have asserted claims against us with respect to some of our properties under the ADA, but to date such claims have not resulted in any material expense or liability. If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to shareholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

We face risks associated with our tenants being designated “Prohibited Persons” by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) maintains a list of persons designated as terrorists or who are otherwise blocked or banned (“Prohibited Persons”) from conducting business or engaging in transactions in the United States. Our leases, loans and other agreements may require us to comply with OFAC requirements. If a tenant or other party with whom we conduct business is placed on the OFAC list we may be required to terminate the lease or other agreement. Any such termination could result in a loss of revenue or otherwise negatively affect our financial results and cash flows.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Our Investments Are Concentrated in the New York CITY METROPOLITAN AREA and Washington, DC / NORTHERN VIRGINIA Area. Circumstances Affecting These Areas Generally Could Adversely Affect Our Business.

A significant portion of our properties are located in the New York City / New Jersey metropolitan area and Washington, DC / Northern Virginia area and are affected by the economic cycles and risks inherent to those areas.

In 2011, approximately 74% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City / New Jersey metropolitan areas and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- space needs of, and budgetary constraints affecting, the United States Government, including the effect of a deficit reduction plan and/or base closures and repositioning under the Defense Base Closure and Realignment Act of 2005, as amended;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess the future effects of trends in the economic and investment climates of the geographic areas in which we concentrate, and more generally of the United States, or the real estate markets in these areas.

Local, national or global economic downturns, would negatively affect our businesses and profitability.

Terrorist attacks, such as those of September 11, 2001 in New York City and the Washington, DC area, may adversely affect the value of our properties and our ability to generate cash flow.

We have significant investments in large metropolitan areas, including the New York, Washington, DC, Chicago, Boston and San Francisco metropolitan areas. In the aftermath of a terrorist attack, tenants in these areas may choose to relocate their businesses to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity and fewer customers may choose to patronize businesses in these areas. This, in turn, would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease space on less favorable terms. As a result, the value of our properties and the level of our revenues and cash flows could decline materially.

We May Acquire or Sell Assets or Entities or Develop Properties. Our Failure or Inability to Consummate These Transactions or Manage the Results of These Transactions Could Adversely Affect Our Operations and Financial Results.

We have grown rapidly since 2001 through acquisitions. We may not be able to maintain this rapid growth and our failure to do so could adversely affect our stock price.

We have experienced rapid growth since 2001, increasing our total assets from approximately \$6.8 billion at December 31, 2001 to approximately \$20.4 billion at December 31, 2011. We may not be able to maintain a similar rate of growth in the future or manage growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations as well as the amount of cash available for distributions to shareholders.

We may acquire or develop properties or acquire other real estate related companies and this may create risks.

We may acquire or develop properties or acquire other real estate related companies when we believe that an acquisition or development is consistent with our business strategy. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing newly-developed or acquired properties at rents sufficient to cover costs of acquisition or development and operations. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in weaker than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated. Furthermore, acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware of at the time of acquisition. Development of our existing properties presents similar risks.

From time to time we have made, and in the future we may seek to make, one or more material acquisitions. The announcement of such a material acquisition may result in a rapid and significant decline in the price of our common shares.

We are continuously looking at material transactions that we believe will maximize shareholder value. However, an announcement by us of one or more significant acquisitions could result in a quick and significant decline in the price of our common shares and convertible and exchangeable securities.

It may be difficult to buy and sell real estate quickly, which may limit our flexibility.

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions.

We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs.

As part of an acquisition of a property, or a portfolio of properties, we may agree, and in the past have agreed, not to dispose of the acquired properties or reduce the mortgage indebtedness for a long-term period, unless we pay certain of the resulting tax costs of the seller. These agreements could result in us holding on to properties that we would otherwise sell and not pay down or refinance.

From time to time we make investments in companies over which we do not have sole control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. These investments include but are not limited to, Alexander's, Inc. ("Alexander's"), Toys "R" Us ("Toys"), Lexington Realty Trust ("Lexington"), J.C. Penney Company, Inc. ("J.C. Penney"), LNR Property Corporation ("LNR") and other equity and mezzanine investments. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from our primary lines of business including, without limitation, operating or managing toy stores and department stores. Consequently, investments in these businesses, among other risks, subjects us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses. From time to time we may make additional investments in or acquire other entities that may subject us to similar risks. Investments in entities over which we do not have sole control, including joint ventures, present additional risks such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

We are subject to risks that affect the general retail environment.

A substantial portion of our properties are in the retail shopping center real estate market and we have a significant investment in retailers such as Toys and J.C. Penney. This means that we are subject to factors that affect the retail environment generally, including the level of consumer spending and consumer confidence, the threat of terrorism and increasing competition from discount retailers, outlet malls, retail websites and catalog companies. These factors could adversely affect the financial condition of our retail tenants and the retailers in which we hold an investment and the willingness of retailers to lease space in our shopping centers, and in turn, adversely affect us.

Our investment in Toys subjects us to risks that are different from our other lines of business and may result in increased seasonality and volatility in our reported earnings.

Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro rata share of Toys' net earnings on a one-quarter lag basis. For example, our financial results for the year ended December 31, 2011 include Toys' financial results for its first, second and third quarters ended October 29, 2011, as well as Toys' fourth quarter results of 2010. Because of the seasonality of Toys, our reported quarterly net income shows increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

We depend upon our anchor tenants to attract shoppers.

We own several regional malls and other shopping centers that are typically anchored by well-known department stores and other tenants who generate shopping traffic at the mall or shopping center. The value of our properties would be adversely affected if tenants or anchors failed to meet their contractual obligations, sought concessions in order to continue operations or ceased their operations, including as a result of bankruptcy. If the sales of stores operating in our properties were to decline significantly due to economic conditions, closing of anchors or for other reasons, tenants may be unable to pay their minimum rents or expense recovery charges. In the event of a default by a tenant or anchor, we may experience delays and costs in enforcing our rights as landlord.

Our decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset, then under accounting principles generally accepted in the United States of America, we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

We invest in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments involve greater risk of loss than investments in senior mortgage loans.

We invest, and may in the future invest, in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. These investments involve a greater risk of loss than investments in senior mortgage loans which are secured by real property. If a borrower defaults on debt to us or on debt senior to us, or declares bankruptcy, we may not be able to recover some or all of our investment. In addition, there may be significant delays and costs associated with the process of foreclosing on collateral securing or supporting these investments. The value of the assets securing or supporting our investments could deteriorate over time due to factors beyond our control, including acts or omissions by owners, changes in business, economic or market conditions, or foreclosure. Such deteriorations in value may result in the recognition of impairment losses and/or valuation allowances on our statements of income. As of December 31, 2011, our investments in mezzanine debt securities have an aggregate carrying amount of \$133,948,000.

We evaluate the collectibility of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, to the value of the collateral if the loan is collateral dependent. There can be no assurance that our estimates of collectible amounts will not change over time or that they will be representative of the amounts we will actually collect, including amounts we would collect if we chose to sell these investments before their maturity. If we collect less than our estimates, we will record impairment losses which could be material.

We invest in marketable equity securities of companies that have significant real estate assets. The value of these investments may decline as a result of operating performance or economic or market conditions.

We invest in marketable equity securities of publicly-traded real estate companies or companies that have significant real estate assets, such as J.C. Penney. As of December 31, 2011, our marketable securities have an aggregate carrying amount of \$741,321,000. Significant declines in the value of these investments due to operating performance or economic or market conditions may result in the recognition of impairment losses which could be material.

Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks.

We May Not Be Able to Obtain Capital to Make Investments.

We depend primarily on external financing to fund the growth of our business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distributes 90% of its taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. Although we believe that we will be able to finance any investments we may wish to make in the foreseeable future, there can be no assurance that new financing will be available or available on acceptable terms. For information about our available sources of funds, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*” and the notes to the consolidated financial statements in this Annual Report on Form 10-K.

Vornado Realty Trust (“Vornado”) depends on dividends and distributions from its direct and indirect subsidiaries. The creditors and preferred security holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to Vornado.

Substantially all of Vornado’s assets are held through its Operating Partnership that holds substantially all of its properties and assets through subsidiaries. The Operating Partnership’s cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of Vornado’s cash flow is dependent on cash distributions to it by the Operating Partnership. The creditors of each of Vornado’s direct and indirect subsidiaries are entitled to payment of that subsidiary’s obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. Thus, the Operating Partnership’s ability to make distributions to holders of its units depends on its subsidiaries’ ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, Vornado’s ability to pay dividends to holders of common and preferred shares depends on the Operating Partnership’s ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of Class A units of the Operating Partnership, including Vornado. Thus, Vornado's ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to holders of its Class A units, including Vornado. As of December 31, 2011, there were six series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of \$280,955,000.

In addition, Vornado's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency, is only after the claims of the creditors, including trade creditors and preferred security holders, are satisfied.

We have outstanding debt, and the amount of debt and its cost may increase and refinancing may not be available on acceptable terms.

As of December 31, 2011, we had approximately \$14.5 billion of total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding \$33.3 billion for our pro rata share of LNR's liabilities related to its consolidated CMBS and CDO trusts, which are non-recourse to LNR and its equity holders, including us. Our ratio of total debt to total enterprise value was approximately 47%. When we say "enterprise value" in the preceding sentence, we mean market equity value of our common and preferred shares plus total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding LNR's liabilities related to its consolidated CMBS and CDO trusts. In the future, we may incur additional debt to finance acquisitions or property developments and thus increase our ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of existing variable rate debt and any new debt or other market rate security or instrument may increase. Furthermore, we may not be able to refinance existing indebtedness in sufficient amounts or on acceptable terms.

Covenants in our debt instruments could adversely affect our financial condition and our acquisitions and development activities.

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured credit facilities, unsecured debt securities and other loans that we may obtain in the future contain, or may contain, customary restrictions, requirements and other limitations on our ability to incur indebtedness, including covenants that limit our ability to incur debt based upon the level of our ratio of total debt to total assets, our ratio of secured debt to total assets, our ratio of EBITDA to interest expense, and fixed charges, and that require us to maintain a certain level of unencumbered assets to unsecured debt. Our ability to borrow is subject to compliance with these and other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

We rely on debt financing, including borrowings under our unsecured credit facilities, issuances of unsecured debt securities and debt secured by individual properties, to finance acquisitions and development activities and for working capital. If we are unable to obtain debt financing from these or other sources, or refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, can take possession of the property securing the defaulted loan.

Vornado may fail to qualify or remain qualified as a REIT and may be required to pay income taxes at corporate rates.

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we may fail to remain qualified in this way. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualifying as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If we had to pay federal income tax, the amount of money available to distribute to shareholders and pay our indebtedness would be reduced for the year or years involved, and we would no longer be required to make distributions to shareholders. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions. Although we currently intend to operate in a manner designed to allow us to qualify as a REIT, future economic, market, legal, tax or other considerations may cause us to revoke the REIT election or fail to qualify as a REIT.

We face possible adverse changes in tax laws, which may result in an increase in our tax liability.

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years 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. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

Loss of our key personnel could harm our operations and adversely affect the value of our common shares.

We are dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees of Vornado, and Michael D. Fascitelli, the President and Chief Executive Officer of Vornado. While we believe that we could find replacements for these and other key personnel, the loss of their services could harm our operations and adversely affect the value of our common shares.

Vornado's charter documents and applicable law may hinder any attempt to acquire us.

Our Amended and Restated Declaration of Trust sets limits on the ownership of our shares.

Generally, for Vornado to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the outstanding shares of beneficial interest of Vornado may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of Vornado's taxable year. The Internal Revenue Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Under Vornado's Amended and Restated Declaration of Trust, as amended, no person may own more than 6.7% of the outstanding common shares of any class, or 9.9% of the outstanding preferred shares of any class, with some exceptions for persons who held common shares in excess of the 6.7% limit before Vornado adopted the limit and other persons approved by Vornado's Board of Trustees. These restrictions on transferability and ownership may delay, deter or prevent a change in control of Vornado or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. We refer to Vornado's Amended and Restated Declaration of Trust, as amended, as the "declaration of trust."

Vornado has a classified Board of Trustees and that may reduce the likelihood of certain takeover transactions.

Vornado's Board of Trustees is divided into three classes of trustees. Trustees of each class are chosen for three-year staggered terms. Staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change

control of Vornado, even though a tender offer or change in control might be in the best interest of Vornado's shareholders.

We may issue additional shares in a manner that could adversely affect the likelihood of certain takeover transactions.

Vornado's declaration of trust authorizes the Board of Trustees to:

- cause Vornado to issue additional authorized but unissued common shares or preferred shares;
- classify or reclassify, in one or more series, any unissued preferred shares;
- set the preferences, rights and other terms of any classified or reclassified shares that Vornado issues; and
- increase, without shareholder approval, the number of shares of beneficial interest that Vornado may issue.

The Board of Trustees could establish a series of preferred shares whose terms could delay, deter or prevent a change in control of Vornado or other transaction that might involve a premium price or otherwise be in the best interest of Vornado's shareholders, although the Board of Trustees does not now intend to establish a series of preferred shares of this kind. Vornado's declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change in control of Vornado or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders.

The Maryland General Corporation Law contains provisions that may reduce the likelihood of certain takeover transactions.

Under the Maryland General Corporation Law, as amended, which we refer to as the “MGCL,” as applicable to REITs, certain “business combinations,” including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns ten percent or more of the voting power of the trust’s shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of beneficial interest of the trust, which we refer to as an “interested shareholder,” or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of beneficial interest of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder. These supermajority voting requirements do not apply if the trust’s common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder.

In approving a transaction, the Board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board. Vornado’s Board has adopted a resolution exempting any business combination between Vornado and any trustee or officer of Vornado or its affiliates. As a result, any trustee or officer of Vornado or its affiliates may be able to enter into business combinations with Vornado that may not be in the best interest of Vornado’s shareholders. With respect to business combinations with other persons, the business combination provisions of the MGCL may have the effect of delaying, deferring or preventing a change in control of Vornado or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The business combination statute may discourage others from trying to acquire control of Vornado and increase the difficulty of consummating any offer.

We may change our policies without obtaining the approval of our shareholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board

of Trustees. Accordingly, our shareholders do not control these policies.

Our Ownership Structure and Related-Party Transactions May Give Rise to Conflicts of Interest.

Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us.

As of December 31, 2011, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 6.3% of the common shares of Vornado and 27.2% of the common stock of Alexander's, which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board of Vornado, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties and its partners may have substantial influence over Vornado and on the outcome of any matters submitted to Vornado's shareholders for approval. In addition, certain decisions concerning our operations or financial structure may present conflicts of interest among Messrs. Roth, Mandelbaum and Wight and Interstate Properties and our other equity or debt holders. In addition, Mr. Roth, Interstate Properties and its partners, and Alexander's currently and may in the future engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us, such as which of these entities or persons, if any, may take advantage of potential business opportunities, the business focus of these entities, the types of properties and geographic locations in which these entities make investments, potential competition between business activities conducted, or sought to be conducted, competition for properties and tenants, possible corporate transactions such as acquisitions and other strategic decisions affecting the future of these entities.

We currently manage and lease the real estate assets of Interstate Properties under a management agreement for which we receive an annual fee equal to 4% of base rent and percentage rent. The management agreement has a one-year term and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. Because of the relationship among Vornado, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between us and Interstate Properties may not be comparable to those we could have negotiated with an unaffiliated third party.

There may be conflicts of interest between Alexander's and us.

As of December 31, 2011, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has seven properties, which are located in the greater New York metropolitan area. In addition to the 2.0% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 27.2% of the outstanding common stock of Alexander's as of December 31, 2011. Mr. Roth is the Chairman of the Board of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's and general partners of Interstate Properties. Michael D. Fascitelli is the President and Chief Executive Officer of Vornado and the President of Alexander's and Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

We manage, develop and lease Alexander's properties under management and development agreements and leasing agreements under which we receive annual fees from Alexander's. These agreements have a one-year term expiring in March of each year and are all automatically renewable. Because Vornado and Alexander's share common senior management and because certain of the trustees of Vornado constitute a majority of the directors of Alexander's, the terms of the foregoing agreements and any future agreements between us and Alexander's may not be comparable to those we could have negotiated with an unaffiliated third party.

For a description of Interstate Properties' ownership of Vornado and Alexander's, see "*Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us*" above.

The Number of Shares of Vornado Realty Trust and the Market for Those Shares Give Rise to Various Risks.

The trading price of our common shares has been volatile and may fluctuate.

The trading price of our common shares has been volatile and may continue to fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have in the past and may in the future adversely affect the market price of our common shares. Among the factors that could affect the price of our common shares are:

- our financial condition and performance;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- our dividend policy;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- uncertainty and volatility in the equity and credit markets;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other real estate investment trusts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of institutional investor interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;

- general financial and economic market conditions and, in particular, developments related to market conditions for real estate investment trusts and other real estate related companies;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

A significant decline in our stock price could result in substantial losses for shareholders.

Vornado has many shares available for future sale, which could hurt the market price of its shares.

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2011, we had authorized but unissued, 64,919,980 common shares of beneficial interest, \$.04 par value and 67,813,291 preferred shares of beneficial interest, no par value; of which 28,304,971 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 5,800,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

Increased market interest rates may hurt the value of our common and preferred shares.

We believe that investors consider the distribution rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common and preferred shares to decline.

Item 1b. unresolved staff comments

There are no unresolved comments from the staff of the Securities Exchange Commission as of the date of this Annual Report on Form 10-K.

Item 2. Properties

We operate in five business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys “R” Us. The following pages provide details of our real estate properties.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|----------------------------------------------------------|-------------|-------------|-----------------------------|-----------|-------------|----------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service | | | |
| NEW YORK OFFICE: New York City: Penn Plaza: | | | | | | | | |
| One Penn Plaza (ground leased through 2098) | 100.0 % | 94.5 % | \$ 56.40 | 2,466,000 | 2,466,000 | - | \$ - | BMG Columbia House, Cisco, Kmart, MWB - Leasing, Parsons Brinkerhoff, United Health Care, United States Customs Department, URS Corporation Group Consulting LMW Associates, EMC, Forest |
| Two Penn Plaza | 100.0 % | 97.1 % | 47.50 | 1,589,000 | 1,589,000 | - | 425,000 | Electric, IBI, Madison Square Garden, McGraw-Hill Companies, Inc. Macy's, Madison Square Garden, Rainbow Media |
| Eleven Penn Plaza | 100.0 % | 95.5 % | 54.25 | 1,075,000 | 1,075,000 | - | 330,000 | Holdings Bank of America, |
| 100 West 33rd Street | 100.0 % | 93.6 % | 47.93 | 847,000 | 847,000 | - | 159,361 | Draftfc City of New York, |
| 330 West 34th Street (ground leased through | 100.0 % | 100.0 % | 26.53 | 635,000 | 460,000 | 175,000 * | 50,150 | Interieurs Inc. |

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|-------------------------------------------------------------------|---------|---------|-----------|-----------|-----------|---------|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2148 - 34.8% ownership interest in the land) | | | | | | | | |
| Total Penn Plaza | 95.7 % | 49.96 | 6,612,000 | 6,437,000 | 175,000 | 964,511 | | |
| East Side: | | | | | | | | |
| 909 Third Avenue (ground leased through 2063) | 100.0 % | 92.4 % | 55.94 (2) | 1,332,000 | 1,332,000 | - | 203,217 | J.P. Morgan Securities Inc., Citibank, Forest Laboratories, Geller & Company, Morrison Cohen LLP, Robeco USA Inc., United States Post Office, The Procter & Gamble Distributing LLC. Castle Harlan, Tournesol Realty LLC (Peter |
| 150 East 58th Street | 100.0 % | 92.8 % | 60.64 | 537,000 | 537,000 | - | - | Marino), Various showroom tenants |
| Total East Side | 92.5 % | 57.29 | 1,869,000 | 1,869,000 | - | 203,217 | | |
| West Side: | | | | | | | | |
| 888 Seventh Avenue (ground leased through 2067) | 100.0 % | 98.8 % | 81.08 | 867,000 | 867,000 | - | 318,554 | New Line Realty, Soros Fund, TPG-Axon Capital, Vornado Executive Headquarters |
| 1740 Broadway | 100.0 % | 99.3 % | 61.76 | 597,000 | 597,000 | - | - | Limited Brands, Dept. of Taxation of the State of N.Y. |
| 57th Street 825 | 50.0 % | 93.9 % | 46.65 | 188,000 | 188,000 | - | 21,864 | Various |
| Seventh Avenue | 50.0 % | 100.0 % | 45.44 | 165,000 | 165,000 | - | 20,080 | Young & Rubicam |
| Total West Side | 98.6 % | 67.93 | 1,817,000 | 1,817,000 | - | 360,498 | | |
| Park Avenue: | | | | | | | | |

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|-----------------------|---------|---------|-------|-----------|-----------|----------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 350 Park Avenue | 100.0 % | 95.4 % | 77.82 | 557,000 | 557,000 | - | 430,000 | Tweedy Browne Company, MFA Financial Inc., M&T Bank, Ziff Brothers Investment Inc., Kissinger Associates, Inc. Cohen & Steers Inc., Credit Suisse (USA) Inc., General Electric Capital Corp., Investcorp International Inc., National Football League |
| 280 Park Avenue | 49.5 % | 100.0 % | 78.63 | 1,218,000 | 943,000 | 275,000 | 737,678 | |
| Total Park Avenue | | 98.5 % | 78.38 | 1,775,000 | 1,500,000 | 275,000 | 1,167,678 | |
| Grand Central: | | | | | | | | |
| 90 Park Avenue | 100.0 % | 98.4 % | 59.02 | 910,000 | 910,000 | - | - | Alston & Bird, Amster, Rothstein & Ebenstein, Capital One N.A., First Manhattan Consulting, Sanofi-Synthelabo Inc., STWB Inc. Acordia Northeast Inc., Artio Global Management, Dean Witter Reynolds Inc., HSBC Bank AFS, GPFT Holdco LLC (Guggenheim LLC), Jones Lang LaSalle Inc. |
| 330 Madison Avenue | 25.0 % | 100.0 % | 59.96 | 809,000 | 766,000 | 43,000 * | 150,000 | |
| Total Grand Central | | 99.2 % | 59.46 | 1,719,000 | 1,676,000 | 43,000 | 150,000 | |

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|--------------------------------------------------------|-------------|-------------|-----------------------------|-----------|-------------|----------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service | | | |
| NEW YORK OFFICE (Continued): Madison/Fifth: | | | | | | | | |
| 640 Fifth Avenue | 100.0 % | 100.0 % | \$ 76.46 | 324,000 | 324,000 | - \$ | | ROC Capital Management LP, Citibank N.A., Fidelity Investments, Hennes & Mauritz, Janus Capital Group Inc., GSL Enterprises Inc., Scout Capital Management, Legg Mason Investment Counsel Citibank N.A., Fulbright & Jaworski, Integrated Holding Group, Vinson & Elkins LLP, Uniqlo Beauvais Carpets, Coach, Levin Capital Strategies LP, Prada, Cosmetech Mably Int'l |
| 666 Fifth Avenue | 49.5 % | 81.1 % | 81.29 | 1,437,000 | 1,437,000 | - | 1,035,884 | |
| 595 Madison Avenue | 100.0 % | 93.2 % | 65.34 | 321,000 | 321,000 | - | | |

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|------------------------------------------------|---------|--------|-------|-----------|-----------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 689 Fifth Avenue | 100.0 % | 94.1 % | 75.13 | 89,000 | 89,000 | - | LLC. Elizabeth Arden, Red Door Salons, Zara, Yamaha Artist Services Inc. |
| Total Madison/Fifth United Nations: | | 86.2 % | 77.96 | 2,171,000 | 2,171,000 | - | 1,035,884 |
| 866 United Nations Plaza | 100.0 % | 94.4 % | 52.41 | 358,000 | 358,000 | - | 44,978 Fross Zelnick, Mission of Japan, The United Nations, Mission of Finland |
| Midtown South: | | | | | | | |
| 770 Broadway | 100.0 % | 99.8 % | 54.67 | 1,078,000 | 1,078,000 | - | 353,000 AOL, J. Crew, Kmart, Structure Tone, Nielsen Company (US) Inc. New York University, Coty Inc., Public Service Mutual Insurance |
| One Park Avenue | 30.3 % | 95.2 % | 42.59 | 932,000 | 932,000 | - | 250,000 |
| Total Midtown South Rockefeller Center: | | 97.7 % | 49.07 | 2,010,000 | 2,010,000 | - | 603,000 |
| 1290 Avenue of the Americas | 70.0 % | 96.6 % | 69.07 | 2,081,000 | 2,081,000 | - | 413,111 AXA Equitable Life Insurance, Bank of New York Mellon, Broadpoint Gleacher Securities Group, Bryan Cave LLP, Microsoft Corporation, Morrison & Foerster LLP, Warner Music Group, |

| | | | | | | | | |
|-------------------------------------------------|---------|---------------|-----------------|-------------------|-------------------|----------------|---------------------|-------------------------------------------------------------------------------|
| | | | | | | | | Cushman & Wakefield, Fitzpatrick, Cella, Harper & Scinto, Columbia University |
| Downtown: | | | | | | | | |
| 20 Broad Street (ground leased through 2081) | 100.0 % | 98.1 % | 52.38 | 472,000 | 472,000 | - | | New York Stock Exchange |
| 40 Fulton Street | | | | | | | | Graphnet Inc., Market News International Inc., Sapient Corp. |
| | 100.0 % | 89.3 % | 34.57 | 250,000 | 250,000 | - | | |
| Total Downtown | | 95.0 % | 46.21 | 722,000 | 722,000 | - | | |
| Total New York City | | 90.6 % | 53.63 | 21,134,000 | 20,641,000 | 493,000 | 4,942,877 | |
| New Jersey | | | | | | | | |
| Paramus | 100.0 % | 86.8 % | 21.91 | 132,000 | 132,000 | - | | Vornado's Administrative Headquarters |
| Total New York Office | | 95.3 % | \$ 59.68 | 21,266,000 | 20,773,000 | 493,000 | \$ 4,942,877 | |
| Vornado's Ownership Interest | | 95.6 % | \$ 58.70 | 17,868,000 | 17,546,000 | 322,000 | \$ 3,583,787 | |

* We do not capitalize interest or real estate taxes on this space.

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

(2) Excludes US Post Office leased through 2038 (including five 5-year renewal options for which the annual escalated rent is \$11.23 PSF).

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | | Square Feet | | Under Development or Not Available Encumbrances (in thousands) | Major Tenants |
|------------------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------|----------------|-------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| | | | Average Annual Rent PSF (1) | Total Property | In Service | for Lease | | |
| WASHINGTON, DC OFFICE: Crystal City: 2011-2451 Crystal Drive - 5 buildings | 100.0 % | 94.9 % | \$ 41.33 | 2,300,000 | 2,300,000 | - \$ 274,305 | General Services Administration, Lockheed Martin, Conservation International, Boeing, Smithsonian Institution, Natl. Consumer Coop. Bank, Archstone Trust, Council on Foundations, Vornado / Charles E. Smith Headquarters, KBR, General Dynamics, Scitor Corp., Food Marketing Institute | |
| S. Clark Street / 12th Street - 5 buildings | 100.0 % | 97.1 % | 41.60 | 1,511,000 | 1,511,000 | - 141,500 | General Services Administration, SAIC, Inc., Boeing, L-3 Communications, The Int'l Justice Mission | |
| 1550-1750 Crystal Drive / 241-251 18th Street - 4 | 100.0 % | 95.6 % | 40.22 | 1,485,000 | 1,485,000 | - 121,067 | General Services Administration, Alion Science & Technologies, | |

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|-----------------------------------------------------------------------------------|---------|---------|-------|-----------|-----------|---------|---------|------------------------------------------------------------------------------------------------|
| buildings | | | | | | | | Booz Allen, Arete Associates, Battelle Memorial Institute |
| 1800, 1851 and 1901 South Bell Street - 3 buildings | 100.0 % | 97.2 % | 39.80 | 869,000 | 869,000 | - | - | General Services Administration, Lockheed Martin |
| 2100 / 2200 Crystal Drive - 2 buildings | 100.0 % | 100.0 % | 32.47 | 529,000 | 529,000 | - | - | General Services Administration, Public Broadcasting Service |
| 223 23rd Street / 2221 South Clark Street - 2 buildings | 100.0 % | 100.0 % | 39.27 | 309,000 | 84,000 | 225,000 | - | General Services Administration |
| 2001 Jefferson Davis Highway | 100.0 % | 71.8 % | 35.72 | 162,000 | 162,000 | - | - | National Crime Prevention, Institute for Psychology, Qinetiq North America |
| Crystal City Shops at 2100 Crystal Drive Retail | 100.0 % | 60.4 % | 34.74 | 81,000 | 81,000 | - | - | Various |
| Total Crystal City | 100.0 % | 95.5 % | 40.10 | 7,303,000 | 7,078,000 | 225,000 | 536,872 | Various |
| Central Business District: | | | | | | | | |
| Universal Buildings 1825-1875 Connecticut Avenue, NW - 2 buildings | 100.0 % | 93.4 % | 41.81 | 682,000 | 682,000 | - | 98,239 | Family Health International |
| Warner Building - 1299 Pennsylvania Avenue, NW | 55.0 % | 49.1 % | 68.59 | 607,000 | 607,000 | - | 292,700 | Baker Botts, LLP, General Electric |
| 409 3rd Street, NW | 100.0 % | 98.5 % | 43.09 | 409,000 | 409,000 | - | - | General Services Administration Greenberg Traurig, LLP, US Green Building Council, |
| 2101 L Street, NW | 100.0 % | 94.0 % | 59.29 | 380,000 | 380,000 | - | 150,000 | |

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|--------------------------------------|---------|--------|-------|---------|---------|---|---------|-------------------------------------------------------------------|
| 1750 Pennsylvania Avenue, NW | 100.0 % | 97.0 % | 44.06 | 261,000 | 261,000 | - | 44,330 | American Insurance Association, RTKL Associates, Cassidy & Turley |
| 1150 17th Street, NW | 100.0 % | 81.8 % | 46.43 | 239,000 | 239,000 | - | 28,728 | General Services Administration |
| Bowen Building - 875 15th Street, NW | 100.0 % | 96.7 % | 63.48 | 231,000 | 231,000 | - | 115,022 | American Enterprise Institute |
| 1101 17th Street, NW | 55.0 % | 90.6 % | 44.53 | 214,000 | 214,000 | - | - | Paul, Hastings, Janofsky & Walker LLP, |
| 1730 M Street, NW | 100.0 % | 87.3 % | 43.94 | 203,000 | 203,000 | - | 14,853 | Millennium Challenge Corporation |
| | | | | | | | | AFSCME |
| | | | | | | | | General Services Administration |

ITEM 2. PROPERTIES - Continued

| Property | % Ownership | % Occupancy | Weighted | Total Property | Square Feet | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------|----------------|-------------|----------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service | | | |
| WASHINGTON, DC OFFICE (Continued): | | | | | | | | |
| 1726 M Street, NW | 100.0 % | 85.9 % | \$ 39.58 | 90,000 | 90,000 | - | \$ - | Aptima, Inc., Nelnet Corporation |
| Waterfront Station | 2.5 % | - | - | 1,058,000 | - | 1,058,000 | * | - |
| 1501 K Street, NW | 5.0 % | 98.2 % | 59.36 | 379,000 | 379,000 | - | - | Sidley Austin LLP, UBS |
| 1399 New York Avenue, NW | 100.0 % | 93.2 % | 76.57 | 128,000 | 128,000 | - | - | Bloomberg |
| Total Central Business District I-395 Corridor: | | 88.3 % | 50.21 | 4,881,000 | 3,823,000 | 1,058,000 | 743,872 | |
| Skyline Place - 7 buildings | 100.0 % | 68.3 % | 34.93 | 2,118,000 | 2,118,000 | - | 543,300 | General Services Administration, SAIC, Inc., Northrop Grumman, Axiom Resource Management, Booz Allen, Jacer Corporation, Intellidyne, Inc. General Services Administration |
| One Skyline Tower | 100.0 % | 100.0 % | 32.72 | 518,000 | 518,000 | - | 134,700 | |
| Total I-395 Corridor Rosslyn / Ballston: | 100.0 % | 74.5 % | 34.34 | 2,636,000 | 2,636,000 | - | 678,000 | |
| 2200 / 2300 Clarendon Blvd (Courthouse Plaza) - 2 buildings (ground leased through 2062) | 100.0 % | 94.4 % | 40.50 | 634,000 | 634,000 | - | 53,344 | Arlington County, General Services Administration, AMC Theaters |
| | 46.2 % | 81.8 % | 36.11 | 731,000 | 731,000 | - | 56,680 | |

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|-----------------------------------------------------------|---------|---------------|-----------------|-------------------|-------------------|------------------|----------------------------------------------------------------------------------|
| Rosslyn Plaza - Office - 4 buildings | | | | | | | General Services Administration |
| Total Rosslyn / Ballston | | 90.0 % | 39.03 | 1,365,000 | 1,365,000 | - | 110,024 |
| Reston: | | | | | | | |
| Reston Executive - 3 buildings | 100.0 % | 68.0 % | 32.23 | 494,000 | 494,000 | - | SAIC, Inc., 93,000 Quadramed Corp L-3 |
| Commerce Executive - 3 buildings | 100.0 % | 86.2 % | 28.55 | 399,000 | 399,000 | - | Communications, Allworld Language - Consultants, BT North America |
| Total Reston | | 76.1 % | 30.38 | 893,000 | 893,000 | - | 93,000 |
| Rockville/Bethesda: | | | | | | | |
| Democracy Plaza One (ground leased through 2084) | 100.0 % | 90.9 % | 41.04 | 214,000 | 214,000 | - | National Institutes - of Health |
| Tysons Corner: | | | | | | | |
| Fairfax Square - 3 buildings | 20.0 % | 85.8 % | 37.23 | 528,000 | 528,000 | - | EDS Information Services, Dean & 70,974 Company, Womble Carlyle |
| Pentagon City: | | | | | | | |
| Fashion Centre Mall | 7.5 % | 99.4 % | 39.28 | 819,000 | 819,000 | - | Macy's, 410,000 Nordstrom The Rand Corporation |
| Washington Tower | 7.5 % | 100.0 % | 47.01 | 170,000 | 170,000 | - | 40,000 |
| Total Pentagon City | | 99.8 % | 40.61 | 989,000 | 989,000 | - | 450,000 |
| Total Washington, DC office properties | | 88.5 % | \$ 41.13 | 18,809,000 | 17,526,000 | 1,283,000 | \$ 2,682,742 |
| Vornado's Ownership Interest | | 88.7 % | \$ 40.63 | 15,316,000 | 15,065,000 | 251,000 | \$ 2,048,000 |

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|-------------------------------------------|-------------|---------------|-----------------------------|-------------------|-------------------|------------------|----------------------------------------------|-----------------------------|---------------|
| | | | Average Annual Rent PSF (1) | Total Property | In Service | | | | |
| WASHINGTON, DC OFFICE (Continued): | | | | | | | | | |
| Other: | | | | | | | | | |
| For rent residential: | | | | | | | | | |
| Riverhouse (1,680 units) | 100.0 % | 96.6 % | \$ - | 1,802,000 | 1,802,000 | - | \$ 259,546 | | |
| West End 25 (283 units) | 100.0 % | 96.4 % | - | 272,000 | 272,000 | - | 101,671 | | |
| 220 20th Street (265 units) | 100.0 % | 96.9 % | - | 272,000 | 272,000 | - | 75,037 | | |
| Rosslyn Plaza (196 units) | 43.7 % | 96.9 % | - | 253,000 | 253,000 | - | - | | |
| Crystal City Hotel | 100.0 % | 100.0 % | - | 266,000 | 266,000 | - | - | | |
| Warehouses | 100.0 % | 100.0 % | - | 160,000 | 129,000 | 31,000 * | - | | |
| Other - 3 buildings | 100.0 % | 100.0 % | - | 11,000 | 9,000 | 2,000 * | - | | |
| Total Other | | | | 3,036,000 | 3,003,000 | 33,000 | 436,254 | | |
| Total Washington, DC Properties | | 89.8 % | \$ 41.13 | 21,845,000 | 20,529,000 | 1,316,000 | \$ 3,118,996 | | |
| Vornado's Ownership Interest | | 90.0 % | \$ 40.63 | 18,209,000 | 17,925,000 | 284,000 | \$ 2,484,000 | | |

* We do not capitalize interest or real estate taxes on this space.

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

(2) Excludes 24,000 square feet representing our 7.5% pro rata share of the Ritz Carlton building which is owned by the ground lessee on land leased by us.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|----------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------|----------------|-----------------------------|-----------------|----------------------------------------------|-----------------------------|----------------------------------------------------|
| | | | Average Annual Rent PSF (1) | Property Total | In Service Owned by Company | Owned By Tenant | | | |
| RETAIL: STRIP SHOPPING CENTERS: New Jersey: Wayne Town Center, Wayne (ground leased through 2064) | 100.0 % | 100.0 % | \$ 29.60 | 717,000 | 29,000 | 242,000 | 446,000 | \$ - | JCPenney |
| North Bergen (Tonnelle Avenue) | 100.0 % | 100.0 % | 24.19 | 410,000 | 204,000 | 206,000 | - | 75,000 | Wal-Mart, BJ's Wholesale Club, The Home Depot, Bed |
| Totowa | 100.0 % | 100.0 % | 18.59 | 317,000 | 178,000 | 139,000 | - | 25,703 | (2) Bath & Beyond (3), Marshalls |
| Garfield | 100.0 % | 100.0 % | 26.80 | 301,000 | 21,000 | 145,000 | 135,000 | - | Wal-Mart, Kohl's, (2) ShopRite, Marshalls |
| Bricktown | 100.0 % | 98.7 % | 17.24 | 279,000 | 276,000 | 3,000 | - | 33,153 | (2) ShopRite, Marshalls |
| Union (Route 22 and Morris Avenue) | 100.0 % | 100.0 % | 25.63 | 276,000 | 113,000 | 163,000 | - | 33,551 | (2) Lowe's, Toys "R" Us |
| Hackensack | 100.0 % | 74.8 % | 21.70 | 275,000 | 269,000 | 6,000 | - | 42,082 | (2) The Home Depot |
| Bergen Town Center - East, Paramus | 100.0 % | 100.0 % | 16.00 | 272,000 | 26,000 | 167,000 | 79,000 | - | Lowe's, REI |
| East Hanover (240 Route | 100.0 % | 96.2 % | 17.75 | 268,000 | 262,000 | 6,000 | - | 29,570 | (2) The Home Depot, Dick's |

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| | | | | | | | | | |
|-----------------------------------------------|---------|---------|-------|---------|---------|---------|-----------|--------|--------------------------------------------------------------|
| 10 West) | | | | | | | | | Sporting Goods, Marshalls |
| Cherry Hill | 100.0 % | 91.5 % | 13.23 | 263,000 | 76,000 | 187,000 | - | 14,387 | (2) Wal-Mart, Toys "R" Us, Lowe's, P.C. |
| Jersey City | 100.0 % | 100.0 % | 21.79 | 236,000 | 66,000 | 170,000 | - | 21,040 | (2) Richard & Son |
| East Brunswick (325 - 333 Route 18 South) | 100.0 % | 100.0 % | 15.95 | 232,000 | 222,000 | 10,000 | - | 25,817 | Kohl's, Dick's Sporting Goods, P.C. Richard & Son, T.J. Maxx |
| Union (2445 Springfield Avenue) | 100.0 % | 100.0 % | 17.85 | 232,000 | 232,000 | - | - | 29,570 | (2) The Home Depot |
| Middletown | 100.0 % | 94.8 % | 14.19 | 231,000 | 179,000 | 52,000 | - | 18,026 | (2) Kohl's, Stop & Shop |
| Woodbridge | 100.0 % | 83.9 % | 22.50 | 227,000 | 87,000 | 140,000 | - | 21,438 | (2) Wal-Mart |
| North Plainfield (ground leased through 2060) | 100.0 % | 100.0 % | 13.54 | 219,000 | 34,000 | - | 185,000 | - | |
| Marlton | 100.0 % | 100.0 % | 13.34 | 213,000 | 209,000 | 4,000 | - | 17,913 | Kohl's (3), (2) ShopRite, PetSmart |
| Manalapan | 100.0 % | 100.0 % | 15.30 | 208,000 | 206,000 | 2,000 | - | 21,836 | Best Buy, Bed Bath & (2) Beyond, Babies "R" Us |
| East Rutherford | 100.0 % | 98.7 % | 32.26 | 197,000 | 42,000 | 155,000 | - | 14,103 | (2) Lowe's |
| East Brunswick (339-341 Route 18 South) | 100.0 % | 100.0 % | - | 196,000 | 33,000 | 163,000 | - | 12,226 | Lowe's, LA Fitness (lease not commenced) |
| Bordentown | 100.0 % | 80.4 % | 7.25 | 179,000 | 83,000 | - | 96,000 * | - | ShopRite |
| Morris Plains | 100.0 % | 98.2 % | 19.50 | 177,000 | 176,000 | 1,000 | - | 22,178 | (2) Kohl's, ShopRite |
| Dover | 100.0 % | 93.9 % | 11.31 | 173,000 | 167,000 | 6,000 | - | 13,648 | (2) ShopRite, T.J. Maxx |
| Delran | 100.0 % | 7.2 % | - | 171,000 | 40,000 | 3,000 | 128,000 * | - | |
| Lodi (Route 17 North) | 100.0 % | 100.0 % | 10.91 | 171,000 | 171,000 | - | - | 11,771 | (2) National Wholesale Liquidators |
| Watchung | 100.0 % | 95.6 % | 23.20 | 170,000 | 54,000 | 116,000 | - | 15,638 | (2) |

| | | | | | | | | | |
|----------|---------|---------|-------|---------|---------|-------|---|--------|-----------------------------------------------------------------|
| Lawnside | 100.0 % | 100.0 % | 13.13 | 145,000 | 142,000 | 3,000 | - | 11,089 | BJ's Wholesale Club The Home (2) Depot, PetSmart |
| Hazlet | 100.0 % | 100.0 % | 2.44 | 123,000 | 123,000 | - | - | - | Stop & Shop |

30

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|-----------------------------------------------|-------------|-------------|-----------------------------|---------|-----------------------------|-----------------|----------------------------------------------|-----------------------------|----------------------|
| | | | Average Annual Rent PSF (1) | | In Service Owned by Company | Owned By Tenant | | | |
| RETAIL (Continued): | | | | | | | | | |
| Kearny | 100.0 % | 100.0 % | \$ 14.24 | 104,000 | 32,000 | 72,000 | - \$ | - | Pathmark, Marshalls |
| Turnersville | 100.0 % | 100.0 % | 6.25 | 96,000 | 89,000 | 7,000 | - | - | Haynes Furniture |
| Lodi (Washington Street) | 100.0 % | 40.7 % | 23.21 | 85,000 | 85,000 | - | - | 9,422 | Rite Aid |
| Carlstadt (ground leased through 2050) | 100.0 % | 90.7 % | 22.16 | 78,000 | 78,000 | - | - | 7,304 | Stop & Shop |
| East Hanover (200 Route 10 West) | 100.0 % | 86.9 % | 23.13 | 76,000 | 76,000 | - | - | 10,122 | (2)Loehmann's |
| Paramus (ground leased through 2033) | 100.0 % | 100.0 % | 42.23 | 63,000 | 63,000 | - | - | - | 24 Hour Fitness |
| North Bergen (Kennedy Boulevard) | 100.0 % | 100.0 % | 29.78 | 62,000 | 6,000 | 56,000 | - | 5,289 | (2)Waldbaum's |
| South Plainfield (ground leased through 2039) | 100.0 % | 92.1 % | 20.68 | 56,000 | 56,000 | - | - | 5,317 | (2)Staples |
| Englewood | 100.0 % | 79.7 % | 26.08 | 41,000 | 41,000 | - | - | 12,077 | New York Sports Club |
| Eatontown | 100.0 % | 100.0 % | 28.09 | 30,000 | 30,000 | - | - | - | Petco |
| East Hanover (280 Route 10 West) | 100.0 % | 94.0 % | 32.00 | 26,000 | 26,000 | - | - | 4,720 | (2)REI |
| Montclair | 100.0 % | 100.0 % | 23.34 | 18,000 | 18,000 | - | - | 2,730 | (2) |

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| | | | | | | | | | | Whole Foods Market |
|---------------------------------------------------------|---------|---------|-------|-----------|-----------|-----------|---|-----------|---------|-------------------------------------------------------------------------------------------------------|
| Total New Jersey | | | | 7,613,000 | 4,320,000 | 2,224,000 | | 1,069,000 | 566,720 | |
| New York: | | | | | | | | | | |
| Poughkeepsie | 100.0 % | 84.3 % | 8.04 | 519,000 | 519,000 | - | - | - | - | Kmart, Burlington Coat Factory, ShopRite, Hobby Lobby, Christmas Tree Shops, Bob's Discount Furniture |
| Bronx (Bruckner Boulevard) | 100.0 % | 94.1 % | 21.27 | 500,000 | 386,000 | 114,000 | - | - | - | Kmart, Toys "R" Us, Key Food |
| Buffalo (Amherst) | 100.0 % | 85.6 % | 5.65 | 296,000 | 227,000 | 69,000 | - | - | - | BJ's Wholesale Club (lease not commenced), T.J. Maxx, Toys "R" Us |
| Huntington | 100.0 % | 90.4 % | 14.00 | 208,000 | 208,000 | - | - | 17,287 | - | Kmart, (2)Marshalls, Old Navy |
| Rochester | 100.0 % | 100.0 % | - | 205,000 | - | 205,000 | - | 4,549 | - | (2)Wal-Mart |
| Mt. Kisco | 100.0 % | 100.0 % | 21.84 | 189,000 | 72,000 | 117,000 | - | 29,026 | - | Target, A&P |
| Freeport (437 East Sunrise Highway) | 100.0 % | 100.0 % | 18.61 | 173,000 | 173,000 | - | - | 22,178 | - | (2)Depot, Staples |
| Staten Island | 100.0 % | 94.2 % | 20.51 | 165,000 | 165,000 | - | - | 17,237 | - | Western Beef |
| Rochester (Henrietta) (ground leased through 2056) | 100.0 % | 91.3 % | 3.31 | 158,000 | 158,000 | - | - | - | - | Kohl's, Ollie's Bargain Outlet |
| Albany (Menands) | 100.0 % | 74.0 % | 9.00 | 140,000 | 140,000 | - | - | - | - | Bank of America |
| New Hyde Park (ground and building leased through 2029) | 100.0 % | 100.0 % | 18.73 | 101,000 | 101,000 | - | - | - | - | Stop & Shop |
| Inwood | 100.0 % | 97.9 % | 21.01 | 100,000 | 100,000 | - | - | - | - | Stop & Shop |
| | 100.0 % | 100.0 % | - | 98,000 | - | 98,000 | - | - | - | Wal-Mart |

| | | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------|---------|--------|-------|--------|--------|---|---|---|---------------------------------------------|
| North Syracuse (ground and building leased through 2014) Bronx (1750-1780 Gun Hill Road) | 100.0 % | 73.3 % | 34.09 | 83,000 | 83,000 | - | - | - | ALDI, Planet Fitness, T.G.I. Friday's |
|---------------------------------------------------------------------------------------------------------------------|---------|--------|-------|--------|--------|---|---|---|---------------------------------------------|

31

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total Property | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|-------------------------------------------------------------------------------|-------------|-------------|-----------------------------|----------------|-----------------------------|-----------------|----------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service Owned by Company | Owned By Tenant | | | |
| RETAIL (Continued): | | | | | | | | | |
| West Babylon | 100.0 % | 85.7 % | \$ 11.89 | 79,000 | 79,000 | - | - \$ | - | Waldbaum's New York Sports Club, |
| Queens | 100.0 % | 100.0 % | 36.26 | 56,000 | 56,000 | - | - | - | Devry |
| Commack (ground and building leased through 2021) | 100.0 % | 100.0 % | 21.45 | 47,000 | 47,000 | - | - | - | PetSmart |
| Dewitt (ground leased through 2041) | 100.0 % | 100.0 % | 20.46 | 46,000 | 46,000 | - | - | - | Best Buy |
| Freeport (240 West Sunrise Highway) (ground and building leased through 2040) | 100.0 % | 100.0 % | 18.44 | 44,000 | 44,000 | - | - | - | Bob's Discount Furniture |
| Oceanside | 100.0 % | 100.0 % | 27.83 | 16,000 | 16,000 | - | - | - | Party City |
| Total New York | | | | 3,223,000 | 2,620,000 | 603,000 | - | 90,277 | |
| Pennsylvania: | | | | | | | | | |
| Allentown | | | | (4) | | | | | Wal-Mart (4), ShopRite, Burlington (2), Coat Factory, T.J. Maxx, Dick's Sporting Goods, Kmart, Health Partners |
| | 100.0 % | 100.0 % | 15.22 | 627,000 | 270,000 | 357,000 (4) | - | 31,106 | Target (4), Babies "R" Us, Ross |
| Philadelphia | 100.0 % | 78.6 % | 13.29 | 428,000 | 428,000 | - | - | - | |
| Wilkes-Barre | 100.0 % | 83.3 % | 13.33 | 329,000 (4) | 204,000 | 125,000 (4) | - | 20,475 | |

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| | | | | | | | | | |
|-----------------------------------------------------------|---------|---------|-------|-----------|-----------|---------|----------|---------|-------------------------------------------------------------------------|
| Lancaster | 100.0 % | 100.0 % | 4.61 | 228,000 | 58,000 | 170,000 | - | 5,601 | (2) Dress for Less, Lowe's, Weis Markets, Kohl's, Ross |
| Bensalem | 100.0 % | 98.9 % | 11.38 | 185,000 | 177,000 | 8,000 | - | 15,439 | (2) Dress for Less, Staples Giant Food |
| Broomall | 100.0 % | 100.0 % | 10.73 | 169,000 | 147,000 | 22,000 | - | 11,089 | (2) (3), A.C. Moore, PetSmart |
| Bethlehem | 100.0 % | 81.5 % | 6.16 | 167,000 | 164,000 | 3,000 | - | 5,800 | (2) Giant Food, Superpetz |
| Upper Moreland | 100.0 % | 100.0 % | 2.00 | 122,000 | 122,000 | - | - | - | Benjamin Foods |
| York | 100.0 % | 100.0 % | 8.69 | 110,000 | 110,000 | - | - | 5,402 | (2) Ashley Furniture |
| Levittown | 100.0 % | 100.0 % | 6.25 | 105,000 | 105,000 | - | - | - | Haynes Furniture |
| Glenolden | 100.0 % | 97.5 % | 26.00 | 102,000 | 10,000 | 92,000 | - | 7,108 | (2) Wal-Mart |
| Wilkes-Barre (ground and building leased through 2014) | 100.0 % | 100.0 % | 6.53 | 81,000 | 41,000 | - | 40,000 * | - | Ollie's Bargain Outlet |
| Wyomissing (ground and building leased through 2065) | 100.0 % | 89.0 % | 14.47 | 79,000 | 79,000 | - | - | - | LA Fitness, PetSmart |
| Springfield (ground and building leased through 2025) | 100.0 % | 100.0 % | 20.90 | 41,000 | 41,000 | - | - | - | PetSmart |
| Total Pennsylvania | | | | 2,773,000 | 1,956,000 | 777,000 | | 40,000 | 102,020 |
| California: | | | | | | | | | |
| San Jose | | | | | (4) | (4) | | | Target (4), The Home Depot, Toys "R" Us, Best Buy |
| Beverly Connection, Los Angeles | 100.0 % | 92.9 % | 29.07 | 647,000 | 492,000 | 155,000 | - | 112,476 | Target (lease not commenced), Marshalls, Old Navy, Nordstrom Rack, Ross |
| | 100.0 % | 80.8 % | 42.01 | 307,000 | 307,000 | - | - | 100,000 | Dress for |

| | | | | | | | | | |
|---------------------------------------------|---------|--------|-------|---------|---------|---|---|---|----------------------|
| Pasadena (ground leased through 2077) | 100.0 % | 57.3 % | 29.85 | 133,000 | 133,000 | - | - | - | Less Trader Joe's |
|---------------------------------------------|---------|--------|-------|---------|---------|---|---|---|----------------------|

32

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available | Encumbrances (in thousands) | Major Tenants |
|-----------------------------------------------------------------------------|-------------|-------------|-----------------------------|-----------|-----------------------------|-----------------|------------------------------------|-----------------------------|--------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service Owned by Company | Owned By Tenant | | | |
| RETAIL (Continued): | | | | | | | | | |
| San Francisco (2675 Geary Street) (ground and building leased through 2043) | 100.0 % | 100.0 % | \$ 50.34 | 55,000 | 55,000 | - | - \$ | - | Best Buy |
| Redding | 100.0 % | 100.0 % | 11.19 | 45,000 | 45,000 | - | - | - | PetSmart |
| Signal Hill | 100.0 % | 100.0 % | 24.08 | 45,000 | 45,000 | - | - | - | Best Buy |
| Vallejo (ground leased through 2043) | 100.0 % | 100.0 % | 17.51 | 45,000 | 45,000 | - | - | - | Best Buy |
| Merced | 100.0 % | 100.0 % | 14.31 | 31,000 | 31,000 | - | - | - | PetSmart |
| San Francisco (3700 Geary Boulevard) | 100.0 % | 100.0 % | 30.00 | 30,000 | 30,000 | - | - | - | OfficeMax |
| Walnut Creek (1149 South Main Street) | 100.0 % | 100.0 % | 45.11 | 29,000 | 29,000 | - | - | - | Barnes & Noble |
| Total California | | | | 1,367,000 | 1,212,000 | 155,000 | - | 212,476 | |
| Maryland: | | | | | | | | | |
| Baltimore (Towson) | 100.0 % | 86.0 % | 15.33 | 150,000 | 150,000 | - | - | 16,207 | Shoppers Food Warehouse, hhgregg, Staples, Golf Galaxy |
| Annapolis (ground and building leased through 2042) | 100.0 % | 100.0 % | 8.99 | 128,000 | 128,000 | - | - | - | The Home Depot |
| Glen Burnie | 100.0 % | 90.6 % | 10.42 | 121,000 | 65,000 | 56,000 | - | - | Weis Markets |
| Rockville | 100.0 % | 84.4 % | 22.96 | 94,000 | 94,000 | - | - | - | |

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|--------------------------------------------------------------|---------|---------|-------|---------|---------|---------|---|-----------|-----------------------------------------------------------------------------------------------------------------|
| Wheaton (ground leased through 2060) | 100.0 % | 100.0 % | 14.87 | 66,000 | 66,000 | - | - | - | Regal Cinemas Best Buy |
| Total Maryland | | | | 559,000 | 503,000 | 56,000 | - | 16,207 | |
| Massachusetts: | | | | | | | | | |
| Chicopee | 100.0 % | 100.0 % | - | 224,000 | - | 224,000 | - | 8,615 (2) | Wal-Mart |
| Springfield | 100.0 % | 97.8 % | 16.39 | 182,000 | 33,000 | 149,000 | - | 5,942 (2) | Wal-Mart |
| Milford (ground and building leased through 2019) | 100.0 % | 100.0 % | 8.01 | 83,000 | 83,000 | - | - | - | Kohl's (3) |
| Cambridge (ground and building leased through 2033) | 100.0 % | 100.0 % | 19.84 | 48,000 | 48,000 | - | - | - | PetSmart |
| Dorchester | 100.0 % | 100.0 % | 32.83 | 45,000 | 45,000 | - | - | - | Best Buy |
| Total Massachusetts | | | | 582,000 | 209,000 | 373,000 | - | 14,557 | |
| Florida: | | | | | | | | | |
| Tampa (Hyde Park Village) | 75.0 % | 79.7 % | 21.44 | 264,000 | 264,000 | - | - | 19,876 | Pottery Barn, CineBistro, Brooks Brothers, Williams Sonoma, Lifestyle Family Fitness |
| Tampa (1702 North Dale Mabry) | 100.0 % | 100.0 % | 19.80 | 45,000 | 45,000 | - | - | - | Nordstrom Rack |
| Total Florida | | | | 309,000 | 309,000 | - | - | 19,876 | |

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|----------------------------------------------------------|-------------|-------------|-----------------------------|---------|-----------------------------|-----------------|----------------------------------------------|-----------------------------|---------------------|
| | | | Average Annual Rent PSF (1) | | In Service Owned by Company | Owned By Tenant | | | |
| RETAIL (Continued): Connecticut: | | | | | | | | | |
| Newington | 100.0 % | 100.0 % | \$ 14.45 | 188,000 | 43,000 | 145,000 | - | \$ 11,657 ⁽²⁾ | Wal-Mart, Staples |
| Waterbury | 100.0 % | 100.0 % | 15.01 | 148,000 | 143,000 | 5,000 | - | 14,501 ⁽²⁾ | ShopRite |
| Total Connecticut | | | | 336,000 | 186,000 | 150,000 | - | 26,158 | |
| Michigan: | | | | | | | | | |
| Roseville | 100.0 % | 100.0 % | 5.37 | 119,000 | 119,000 | - | - | - | JCPenney |
| Battle Creek | 100.0 % | - | - | 47,000 | 47,000 | - | - | - | |
| Midland (ground leased through 2043) | 100.0 % | 83.6 % | 8.97 | 31,000 | 31,000 | - | - | - | PetSmart |
| Total Michigan | | | | 197,000 | 197,000 | - | - | - | |
| Virginia: | | | | | | | | | |
| Norfolk (ground and building leased through 2069) | 100.0 % | 100.0 % | 6.44 | 114,000 | 114,000 | - | - | - | BJ's Wholesale Club |
| Tyson's Corner (ground and building leased through 2035) | 100.0 % | 100.0 % | 39.13 | 38,000 | 38,000 | - | - | - | Best Buy |
| Total Virginia | | | | 152,000 | 152,000 | - | - | - | |
| Illinois: | | | | | | | | | |
| Lansing | 100.0 % | 100.0 % | 10.00 | 47,000 | 47,000 | - | - | - | Forman Mills |
| Arlington Heights (ground and building leased) | 100.0 % | 100.0 % | 9.00 | 46,000 | 46,000 | - | - | - | RVI |

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|----------------------------------------------------------------|---------|---------|-------|---------|---------|---|---|---|-----------|
| through 2043) | | | | | | | | | |
| Chicago (ground and building leased through 2051) | 100.0 % | 100.0 % | 12.03 | 41,000 | 41,000 | - | - | - | Best Buy |
| Total Illinois | | | | 134,000 | 134,000 | - | - | - | |
| Texas: | | | | | | | | | |
| San Antonio (ground and building leased through 2041) | 100.0 % | 100.0 % | 10.63 | 43,000 | 43,000 | - | - | - | Best Buy |
| Texarkana (ground leased through 2043) | 100.0 % | 100.0 % | 4.39 | 31,000 | 31,000 | - | - | - | Home Zone |
| Total Texas | | | | 74,000 | 74,000 | - | - | - | |
| Ohio: | | | | | | | | | |
| Springdale (ground and building leased through 2046) | 100.0 % | - | - | 47,000 | 47,000 | - | - | - | |
| Tennessee: | | | | | | | | | |
| Antioch | 100.0 % | 100.0 % | 7.66 | 45,000 | 45,000 | - | - | - | Best Buy |
| South Carolina: | | | | | | | | | |
| Charleston (ground leased through 2063) | 100.0 % | 80.1 % | 14.04 | 45,000 | 45,000 | - | - | - | Best Buy |

ITEM 2. PROPERTIES - Continued

| Property | % | % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | M |
|-----------------------------------------------------|---------|---------|-----------------------------|--------|-------------|------------------|----------------------------------------------|-----------------------------|---------------------|
| | | | Average Annual Rent PSF (1) | | Property | Owned by Company | | | |
| RETAIL (Continued): | | | | | | | | | |
| Wisconsin: | | | | | | | | | |
| Fond Du Lac (ground leased through 2073) | 100.0 % | 100.0 % | \$ 7.61 | 43,000 | 43,000 | - | - \$ | - | - PetS |
| Washington, DC | | | | | | | | | |
| 3040 M Street | 100.0 % | 100.0 % | 32.84 | 42,000 | 42,000 | - | - | - | Bar Nob - Bar |
| New Hampshire: | | | | | | | | | |
| Salem (ground leased through 2102) | 100.0 % | 100.0 % | - | 37,000 | - | 37,000 | - | - | Bab - Us |
| Kentucky: | | | | | | | | | |
| Owensboro (ground and building leased through 2046) | 100.0 % | 100.0 % | 7.66 | 32,000 | 32,000 | - | - | - | - Bes |
| Iowa: | | | | | | | | | |
| Dubuque (ground leased through 2043) | 100.0 % | 100.0 % | 9.90 | 31,000 | 31,000 | - | - | - | - PetS |
| CALIFORNIA SUPERMARKETS | | | | | | | | | |
| Colton (1904 North Rancho Avenue) | 100.0 % | 100.0 % | 4.44 | 73,000 | 73,000 | - | - | - | Stat - Bro |
| San Bernadino (1522 East Highland Avenue) | 100.0 % | 100.0 % | 7.23 | 40,000 | 40,000 | - | - | - | Stat - Bro |
| Riverside (5571 Mission Boulevard) | 100.0 % | 100.0 % | 4.97 | 39,000 | 39,000 | - | - | - | Stat - Bro |
| Mojave (ground leased through 2079) | 100.0 % | 100.0 % | 6.55 | 34,000 | 34,000 | - | - | - | Stat - Bro |
| Corona (ground leased through 2079) | 100.0 % | 100.0 % | 7.76 | 33,000 | 33,000 | - | - | - | Stat - Bro |
| Yucaipa | 100.0 % | 100.0 % | 4.13 | 31,000 | 31,000 | - | - | - | Stat - Bro |

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| | | | | | | | | | |
|------------------------------------------------------------------------------|---------|---------------|-----------------|-------------------|-------------------|------------------|------------------|---------------------|--------------------------------------------------------------------------------|
| Barstow | 100.0 % | 100.0 % | 7.15 | 30,000 | 30,000 | - | - | - | Stat - Bro |
| Moreno Valley | 100.0 % | - | - | 30,000 | 30,000 | - | - | - | - |
| San Bernadino (648 West 4th Street) | 100.0 % | 100.0 % | 6.74 | 30,000 | 30,000 | - | - | - | Stat - Bro |
| Desert Hot Springs | 100.0 % | 100.0 % | 5.61 | 29,000 | 29,000 | - | - | - | Stat - Bro |
| Rialto | 100.0 % | 100.0 % | 5.74 | 29,000 | 29,000 | - | - | - | Stat - Bro |
| Total California Supermarkets | | | | 398,000 | 398,000 | - | - | - | - |
| Total Strip Shopping Centers Vornado's Ownership Interest | | 93.0 % | \$ 16.52 | 18,039,000 | 12,555,000 | 4,375,000 | 1,109,000 | \$ 1,048,291 | |
| REGIONAL MALLS: | | 93.1 % | \$ 16.50 | 17,456,000 | 12,489,000 | 3,858,000 | 1,109,000 | \$ 1,043,323 | |
| Green Acres Mall, Valley Stream, NY | 100.0 % | 90.6 % | (5) \$ 43.01 | 1,830,000 | 1,716,000 | 114,000 | - | \$ 325,045 | Mac Sear Wal JCP Bes BJ's Wh Clu Kob Ray & F |
| (10% ground and building leased through 2039) | | | | | | | | | |
| Monmouth Mall, Eatontown, NJ | 50.0 % | 92.7 % | (5) 35.73 | 1,472,000 | 860,000 | 612,000 | (4) | - | 173,938 Mac JCP (4), & T & T Bos Loe The Bar Nob |

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|----------------------------------------|-------------|---------------|-----------------------------|------------------|------------------|------------------|----------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service | Owned by Company | | | |
| Springfield Mall, Springfield, VA | 97.5 % | 100.0 % | (5) 21.94 | (4) 1,408,000 | (4) 514,000 | (4) 390,000 | 504,000 | \$ | Macy's, JCPenney, Target (4) |
| Broadway Mall, Hicksville, NY | 100.0 % | 88.4 % | (5) 31.56 | (4) 1,135,000 | (4) 759,000 | (4) 376,000 | - | 87,750 | Macy's, IK, Target (4), National Amusement |
| Bergen Town Center - West, Paramus, NJ | 100.0 % | 95.8 % | (5) 44.63 | 921,000 | 888,000 | 13,000 | 20,000 | 283,590 | Target, Ce 21, Whole Foods Ma Marshalls, Nordstrom Rack, Sak 5th, Blooming Outlet, Nike Facto Store, Old Navy, Neiman M Last Call Studio, BL Fitness The Home Depot, Kn Marshalls, Caribbean Theatres, Tiendas C Kmart, Se |
| Montehiedra, Puerto Rico | 100.0 % | 91.5 % | (5) 42.81 | 541,000 | 541,000 | - | - | 120,000 | Marshalls, Caribbean Theatres, Tiendas C Kmart, Se |
| Las Catalinas, Puerto Rico | 100.0 % | 88.2 % | (5) 57.04 | (4) 495,000 | (4) 356,000 | (4) 139,000 | - | 55,912 | (4) |
| Total Regional Malls | | 92.1 % | \$ 38.52 | 7,802,000 | 5,634,000 | 1,644,000 | 524,000 | \$ 1,046,235 | |
| | | 92.0 % | \$ 38.91 | 6,142,000 | 5,191,000 | 440,000 | 511,000 | \$ 959,265 | |

**Vornado's
Ownership
Interest
MANHATTAN
STREET
RETAIL**

| | | | | | | | | | |
|--------------------------------------------------|---------|---------|----------|---------|---------|---|------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manhattan Mall | 100.0 % | 99.4 % | \$ 87.15 | 243,000 | 243,000 | - | - \$ | 72,639 | JCPenney Charlotte Russe, Aeroposta Express, Victoria's Secret Whole Fo Market, D (6), Forev Forever 2 Planet Hollywoo Disney, - Swarovski MAC Cosmetics Top Shop, Madewell - Crew |
| 4 Union Square South | 100.0 % | 100.0 % | 55.15 | 203,000 | 203,000 | - | - | 75,000 | Joe Fresh |
| 1540 Broadway | 100.0 % | 100.0 % | 116.77 | 161,000 | 161,000 | - | - | - | Sigrid Ols Hennes & Mauritz - Equinox GAP |
| 478-486 Broadway | 100.0 % | 100.0 % | 103.46 | 85,000 | 85,000 | - | - | - | New York Company, |
| 510 5th Avenue | 100.0 % | 90.7 % | 108.48 | 59,000 | 59,000 | - | - | 31,732 | Express |
| 155 Spring Street | 100.0 % | 88.9 % | 78.43 | 47,000 | 47,000 | - | - | - | Express |
| 435 Seventh Avenue | 100.0 % | 100.0 % | 180.19 | 43,000 | 43,000 | - | - | 51,353 | Gucci, Ch Cartier |
| 692 Broadway | 100.0 % | 43.4 % | 43.33 | 35,000 | 35,000 | - | - | - | T.G.I. Fric Dennis Ba Nespresso - USA, J. C |
| 1135 Third Avenue | 100.0 % | 100.0 % | 98.43 | 25,000 | 25,000 | - | - | - | - |
| 715 Lexington (ground leased through 2041) | 100.0 % | 100.0 % | 167.69 | 23,000 | 23,000 | - | - | - | - |
| 7 West 34th Street | 100.0 % | 100.0 % | 203.75 | 21,000 | 21,000 | - | - | - | - |
| 828-850 Madison Avenue | 100.0 % | 100.0 % | 333.47 | 18,000 | 18,000 | - | - | 80,000 | - |
| 484 Eighth Avenue | 100.0 % | 100.0 % | 89.88 | 14,000 | 14,000 | - | - | - | - |
| 40 East 66th Street | 100.0 % | 100.0 % | 397.02 | 12,000 | 12,000 | - | - | - | - |
| 431 Seventh Avenue | 100.0 % | 75.0 % | 49.38 | 10,000 | 10,000 | - | - | - | - |
| 677-679 Madison | 100.0 % | 100.0 % | 356.83 | 8,000 | 8,000 | - | - | - | - Anne Font |

| | | | | | | | | |
|--------------------------------|---------|---------|-------|-------|-------|---|---|---|
| Avenue 148 Spring Street | 100.0 % | 100.0 % | 89.79 | 7,000 | 7,000 | - | - | - |
|--------------------------------|---------|---------|-------|-------|-------|---|---|---|

36

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|--------------------------------------|-------------|---------------|-----------------------------|-------------------|-------------------|------------------|----------------------------------------------|-----------------------------|---------------|
| | | | Average Annual Rent PSF (1) | | In Service | Owned By | | | |
| RETAIL (Continued): | | | | | | | | | |
| 150 Spring Street | 100.0 % | 100.0 % | \$ 123.90 | 7,000 | 7,000 | - | - \$ | - | Puma |
| 488 8th Avenue | 100.0 % | 100.0 % | 60.85 | 6,000 | 6,000 | - | - | - | - |
| 968 Third Avenue | 50.0 % | 100.0 % | 175.81 | 6,000 | 6,000 | - | - | - | ING Bank |
| 825 Seventh Avenue | 100.0 % | 100.0 % | 181.55 | 4,000 | 4,000 | - | - | - | Lindy's |
| Total Manhattan Street Retail | | 96.7 % | \$ 106.28 | 1,037,000 | 1,037,000 | - | - \$ | 310,724 | |
| Vornado's Ownership Interest | | 96.7 % | \$ 106.06 | 1,034,000 | 1,034,000 | - | - \$ | 310,724 | |
| Total Retail Space | | 92.9 % | | 26,878,000 | 19,226,000 | 6,019,000 | 1,633,000 | \$ 2,405,250 | |
| Vornado's Ownership Interest | | 93.0 % | | 24,632,000 | 18,714,000 | 4,298,000 | 1,620,000 | 2,313,312 | |

* We do not capitalize interest or real estate taxes on this space.

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

(2) These encumbrances are cross-collateralized under a blanket mortgage in the amount of \$645,398 as of December 31, 2011.

(3) The lease for this former Bradlees location is guaranteed by Stop and Shop (70% as to Totowa).

(4) Includes square footage of anchors who own the land and building.

(5) Weighted Average Annual Rent PSF shown is for mall tenants only.

(6) An affiliate of DSW is liable for the former Filene's lease pursuant to a guaranty that is currently in dispute.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|---------------------------|-------------|-------------|---------------------|----------------|------------|----------------------------------------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent | Total Property | In Service | | | |
| MERCHANDISE MART: | | | | | | | | |
| Illinois: | | | | | | | | |
| Merchandise Mart, Chicago | 100.0 % | 90.3 % | \$ 30.46 | 3,493,000 | 3,493,000 | - \$ 550,000 | | American Intercontinental University Baker, Knapp & Tubbs, Royal Bank of Canada, CCC Information Services, Ogilvy Group (WPP), Chicago Teachers Union, Office of the Special Deputy Receiver, Publicis Groupe, Bankers Life & Casualty, Holly Hunt Ltd., Merchandise Mart Headquarters, Steelcase, Chicago School of Professional Psychology, Razorfish |
| Other | 50.0 % | 93.9 % | 32.96 | 19,000 | 19,000 | - | 24,155 | |
| Total Illinois | | 90.3 % | 30.48 | 3,512,000 | 3,512,000 | - | 574,155 | |
| California | | | | | | | | |
| L.A. Mart | 100.0 % | 71.5 % | 20.97 | 784,000 | 784,000 | - | | - County of L.A. - Dept of Children |

| | | | | | | | |
|------------------------------------------------------------|---------|---------------|-----------------|------------------|------------------|---|--------------------------------------|
| | | | | | | | & Family Services |
| Massachusetts | | | | | | | |
| Boston Design Center (ground leased through 2060) | 100.0 % | 78.8 % | 30.10 | 554,000 | 554,000 | - | Boston Brewing, 67,350 Fitch Puma |
| New York | | | | | | | |
| 7 West 34th Street | 100.0 % | 86.5 % | 39.49 | 419,000 | 419,000 | - | - Kurt Adler |
| Washington, DC | | | | | | | |
| Washington Design Center | 100.0 % | 75.1 % | 34.40 | 393,000 | 393,000 | - | General Services - Administration |
| Total | | | | | | | |
| Merchandise | | | | | | | |
| Mart | | 85.2 % | \$ 30.17 | 5,662,000 | 5,662,000 | | - \$ 641,505 |
| Vornado's | | | | | | | |
| Ownership | | | | | | | |
| Interest | | 85.2 % | \$ 30.17 | 5,653,000 | 5,653,000 | | - \$ 629,427 |

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|-------------------------------------|-------------|---------------|-----------------------------|------------------|------------------|----------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | Total Property | In Service | | | |
| 555 CALIFORNIA STREET: | | | | | | | | |
| 555 California Street | 70.0 % | 91.7 % | \$ 54.67 | 1,503,000 | 1,503,000 | - | \$ 600,000 | Bank of America, Dodge & Cox, Goldman Sachs & Co., Jones Day, Kirkland & Ellis LLP, Morgan Stanley & Co. Inc., McKinsey & Company Inc., UBS Financial Services |
| 315 Montgomery Street | 70.0 % | 100.0 % | 41.14 | 228,000 | 228,000 | - | - | Bank of America |
| 345 Montgomery Street | 70.0 % | 100.0 % | 93.22 | 64,000 | 64,000 | - | - | Bank of America |
| Total 555 California Street | | 93.1 % | \$ 54.40 | 1,795,000 | 1,795,000 | - | \$ 600,000 | |
| Vornado's Ownership Interest | | 93.1 % | \$ 54.40 | 1,257,000 | 1,257,000 | - | \$ 420,000 | |

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | Under Development or Not Available | Encumbrances (in thousands) | Major Tenants |
|-------------------------------------|-------------|---------------|-----------------------------|------------------|------------------|------------------------------------|-----------------------------|------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service | | | |
| WAREHOUSES: | | | | | | | | |
| NEW JERSEY | | | | | | | | |
| East Hanover - Five Buildings | 100.0 % | 45.3 % | \$ 4.85 | 942,000 | 942,000 | - \$ | - | Foremost Groups Inc., Fidelity Paper & Supply Inc., Givaudan Flavors Corp., Gardner Industries |
| Edison | 100.0 % | - | - | 272,000 | 272,000 | - | - | |
| Total Warehouses | | 35.2 % | \$ 4.85 | 1,214,000 | 1,214,000 | - \$ | - | |
| Vornado's Ownership Interest | | 35.2 % | \$ 4.85 | 1,214,000 | 1,214,000 | - \$ | - | |

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

ITEM 2. PROPERTIES - Continued

| Property | Ownership % | Occupancy % | Weighted | Total | Square Feet | | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|----------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------|-----------|-----------------------------|-----------------|----------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | In Service Owned by Company | Owned By Tenant | | | |
| ALEXANDER'S INC.: New York: 731 Lexington Avenue, Manhattan Office | 32.4 % | 100.0 % | \$ 84.97 | 885,000 | 885,000 | - | - \$ | 339,890 | Bloomberg Hennes & Mauritz, The Home Depot, The Container Store |
| Retail | 32.4 % | 100.0 % | 161.22 | 174,000 | 174,000 | - | - | 320,000 | Sears, Lowe's (ground lessee), Macy's (2), Best Buy |
| | | | | 1,059,000 | 1,059,000 | - | - | 659,890 | |
| Kings Plaza Regional Shopping Center, Brooklyn (24.3 acres) | 32.4 % | 95.6 % | 39.35 | 1,210,000 | 871,000 | 339,000 | - | 250,000 | (2) Sears, Burlington Coat Factory, Bed Bath & Beyond, Marshalls Century 21, Costco, Kohl's, TJ Maxx, Toys "R" Us |
| Rego Park I, Queens (4.8 acres) | 32.4 % | 100.0 % | 36.15 | 343,000 | 343,000 | - | - | 78,246 | |
| Rego Park II (adjacent to Rego Park I), Queens (6.6 acres) | 32.4 % | 95.3 % | 39.26 | 610,000 | 610,000 | - | - | 274,796 | |
| | 32.4 % | 100.0 % | 14.99 | 167,000 | 167,000 | - | - | - | |

| | | | | | | | | |
|------------------------------------------------------------------------------|--------|---------------|-----------------|------------------|------------------|----------------|---|-----------------------------------|
| Flushing, Queens ⁽³⁾ (1.0 acre) | | | | | | | | New World Mall LLC |
| New Jersey: | | | | | | | | |
| Paramus, New Jersey | 32.4 % | 100.0 % | - | - | - | - | - | IKEA (ground 68,000 lessee) |
| (30.3 acres ground leased to IKEA through 2041) | | | | | | | | |
| Property to be Developed: | | | | | | | | |
| Rego Park III (adjacent to Rego Park II), Queens, NY (3.4 acres) | 32.4 % | - | - | - | - | - | - | |
| Total | | | | | | | | |
| Alexander's Vornado's Ownership Interest | | 97.8 % | \$ 57.83 | 3,389,000 | 3,050,000 | 339,000 | | - \$ 1,330,932 |
| | | | | 1,098,000 | 988,000 | 110,000 | | - \$ 431,222 |

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

(2) Owned by Macy's, Inc.

(3) Leased by Alexander's through January 2037.

ITEM 2. PROPERTIES - Continued

| Property | Fund Ownership % | % Occupancy | Weighted | Total | Square Feet | Under Development or Not Available for Lease | Encumbrances (in thousands) | Major Tenants |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|--------------------------------------|---------|------------------------|----------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------|
| | | | Average Annual Rent PSF (1) | | Property In Service | | | |
| VORNADO CAPITAL PARTNERS REAL ESTATE FUND: Manhattan: One Park Avenue Office Building | 64.7 % | 95.2 % | \$ 42.59 | 932,000 | 932,000 | - | \$ 250,000 | New York University, Coty Inc., Public Service Mutual Insurance |
| Lucida, 86th Street and Lexington Avenue (ground leased through 2082) | | | | | | | | |
| - Retail | 100.0 % | 100.0 % | 123.85 | 95,000 | 95,000 | - | | Barnes & Noble, Hennes & Mauritz, Sephora, Bank of America |
| - Residential | 100.0 % | 100.0 % | - | 51,000 | 51,000 | - | 100,000 | |
| 11 East 68th Street Retail | 100.0 % | 100.0 % | 585.15 | 5,000 | 5,000 | - | 27,790 | Malo, Joseph Inc. |
| Crowne Plaza Times Square - Hotel (795 Keys) | | | | | | | | |
| - Retail | 38.0 % | 100.0 % | 155.00 | 14,000 | 14,000 | - | | Hershey's American Management Association |
| - Office | 38.0 % | 100.0 % | 35.00 | 212,000 | 212,000 | - | | |

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|----------------------------------------|---------------|---------------|-------|------------------|------------------|---------------|-------------------|----------------------------------------------------------------------------|
| | | | 42.55 | 226,000 | 226,000 | - | 258,750 | |
| Washington, DC: | | | | | | | | |
| Georgetown Park Retail Shopping Center | 50.0 % | 100.0 % | 27.10 | 313,000 | 238,000 | 75,000 * | 34,000 | Washington Sports, Dean & Deluca, Anthropologie, Hennes & Mauritz, J. Crew |
| Total Real Estate Fund | 62.0 % | 97.0 % | | 1,622,000 | 1,547,000 | 75,000 | \$ 670,540 | |
| Vornado's Ownership Interest | 15.5 % | 97.0 % | | 249,000 | 240,000 | 9,000 | \$ 88,764 | |

* We do not capitalize interest or real estate taxes on this space.

(1) Weighted Average Annual Rent PSF excludes ground rent, storage rent and garages.

New York Office Properties

As of December 31, 2011, our portfolio consisted of 30 office properties in Midtown Manhattan aggregating 20.8 million square feet, of which we own 17.5 million square feet, comprised of 16.2 million square feet of office space, 1.2 million square feet of retail space and 183,000 square feet of showroom space. In addition, we own 1.0 million square feet of retail space in New York City that is not part of our office buildings and is included in our Retail Properties segment. The New York Office Properties segment also includes 7 garages totaling 385,000 square feet (1,829 spaces) which are managed by, or leased to, third parties. The garage space is excluded from the statistics provided in this section.

Occupancy and weighted average annual rent per square foot:

| As of December 31, | Rentable Square Feet | Occupancy Rate | Weighted Average Annual Rent PSF |
|-------------------------------|---------------------------------|---------------------------|-------------------------------------------------|
| 2011 | 17,546,000 | 95.6 % | \$ 58.70 |
| 2010 | 16,194,000 | 95.6 % | 55.45 |
| 2009 | 16,173,000 | 95.5 % | 55.00 |
| 2008 | 16,108,000 | 96.7 % | 53.08 |
| 2007 | 15,994,000 | 97.6 % | 49.34 |

2011 New York Office Properties rental revenue by tenants' industry:

| Industry | Percentage |
|---------------------|-------------------|
| Finance | 16 % |
| Retail | 15 % |
| Legal Services | 9 % |
| Banking | 7 % |
| Communications | 5 % |
| Insurance | 5 % |
| Technology | 5 % |
| Publishing | 4 % |
| Government | 4 % |
| Real Estate | 4 % |
| Advertising | 3 % |
| Pharmaceutical | 3 % |
| Not-for-Profit | 2 % |
| Engineering | 2 % |
| Service Contractors | 1 % |
| Health Services | 1 % |
| Other | 14 % |
| | 100 % |

New York Office Properties lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at market rates. Leases typically provide for periodic step ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for free rent and tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

NEW YORK OFFICE PROPERTIES – CONTINUED

Tenants accounting for 2% or more of 2011 New York Office Properties total revenues:

| Tenant | Square Feet Leased | 2011 Revenues | Percentage of New York Office Properties Revenues | Percentage of Total Company Revenues |
|------------------------------------|-------------------------------|--------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|
| Macy's | 537,000 | \$ 29,895,000 | 2.7 % | 1.0 % |
| Ziff Brothers Investments, Inc. | 287,000 | 23,703,000 | 2.1 % | 0.8 % |
| McGraw-Hill Companies, Inc. | 480,000 | 23,673,000 | 2.1 % | 0.8 % |
| Limited Brands | 368,000 | 23,463,000 | 2.1 % | 0.8 % |

2011 New York Office Properties Leasing Activity:

| Location | Square Feet | Weighted Average Initial Rent Per Square Foot (1) |
|-----------------------------|------------------------|------------------------------------------------------------------|
| 1290 Avenue of Americas | 521,000 | \$ 66.98 |
| One Park Avenue | 493,000 | 42.12 |
| One Penn Plaza | 426,000 | 51.46 |
| 330 Madison Avenue | 311,000 | 66.41 |
| 330 West 34th Street | 302,000 | 32.74 |
| 770 Broadway | 235,000 | 55.00 |
| 888 Seventh Avenue | 167,000 | 78.91 |
| Two Penn Plaza | 130,000 | 48.41 |
| Eleven Penn Plaza | 106,000 | 46.73 |
| 1740 Broadway | 105,000 | 60.39 |
| 595 Madison Avenue | 95,000 | 65.56 |
| 280 Park Avenue | 67,000 | 105.05 |
| 150 East 58th Street | 42,000 | 52.45 |
| 909 Third Avenue | 39,000 | 56.57 |
| 40 Fulton Street | 32,000 | 33.10 |
| 350 Park Avenue | 26,000 | 90.00 |
| 90 Park Avenue | 25,000 | 55.81 |
| 640 Fifth Avenue | 24,000 | 85.98 |
| 57th Street | 24,000 | 31.17 |
| 866 United Nations Plaza | 15,000 | 52.43 |

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| | | |
|--------------------------|-----------|-------|
| 40-42 Thompson Street | 12,000 | 50.00 |
| 20 Broad Street | 11,000 | 31.68 |
| 100 West 33rd Street | 3,000 | 41.00 |
| Total | 3,211,000 | 55.73 |
| Vornado's share | 2,432,000 | 55.37 |

(1) Represents the cash basis weighted average starting rents per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent, which are not included in the initial cash basis rent per square foot leased, but are included in the GAAP basis straight-line rent per square foot (see "Overview - Leasing Activity" of Management's Discussion and Analysis of Financial Condition and Results of Operations).

In addition to the office space noted above, during 2011 we leased 9,000 square feet of retail space contained in office buildings at an average initial rent of \$184.78 per square foot, a 60.2% increase over the prior weighted average rent per square foot.

NEW YORK OFFICE PROPERTIES – CONTINUED

Lease expirations as of December 31, 2011, assuming none of the tenants exercise renewal options:

| Office Space: | Number of Expiring Leases | Square Feet of Expiring Leases | Percentage of | Weighted Average Annual | |
|--------------------------------------------------------------|----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------|-------------------|
| Year | | | New York Office Properties | Rent of Expiring Leases | Per Square |
| Office Space: | | | Square Feet | Total | Foot |
| Month to month | 62 | 143,000 | 0.8 % | \$ 4,783,000 | \$ 33.45 |
| 2012 | 83 | 999,000 | 5.8 % | 61,528,000 | 61.59 |
| 2013 | 74 | 766,000 ⁽¹⁾ | 4.4 % | 41,402,000 | 54.05 |
| 2014 | 112 | 1,182,000 | 6.8 % | 72,632,000 | 61.45 |
| 2015 | 103 | 2,195,000 | 12.6 % | 119,339,000 | 54.37 |
| 2016 | 77 | 1,109,000 | 6.4 % | 66,663,000 | 60.11 |
| 2017 | 61 | 1,455,000 | 8.4 % | 75,768,000 | 52.07 |
| 2018 | 45 | 965,000 | 5.6 % | 64,689,000 | 67.04 |
| 2019 | 37 | 908,000 | 5.2 % | 55,008,000 | 60.58 |
| 2020 | 29 | 1,427,000 | 8.2 % | 75,347,000 | 52.80 |
| 2021 | 30 | 955,000 | 5.5 % | 55,460,000 | 58.07 |
| Retail Space: (contained in office buildings) | | | | | |
| Month to month | 5 | 16,000 | 0.1 % | \$ 824,000 | \$ 51.50 |
| 2012 | 6 | 30,000 | 0.2 % | 4,298,000 | 143.27 |
| 2013 | 16 | 50,000 | 0.3 % | 8,564,000 | 171.28 |
| 2014 | 12 | 102,000 | 0.6 % | 20,977,000 | 205.66 |
| 2015 | 11 | 47,000 | 0.3 % | 18,140,000 | 385.96 |
| 2016 | 7 | 181,000 | 1.1 % | 13,933,000 | 76.98 |
| 2017 | 3 | 154,000 | 0.9 % | 7,545,000 | 48.99 |
| 2018 | 8 | 116,000 | 0.7 % | 14,257,000 | 122.91 |
| 2019 | 7 | 33,000 | 0.2 % | 8,537,000 | 258.70 |
| 2020 | 7 | 22,000 | 0.1 % | 3,021,000 | 137.32 |
| 2021 | 7 | 34,000 | 0.2 % | 5,753,000 | 169.21 |

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including five 5-year renewal options) for which the annual escalated rent is \$11.23 per square foot.

Washington, DC Office Properties

As of December 31, 2011, our portfolio consisted of 77 properties aggregating 20.5 million square feet, of which we own 17.9 million square feet, comprised of 63 office buildings, seven residential properties, a hotel property and 20.8 acres of undeveloped land. In addition, the Washington, DC Office Properties segment includes 59 garages totaling approximately 9.6 million square feet (31,679 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2011, 29% of the space in our Washington, DC Office Properties segment was leased to various agencies of the U.S. Government.

Occupancy and weighted average annual rent per square foot:

| As of December | Rentable | Occupancy | Weighted |
|-----------------------|--------------------|------------------|-----------------------|
| 31, | Square Feet | Rate | Average Annual |
| | | | Rent PSF |
| 2011 | 17,925,000 | 90.0 % | \$ 40.63 |
| 2010 | 17,823,000 | 94.3 % | 39.42 |
| 2009 | 17,646,000 | 93.3 % | 38.37 |
| 2008 | 16,981,000 | 94.1 % | 37.03 |
| 2007 | 16,715,000 | 94.0 % | 34.47 |

2011 Washington, DC Office Properties rental revenue by tenants' industry:

| Industry | Percentage |
|------------------------------|-------------------|
| U.S. Government | 38 % |
| Government Contractors | 25 % |
| Membership Organizations | 6 % |
| Legal Services | 5 % |
| Manufacturing | 3 % |
| Business Services | 3 % |
| Real Estate | 2 % |
| Computer and Data Processing | 2 % |
| Television Broadcasting | 1 % |
| Health Services | 1 % |
| Communication | 1 % |
| Education | 1 % |
| Food | 1 % |
| Other | 11 % |

100 %

Washington, DC Office Properties lease terms generally range from five to seven years, and may provide for extension options at either pre-negotiated or market rates. Leases typically provide for periodic step-ups in rent over the term of the lease and pass through to tenants, the tenants' share of increases in real estate taxes and certain property operating expenses over a base year. Periodic step-ups in rent are usually based upon either fixed percentage increases or the consumer price index. Leases also typically provide for free rent and tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

Tenants accounting for 2% or more of Washington, DC Office Properties total revenues:

| Tenant | Square Feet Leased | 2011 Revenues | Percentage of Washington, DC Office Properties Revenues | Percentage of Total Company Revenues |
|--------------------------------|-------------------------------|--------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------|
| U.S. Government | 6,054,000 | \$ 208,812,000 | 33.0 % | 7.2 % |
| Family Health International | 430,000 | 18,072,000 | 2.9 % | 0.6 % |
| Boeing | 378,000 | 16,545,000 | 2.6 % | 0.6 % |
| Lockheed Martin | 478,000 | 14,028,000 | 2.2 % | 0.5 % |

WASHINGTON, DC OFFICE PROPERTIES – CONTINUED*2011 Washington, DC Office Properties Leasing Activity:*

| Location | Square Feet | Weighted Average Initial Rent Per Square Foot (1) |
|----------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------|
| 409 3rd Street, NW | 268,000 | \$ 44.97 |
| Skyline Place / One Skyline Tower | 235,000 | 35.61 |
| S. Clark Street / 12th Street | 121,000 | 43.47 |
| 1750 Pennsylvania Avenue, NW | 120,000 | 46.92 |
| 1550-1750 Crystal Drive / 241-251 18th Street | 117,000 | 42.79 |
| 2011-2451 Crystal Drive | 97,000 | 42.61 |
| Commerce Executive | 84,000 | 30.25 |
| 1800, 1851 and 1901 South Bell Street | 84,000 | 42.87 |
| 2200 / 2300 Clarendon Blvd (Courthouse Plaza) | 78,000 | 42.09 |
| 1150 17th Street, NW | 77,000 | 46.01 |
| 2001 Jefferson Davis Highway and 223 23rd Street / 2221 South Clark Street | 66,000 | 34.43 |
| Reston Executive | 49,000 | 29.84 |
| Universal Buildings (1825 - 1875 Connecticut Avenue, NW) | 41,000 | 43.63 |
| 2101 L Street, NW | 17,000 | 54.55 |
| 1726 M Street, NW | 17,000 | 39.59 |
| 1399 New York Avenue, NW | 12,000 | 81.00 |
| 1730 M Street, NW | 9,000 | 44.60 |
| Bowen Building - 875 15th Street, NW | 4,000 | 65.20 |
| Democracy Plaza One | 3,000 | 32.00 |
| Partially Owned Entities | 285,000 | 36.14 |
| Total | 1,784,000 | 40.69 |
| Vornado's share | 1,606,000 | 40.99 |

(1) Represents the cash basis weighted average starting rents per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent, which are not included in the initial cash basis rent per square foot leased, but are included in the GAAP basis straight-line rent per square foot (see "Overview - Leasing Activity" of Management's Discussion and Analysis of Financial Condition and Results of Operations).

WASHINGTON, DC OFFICE PROPERTIES – CONTINUED

Lease expirations as of December 31, 2011, assuming none of the tenants exercise renewal options:

| Year Month to month | Number of Expiring Leases | Square Feet of Expiring Leases | Percentage of Washington, DC Office Properties | Weighted Average Annual | |
|---------------------------|---------------------------------|-----------------------------------------|---------------------------------------------------------------|-------------------------|-----------------------------------------------|
| | | | Square Feet | Total | Rent of Expiring Leases Per Square Foot |
| Month to month | 43 | 273,000 | 2.2 % | \$ 10,920,000 | \$ 40.00 |
| 2012 | 267 | 2,902,000 ⁽¹⁾ | 22.9 % | 116,883,000 | 40.28 |
| 2013 | 152 | 1,100,000 | 8.7 % | 43,693,000 | 39.74 |
| 2014 | 140 | 1,545,000 | 12.2 % | 58,793,000 | 38.04 |
| 2015 | 126 | 1,447,000 | 11.4 % | 57,264,000 | 39.59 |
| 2016 | 90 | 1,143,000 | 9.0 % | 47,203,000 | 41.30 |
| 2017 | 42 | 428,000 | 3.4 % | 15,529,000 | 36.26 |
| 2018 | 48 | 792,000 | 6.3 % | 32,246,000 | 40.70 |
| 2019 | 41 | 1,066,000 | 8.4 % | 42,851,000 | 40.20 |
| 2020 | 28 | 720,000 | 5.7 % | 35,186,000 | 48.86 |
| 2021 | 18 | 836,000 | 6.6 % | 34,728,000 | 41.54 |

(1) Includes 1,140,000 square feet related to the Base Realignment and Closure statute (see below).

Base Realignment and Closure (“BRAC”)

Our Washington, DC Office Properties segment (as well as other landlords who lease space to the Department of Defense ("DOD")) is subject to the BRAC statute, which requires the DOD to relocate from 2,395,000 square feet in our buildings in the Northern Virginia area to government owned military bases. The table below summarizes the effect of BRAC on our Washington, DC Office Properties segment for square feet leased by the DOD. See page 76 for the estimated impact on 2012 EBITDA.

| Annual Expiring Escalated Rent Per | Square Foot | Total | Square Feet | | |
|---------------------------------------------|-------------|-------|-----------------|---------|---------|
| | | | Crystal City | Skyline | Rosslyn |

Square feet to be relet by the General Services

| | | | | | | |
|------------------------------------------|----|-------|-----------|-----------|---------|---------|
| Administration (leases pending) | \$ | 40.05 | 313,000 | 313,000 | - | - |
| Square feet already vacated | | 26.57 | 403,000 | - | 403,000 | - |
| Square feet expiring in the future: | | | | | | |
| First Quarter 2012 | | 40.10 | 589,000 | 551,000 | 38,000 | - |
| Second Quarter 2012 | | 39.60 | 171,000 | 171,000 | - | - |
| Third Quarter 2012 | | 41.47 | 380,000 | 251,000 | 119,000 | 10,000 |
| Total 2012 | | | 1,140,000 | 973,000 | 157,000 | 10,000 |
| 2013 | | 36.85 | 183,000 | - | 43,000 | 140,000 |
| 2014 | | 32.76 | 330,000 | 128,000 | 202,000 | - |
| 2015 | | 40.09 | 26,000 | 20,000 | 6,000 | - |
| Total square feet expiring in the future | | | 1,679,000 | 1,121,000 | 408,000 | 150,000 |
| Total square feet subject to BRAC | | | 2,395,000 | 1,434,000 | 811,000 | 150,000 |

In February 2012, we notified the lender that the Skyline property currently has a 26% vacancy rate, which is expected to increase due to scheduled lease expirations resulting primarily from the BRAC statute. Based on the projected vacancy and the significant amount of capital, time and effort to re-tenant the property, we requested that the mortgage loan be placed with the special servicer.

RETAIL PROPERTIES

As of December 31, 2011, our portfolio consisted of 155 retail properties, of which 127 are strip shopping centers and single tenant retail assets located primarily in the Northeast, Mid-Atlantic and California; seven are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico; and 21 are retail properties located in Manhattan (“Manhattan Street Retail”). Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place.

Strip Shopping Centers

Our strip shopping centers contain an aggregate of 16.9 million square feet, of which we own 16.3 million square feet. These properties are substantially (approximately 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

Regional Malls

The Green Acres Mall in Valley Stream, Long Island, New York contains 1.8 million square feet, and is anchored by Macy’s, Sears, Wal-Mart, Kohl’s, JC Penney, Best Buy and BJ’s Wholesale Club.

The Monmouth Mall in Eatontown, New Jersey, in which we own a 50% interest, contains 1.5 million square feet and is anchored by Macy’s, Lord & Taylor, JC Penney and Boscov’s, three of which own their stores aggregating 612,000 square feet.

The Springfield Mall in Springfield, Virginia, contains 1.4 million square feet and is anchored by Macy’s, JC Penney and Target, two of which own their stores aggregating 390,000 square feet. We plan a complete renovation of the mall beginning in 2012.

The Bergen Town Center in Paramus, New Jersey contains 921,000 square feet and is anchored by Century 21, Whole Foods and Target.

The Broadway Mall in Hicksville, Long Island, New York contains 1.1 million square feet and is anchored by Macy's, Ikea, National Amusements and Target, two of which own their stores aggregating 376,000 square feet.

The Montehiedra Mall in San Juan, Puerto Rico contains 541,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 495,000 square feet and is anchored by Kmart and Sears, which owns its 139,000 square foot store.

Manhattan Street Retail

Manhattan Street Retail is comprised of 2.2 million square feet in 46 properties, of which 1.0 million square feet in 21 properties is in our Retail Properties segment and 1.2 million square feet in 25 properties is in our New York Office Properties segment. Manhattan Street Retail includes (i) properties on Fifth Avenue, Madison Avenue and in SoHo, occupied by retailers such as Hennes & Mauritz (Flagship), Coach (Flagship), Top Shop (Flagship), Madewell, Gucci, Chloe and Cartier; (ii) 1540 Broadway in Times Square which contains 161,000 square feet, anchored by Forever 21 (Flagship) and Disney (Flagship); (iii) 510 Fifth Avenue which contains 59,000 square feet, anchored by Joe Fresh; (iv) 4 Union Square South which contains 203,000 square feet, anchored by Whole Foods Market, Forever 21 and DSW; and (v) properties in the Penn Plaza district, such as the Manhattan Mall which contains 243,000 square feet, anchored by JC Penney.

RETAIL PROPERTIES – CONTINUED

Occupancy and weighted average annual rent per square foot:

As of December 31, 2011, the aggregate occupancy rate for the entire Retail Properties segment of 25.2 million square feet was 92.9%. Details of our ownership interest in the strip shopping centers, regional malls and Manhattan Street retail for the past five years are provided below.

Strip Shopping Centers:

| As of December 31, | Rentable Square Feet | Occupancy Rate | Weighted Average Annual Net Rent per Square Foot |
|-------------------------------|---------------------------------|---------------------------|---------------------------------------------------------------------|
| 2011 | 16,347,000 | 93.1 % | \$ 16.50 |
| 2010 | 16,866,000 | 92.1 % | 15.68 |
| 2009 | 16,107,000 | 91.5 % | 15.30 |
| 2008 | 15,755,000 | 91.9 % | 14.52 |
| 2007 | 15,463,000 | 94.1 % | 14.12 |

Regional Malls:

| As of December 31, | Rentable Square Feet | Occupancy Rate | Mall Tenants | Weighted Average Annual Net Rent Per Square Foot Mall and Anchor Tenants |
|-----------------------------------|---------------------------------|---------------------------|-------------------------|-------------------------------------------------------------------------------------------------|
| 2011 | 5,631,000 | 92.0 % | \$ 38.91 | \$ 20.99 |
| 2010 | 5,480,000 | 92.2 % | 39.73 | 21.47 |
| 2009 | 5,439,000 | 91.1 % | 39.56 | 20.67 |
| 2008 | 5,232,000 | 93.0 % | 37.59 | 20.38 |
| 2007 | 5,528,000 | 96.1 % | 34.94 | 19.11 |

For the years ending December 31, 2011 and 2010, mall store sales per square foot for in-line stores with less than 10,000 square feet, including partially owned malls, were \$467.00 and \$463.00, respectively.

Manhattan Street Retail:

| As of December | Rentable | Occupancy | Weighted Average Annual Net Rent |
|-----------------------|--------------------|------------------|-------------------------------------------------|
| 31, | Square Feet | Rate | per Square Foot |
| 2011 | 1,034,000 | 96.7 % | \$ 106.06 |
| 2010 | 1,107,000 | 95.3 % | 99.95 |
| 2009 | 1,007,000 | 95.3 % | 96.37 |
| 2008 | 874,000 | 90.4 % | 97.18 |
| 2007 | 943,000 | 86.8 % | 89.86 |

The table above excludes 1.2 million square feet of retail space at the bases of certain of our New York Office buildings that is in our New York Office Properties segment. In total, we have 2.2 million square feet of street retail in Manhattan.

RETAIL PROPERTIES – CONTINUED*2011 Retail Properties rental revenue by type of retailer*

| Industry | Percentage |
|------------------------------------|-------------------|
| Discount Stores | 13 % |
| Family Apparel | 11 % |
| Women's Apparel | 9 % |
| Supermarkets | 8 % |
| Home Improvement | 7 % |
| Restaurants | 6 % |
| Department Stores | 5 % |
| Home Entertainment and Electronics | 5 % |
| Personal Services | 4 % |
| Banking and Other | |
| Business Services | 4 % |
| Home Furnishings | 3 % |
| Jewelry | 2 % |
| Membership Warehouse | |
| Clubs | 2 % |
| Other | 21 % |
| | 100 % |

Retail Properties lease terms generally range from five years or less in some instances for smaller tenants to as long as 25 years for major tenants. Leases generally provide for reimbursements of real estate taxes, insurance and common area maintenance charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), and percentage rents based on tenant sales volume. Percentage rents accounted for less than 1% of the Retail Properties total revenues during 2011.

Tenants accounting for 2% or more of 2011 Retail Properties total revenues:

| Tenant | Square Feet Leased | 2011 Revenues | Percentage of Retail Properties Revenues | Percentage of Total Company Revenues |
|---------------------------|---------------------------|----------------------|-------------------------------------------------|---------------------------------------------|
| The Home Depot | 1,135,000 | \$ 23,448,000 | 3.8 % | 0.8% |
| Wal-Mart | 1,547,000 | 21,158,000 | 3.4 % | 0.7% |
| Forever 21 | 175,000 | 19,400,000 | 3.1 % | 0.7% |
| Best Buy | 664,000 | 17,821,000 | 2.9 % | 0.6% |
| JCPenney | 787,000 | 15,425,000 | 2.5 % | 0.5% |
| Stop & Shop / Koninklijke | | | | |
| Ahold NV | 633,000 | 14,955,000 | 2.4 % | 0.5% |
| Lowe's | 976,000 | 12,698,000 | 2.0 % | 0.4% |

RETAIL PROPERTIES – CONTINUED*2011 Retail Properties Leasing Activity:*

| Location | Square Feet | Weighted Average Initial Rent Per Square Foot (1) |
|---------------------------------------------|--------------------|----------------------------------------------------------------------|
| Strip Shopping Centers: | | |
| Beverly Connection, Los Angeles, CA | 158,000 | \$ 31.26 |
| Buffalo (Amherst,) NY | 139,000 | 7.90 |
| Poughkeepsie, NY | 118,000 | 5.47 |
| Lawnside, NJ | 111,000 | 13.75 |
| Dover, NJ | 80,000 | 11.06 |
| Cherry Hill, NJ | 78,000 | 10.17 |
| Rochester (Henrietta), NY | 46,000 | 5.78 |
| Staten Island, NY | 38,000 | 25.45 |
| Middletown, NJ | 31,000 | 14.42 |
| Kearny, NJ | 30,000 | 15.18 |
| San Francisco (3700 Geary Boulevard), CA | 30,000 | 33.00 |
| Bricktown, NJ | 29,000 | 15.41 |
| Tampa (Hyde Park Village), FL | 25,000 | 23.10 |
| Bronx (1750-1780 Gun Hill Road), NY | 22,000 | 33.91 |
| San Jose, CA | 17,000 | 33.96 |
| Bronx (Bruckner Boulevard), NY | 15,000 | 53.11 |
| Glen Burnie, MD | 15,000 | 15.00 |
| Wilkes-Barre, PA | 12,000 | 18.45 |
| Carlstadt, NJ | 10,000 | 19.37 |
| Morris Plains, NJ | 10,000 | 34.89 |
| Other | 95,000 | 29.80 |
| | 1,109,000 | 18.03 |
| Regional Malls: | | |
| Green Acres Mall, Valley Stream, NY | 153,000 | 28.76 |
| Monmouth Mall, Eatontown, NJ | 64,000 | 21.56 |
| Bergen Town Center - West, Paramus, NJ | 53,000 | 45.03 |
| Broadway Mall, Hicksville, NY | 44,000 | 32.43 |
| Springfield Mall, Springfield, VA | 35,000 | 15.47 |
| Las Catalinas, Puerto Rico | 22,000 | 53.66 |
| Montehiedra, Puerto Rico | 21,000 | 36.91 |
| | 392,000 | 30.85 |
| Manhattan Street Retail: | | |
| 510 5th Avenue, NY | 19,000 | 200.12 |

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| | | |
|-----------------|-----------|--------|
| Other | 34,000 | 80.73 |
| | 53,000 | 124.31 |
| Total | 1,554,000 | 24.88 |
| Vornado's share | 1,522,000 | 24.95 |

(1) Represents the cash basis weighted average starting rents per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent, which are not included in the initial cash basis rent per square foot leased, but are included in the GAAP basis straight-line rent per square foot (see "Overview - Leasing Activity" of Management's Discussion and Analysis of Financial Condition and Results of Operations).

RETAIL PROPERTIES – CONTINUED

Lease expirations as of December 31, 2011, assuming none of the tenants exercise renewal options:

| Year | Number of Expiring Leases | Square Feet of Expiring Leases | Percentage of | Weighted Average Annual | |
|---------------------------------|---------------------------|--------------------------------|-------------------|-----------------------------|-----------------|
| | | | Retail Properties | Net Rent of Expiring Leases | |
| | | | Square Feet | Total | Per Square Foot |
| Strip Shopping Centers: | | | | | |
| Month to month | 20 | 68,000 | 0.3 % | \$ 990,000 | \$ 14.56 |
| 2012 | 52 | 601,000 | 2.9 % | 8,837,000 | 14.71 |
| 2013 | 104 | 1,911,000 | 9.2 % | 24,085,000 | 12.61 |
| 2014 | 104 | 1,369,000 | 6.6 % | 17,904,000 | 13.07 |
| 2015 | 65 | 592,000 | 2.9 % | 12,089,000 | 20.42 |
| 2016 | 72 | 818,000 | 4.0 % | 12,591,000 | 15.39 |
| 2017 | 51 | 610,000 | 3.0 % | 8,182,000 | 13.42 |
| 2018 | 56 | 1,060,000 | 5.1 % | 18,194,000 | 17.16 |
| 2019 | 43 | 915,000 | 4.4 % | 17,253,000 | 18.85 |
| 2020 | 33 | 843,000 | 4.1 % | 10,943,000 | 12.97 |
| 2021 | 43 | 852,000 | 4.1 % | 13,176,000 | 15.46 |
| Regional Malls: | | | | | |
| Month to month | 56 | 163,000 | 0.8 % | \$ 3,835,000 | \$ 23.55 |
| 2012 | 51 | 123,000 | 0.6 % | 4,685,000 | 37.90 |
| 2013 | 60 | 269,000 | 1.3 % | 7,861,000 | 29.19 |
| 2014 | 49 | 357,000 | 1.7 % | 7,041,000 | 19.73 |
| 2015 | 41 | 213,000 | 1.0 % | 6,991,000 | 32.76 |
| 2016 | 54 | 462,000 | 2.2 % | 7,571,000 | 16.38 |
| 2017 | 37 | 512,000 | 2.5 % | 6,085,000 | 11.89 |
| 2018 | 42 | 111,000 | 0.5 % | 5,093,000 | 46.02 |
| 2019 | 36 | 164,000 | 0.8 % | 5,833,000 | 35.61 |
| 2020 | 32 | 148,000 | 0.7 % | 5,374,000 | 36.43 |
| 2021 | 25 | 430,000 | 2.1 % | 6,166,000 | 14.34 |
| Manhattan Street Retail: | | | | | |
| Month to month | 3 | 3,000 | - % | \$ 126,000 | \$ 37.29 |
| 2012 | 20 | 112,000 | 0.5 % | 8,223,000 | 73.42 |
| 2013 | 7 | 27,000 | 0.1 % | 3,499,000 | 128.43 |
| 2014 | 7 | 28,000 | 0.1 % | 3,954,000 | 140.15 |
| 2015 | 6 | 23,000 | 0.1 % | 2,581,000 | 113.51 |
| 2016 | 8 | 23,000 | 0.1 % | 3,883,000 | 171.69 |
| 2017 | 4 | 10,000 | - % | 1,470,000 | 154.69 |
| 2018 | 16 | 131,000 | 0.6 % | 21,134,000 | 160.75 |
| 2019 | 11 | 62,000 | 0.3 % | 10,224,000 | 165.40 |
| 2020 | 7 | 67,000 | 0.3 % | 5,321,000 | 79.70 |
| 2021 | 1 | 24,000 | 0.1 % | 960,000 | 40.00 |

MERCHANDISE MART PROPERTIES

As of December 31, 2011, we own 5 Merchandise Mart Properties containing an aggregate of 5.7 million square feet. The Merchandise Mart Properties segment also contains 7 garages totaling 914,000 square feet (3,158 spaces). The garage space is excluded from the statistics provided in this section.

Square feet by location and use as of December 31, 2011:

(Amounts in thousands)

| | | | | Showroom | Temporary Trade Show | Retail |
|--------------------------------------|--------------|---------------|--------------|------------------|-------------------------------------|---------------|
| | Total | Office | Total | Permanent | | |
| Chicago, Illinois: | | | | | | |
| Merchandise Mart | 3,493 | 1,119 | 2,306 | 1,804 | 502 | 68 |
| Other | 10 | - | - | - | - | 10 |
| Total Chicago, Illinois | 3,503 | 1,119 | 2,306 | 1,804 | 502 | 78 |
| Los Angeles, California: | | | | | | |
| L.A. Mart | 784 | 188 | 596 | 542 | 54 | - |
| Boston, Massachusetts: | | | | | | |
| Boston Design Center | 554 | 129 | 420 | 420 | - | 5 |
| New York, New York: | | | | | | |
| 7 West 34th Street | 419 | 10 | 409 | 362 | 47 | - |
| Washington, DC: | | | | | | |
| Washington Design Center | 393 | 110 | 283 | 283 | - | - |
| Total Merchandise Mart Properties | 5,653 | 1,556 | 4,014 | 3,411 | 603 | 83 |
| Occupancy rate | 85.2% | 90.5% | 83.0% | | | 92.1% |

In November 2011, we entered into an agreement to sell 350 West Mart Center, a 1.2 million square foot office building located in Chicago, Illinois, for \$228,000,000. Accordingly, we have reclassified the results of operations of this property to "income (loss) from discontinued operations," and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all periods presented in the accompanying consolidated financial statements. On January 6, 2012, we completed the sale of the property, which resulted in a net gain of \$54,200,000 that will be recognized in the first quarter of 2012.

MERCHANDISE MART PROPERTIES – CONTINUED*Office Space**Occupancy and weighted average annual rent per square foot:*

| As of December | Rentable | Occupancy | Weighted |
|-----------------------|--------------------|------------------|-----------------------|
| 31, | Square Feet | Rate | Average Annual |
| | | | Rent PSF |
| 2011 | 1,556,000 | 90.5% | \$ 25.52 |
| 2010 | 1,448,000 | 91.8% | 25.28 |
| 2009 | 1,296,000 | 94.5% | 22.35 |
| 2008 | 1,286,000 | 95.1% | 22.66 |
| 2007 | 1,250,000 | 96.4% | 22.79 |

2011 Merchandise Mart Properties office rental revenues by tenants' industry:

| Industry | Percentage |
|---------------------------|-------------------|
| Business Services | 25 % |
| Advertising and Marketing | 18 % |
| Government | 17 % |
| Education | 14 % |
| Banking | 8 % |
| Insurance | 5 % |
| Health Care | 3 % |
| Telecommunications | 2 % |
| Other | 8 % |
| | 100 % |

Office lease terms generally range from three to seven years for smaller tenants to as long as 15 years for major tenants. Leases typically provide for periodic step-ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises.

Office tenants accounting for 2% or more of Merchandise Mart Properties' 2011 total revenues

No tenant accounted for more than 2% of the Merchandise Mart Properties revenue in 2011.

MERCHANDISE MART PROPERTIES– CONTINUED

2011 leasing activity – Merchandise Mart Properties office space:

| | Square Feet | Weighted Average Initial Rent Per Square Foot (1) |
|---------------------------|------------------------|----------------------------------------------------------------------|
| Merchandise Mart, Chicago | 241,000 | \$ 26.43 |
| Washington Design Center | 16,000 | 46.02 |
| Total | 257,000 | 27.61 |

(1) Represents the cash basis weighted average starting rents per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent, which are not included in the initial cash basis rent per square foot leased, but are included in the GAAP basis straight-line rent per square foot (see "Overview - Leasing Activity" of Management's Discussion and Analysis of Financial Condition and Results of Operations).

Lease expirations for Merchandise Mart Properties office space as of December 31, 2011, assuming none of the tenants exercise renewal options:

| Year | Number of Expiring Leases | Square Feet of Expiring Leases | Percentage of Merchandise Mart Properties Office Square Feet | Weighted Average Annual Rent of Expiring Leases Per Square Foot |
|-------------|------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Month to | | | | |
| month | 7 | 22,000 | 1.4% | \$ 582,000 \$ 25.99 |
| 2012 | 17 | 54,000 | 3.5% | 1,395,000 25.74 |
| 2013 | 17 | 80,000 | 5.1% | 3,187,000 39.81 |
| 2014 | 6 | 7,000 | 0.5% | 284,000 38.61 |
| 2015 | 8 | 65,000 | 4.1% | 1,832,000 28.39 |
| 2016 | 6 | 132,000 | 8.5% | 3,787,000 28.78 |
| 2017 | 3 | 38,000 | 2.4% | 885,000 23.51 |
| 2018 | 10 | 280,000 | 18.0% | 8,686,000 30.99 |
| 2019 | 3 | 5,000 | 0.3% | 222,000 48.31 |
| 2020 | 6 | 147,000 | 9.5% | 4,705,000 31.96 |
| 2021 | 4 | 111,000 | 7.1 % | 3,003,000 27.00 |

MERCHANDISE MART PROPERTIES – CONTINUED**Showroom Space**

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for participating in trade shows for the contract furniture, casual furniture, gift, carpet, crafts, apparel and design industries. Merchandise Mart Properties owns and operates five of the leading furniture and gift trade shows, including the contract furniture industry's largest trade show, NeoCon, which attracts approximately 45,000 attendees each June and is hosted at the Merchandise Mart building in Chicago.

Occupancy and weighted average annual rent per square foot:

| As of December | Rentable | | Weighted |
|-----------------------|--------------------|-----------------------|------------------------|
| 31, | Square Feet | Occupancy Rate | Average |
| | | | Annual Rent |
| | | | Per Square Foot |
| 2011 | 4,014,000 | 83.0% | \$ 31.53 |
| 2010 | 4,122,000 | 93.8% | 31.53 |
| 2009 | 4,263,000 | 89.9% | 31.66 |
| 2008 | 4,274,000 | 93.5% | 30.93 |
| 2007 | 4,085,000 | 93.5% | 30.55 |

2011 Merchandise Mart Properties showroom rental revenues by tenants' industry:

| Industry | Percentage |
|---------------------|-------------------|
| Residential Design | 36 % |
| Contract Furnishing | 22 % |
| Gift | 21 % |
| Casual Furniture | 8 % |
| Apparel | 8 % |
| Building Products | 5 % |
| | 100 % |

2011 Leasing Activity – Merchandise Mart Properties showroom space:

| | Square | | Weighted Average |
|-------------------|---------------|----|-------------------------|
| | Feet | | Initial Rent Per |
| | | | Square Foot (1) |
| Merchandise Mart, | | | |
| Chicago | 261,000 | \$ | 35.73 |
| | 57,000 | | 31.96 |

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| | | |
|--------------------------|---------|-------|
| Boston Design Center | | |
| L.A. Mart | 50,000 | 21.89 |
| 7 West 34th Street | 45,000 | 42.04 |
| Washington Design Center | 25,000 | 41.73 |
| Total | 438,000 | 34.68 |

(1) Represents the cash basis weighted average starting rents per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent, which are not included in the initial cash basis rent per square foot leased, but are included in the GAAP basis straight-line rent per square foot (see "Overview - Leasing Activity" of Management's Discussion and Analysis of Financial Condition and Results of Operations).

MERCHANDISE MART PROPERTIES– CONTINUED

Lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2011, assuming none of the tenants exercise renewal options:

| Year | Number of Expiring Leases | Square Feet of Expiring Leases | Percentage of Merchandise Mart Properties' Showroom | Weighted Average Annual Rent of Expiring Leases | |
|----------------|---------------------------|--------------------------------|-----------------------------------------------------|-------------------------------------------------|-----------------|
| | | | Square Feet | Total | Per Square Foot |
| Month to month | 17 | 54,000 | 1.3 % | \$ 1,477,000 | \$ 27.51 |
| 2012 | 78 | 228,000 | 5.7 % | 8,160,000 | 35.79 |
| 2013 | 120 | 368,000 | 9.2 % | 13,797,000 | 37.53 |
| 2014 | 133 | 378,000 | 9.4 % | 13,356,000 | 35.33 |
| 2015 | 99 | 281,000 | 7.0 % | 10,254,000 | 36.55 |
| 2016 | 79 | 297,000 | 7.4 % | 10,268,000 | 34.52 |
| 2017 | 45 | 311,000 | 7.7 % | 11,516,000 | 37.07 |
| 2018 | 33 | 232,000 | 5.8 % | 8,222,000 | 35.39 |
| 2019 | 15 | 85,000 | 2.1 % | 3,101,000 | 36.53 |
| 2020 | 20 | 83,000 | 2.1 % | 3,437,000 | 41.65 |
| 2021 | 12 | 124,000 | 3.1 % | 4,082,000 | 32.84 |

Retail Space

The Merchandise Mart Properties segment also contains approximately 92,000 square feet of retail space, of which we own 83,000 square feet that was 92.1% occupied at December 31, 2011.

TOYS “R” US, INC. (“TOYS”)

As of December 31, 2011 we own a 32.7% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had \$6.0 billion of outstanding debt at October 29, 2011, of which our pro rata share was \$2.0 billion, none of which is recourse to us.

The following table sets forth the total number of stores operated by Toys as of December 31, 2011:

| | Total | Owned | Building Owned on Leased Ground | Leased |
|------------------------|--------------|--------------|----------------------------------------------------|---------------|
| Domestic | 876 | 290 | 226 | 360 |
| International | 533 | 78 | 26 | 429 |
| Total Owned and Leased | 1,409 | 368 | 252 | 789 |
| Franchised Stores | 237 | | | |
| Total | 1,646 | | | |

OTHER INVESTMENTS**555 California Street Complex**

As of December 31, 2011, we own a 70% controlling interest in a three-building office complex containing 1.8 million square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district ("555 California Street").

Occupancy and weighted average annual rent per square foot as of December 31, 2011:

| As of December 31, | Rentable Square Feet | Occupancy Rate | Weighted Average Annual Rent Per Square Foot |
|-------------------------------|---------------------------------|-----------------------|-----------------------------------------------------------------|
| 2011 | 1,795,000 | 93.1% | \$ 54.40 |
| 2010 | 1,795,000 | 93.0% | 55.97 |
| 2009 | 1,794,000 | 94.8% | 57.25 |
| 2008 | 1,789,000 | 94.0% | 57.98 |
| 2007 | 1,789,000 | 95.0% | 59.84 |

2011 rental revenue by tenants' industry:

| Industry | Percentage |
|-----------------|-------------------|
| Banking | 43 % |
| Finance | 37 % |
| Legal Services | 15 % |
| Retail | 2 % |
| Others | 3 % |
| | 100 % |

Lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at market rates. Leases typically provide for periodic step ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

Tenants accounting for 2% or more of 555 California Street's revenues:

**Percentage
of
555
California**

| Tenant | Square Feet Leased | 2011 Revenues | Street Complex's Revenues | Percentage of Total Company Revenues |
|--------------------------------|---------------------------|----------------------|----------------------------------|---------------------------------------------|
| Bank of America | 650,000 | \$ 35,000,000 | 34.3 % | 1.2 % |
| UBS Financial Services | 106,000 | 7,000,000 | 6.8 % | 0.2 % |
| Goldman Sachs & Co. | 119,000 | 6,000,000 | 6.4 % | 0.2 % |
| Kirkland & Ellis LLP | 125,000 | 6,000,000 | 6.0 % | 0.2 % |
| Morgan Stanley & Company, Inc. | 121,000 | 6,000,000 | 5.8 % | 0.2 % |
| Dodge & Cox | 62,000 | 4,000,000 | 3.9 % | 0.1 % |
| McKinsey & Company Inc. | 54,000 | 4,000,000 | 3.8 % | 0.1 % |
| KKR Financial LLC | 59,000 | 4,000,000 | 3.5 % | 0.1 % |
| Jones Day | 81,000 | 3,000,000 | 3.4 % | 0.1 % |
| Symphony Asset Management LLC | 44,000 | 3,000,000 | 2.6 % | 0.1 % |

2011 leasing activity:

In 2011, we leased 102,000 square feet at a weighted average rent initial rent of \$54.17 per square foot.

OTHER INVESTMENTS – CONTINUED

Alexander’s, Inc. (“Alexander’s”)

As of December 31, 2011, we own 32.4% of the outstanding common stock of Alexander’s, which owns seven properties in the greater New York metropolitan area. Alexander’s had \$1.3 billion of outstanding debt at December 31, 2011, of which our pro rata share was \$431 million, none of which is recourse to us.

Lexington Realty Trust (“Lexington”)

As of December 31, 2011, we own 12.0% of the outstanding common shares of Lexington, which has interests in 222 properties, encompassing approximately 42.1 million square feet across 42 states, generally net-leased to major corporations. Lexington had approximately \$1.7 billion of outstanding debt at September 30, 2011, of which our pro rata share was \$205 million, none of which is recourse to us.

Vornado Capital Partners Real Estate Fund (the “Fund”)

As of December 31, 2011, the Fund has five investments with an aggregate fair value of approximately \$346,650,000, or \$11,995,000 in excess of its cost, and has remaining unfunded commitments of \$416,600,000, of which our share is \$104,150,000.

Hotel Pennsylvania

We own the Hotel Pennsylvania which is located in New York City on Seventh Avenue opposite Madison Square Garden and consists of a hotel portion containing 1,000,000 square feet of hotel space with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space.

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| | Year Ended December 31, | | | | |
|----------------------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Rental information: | | | | | |
| Hotel: | | | | | |
| Average occupancy rate | 89.1 % | 83.2 % | 71.5 % | 84.1 % | 84.4 % |
| Average daily rate | \$ 150.91 | \$ 143.28 | \$ 133.20 | \$ 171.32 | \$ 154.78 |
| Revenue per available room | \$ 134.43 | \$ 119.23 | \$ 95.18 | \$ 144.01 | \$ 130.70 |
| Commercial: | | | | | |
| Office space: | | | | | |
| Average occupancy rate | 33.4 % | 33.4 % | 30.4 % | 30.4 % | 57.0 % |
| Weighted average annual rent per square foot | \$ 13.49 | \$ 7.52 | \$ 20.54 | \$ 18.78 | \$ 22.23 |
| Retail space: | | | | | |
| Average occupancy rate | 63.0 % | 62.3 % | 70.7 % | 69.5 % | 73.3 % |
| Weighted average annual rent per square foot | \$ 29.01 | \$ 31.42 | \$ 35.05 | \$ 41.75 | \$ 33.63 |

Item 3. Legal Proceedings

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matter referred to below, is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

In 2003, Stop & Shop filed an action against us in the New York Supreme Court, claiming that we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to a Master Agreement and Guaranty, because of the expiration of the leases to which the annual rent was previously allocated. Stop & Shop asserted that an order of the Bankruptcy Court for the Southern District of New York, as modified on appeal by the District Court, froze our right to reallocate and effectively terminated our right to collect the annual rent from Stop & Shop. We asserted a counterclaim seeking a judgment for all the unpaid annual rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the annual rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. After summary judgment motions by both sides were denied, the parties conducted discovery. A trial was held in November 2010. On November 7, 2011, the Court determined that we have a continuing right to allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty, and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent accrued through February 28, 2011 in the amount of \$37,422,000, a portion of the annual rent due from March 1, 2011 through the date of judgment, interest, and attorneys' fees. On December 16, 2011, a money judgment based on the Court's decision was entered in our favor in the amount of \$56,597,000 (including interest and costs). The amount for attorneys' fees is being addressed in a proceeding before a special referee. Stop & Shop has appealed the Court's decision and the judgment, and has posted a bond to secure payment of the judgment. On January 12, 2012, we commenced a new action against Stop & Shop seeking recovery of \$2,500,000 of annual rent not included in the money judgment, plus additional annual rent as it accrues.

As of December 31, 2011, we have a \$41,983,000 receivable from Stop and Shop, excluding amounts due to us for interest and costs resulting from the Court's judgment. In the fourth quarter of 2011, based on the Court's decision, we recognized \$23,521,000 of income, representing the portion of the \$41,983,000 receivable that was previously reserved. As a result of Stop & Shop's appeal, we believe, after consultation with counsel, that the maximum reasonably possible loss is up to the total amount of the receivable of \$41,983,000.

Item 4. Mine Safety Disclosures

Not applicable.

61

PART II**Item 5. Market for Registrant’s Common Equity, Related STOCKholder Matters and issuer purchases of equity securities**

Vornado’s common shares are traded on the New York Stock Exchange under the symbol “VNO.”

Quarterly high and low sales prices of the common shares and dividends paid per share for the years ended December 31, 2011 and 2010 were as follows:

| Quarter | Year Ended December 31, 2011 | | | Year Ended December 31, 2010 | | |
|---------|---------------------------------|----------|-----------|---------------------------------|----------|-----------|
| | High | Low | Dividends | High | Low | Dividends |
| 1st | \$ 93.53 | \$ 82.12 | \$ 0.69 | \$ 78.40 | \$ 61.25 | \$ 0.65 |
| 2nd | 98.42 | 86.85 | 0.69 | 86.79 | 70.06 | 0.65 |
| 3rd | 98.77 | 72.85 | 0.69 | 89.06 | 68.59 | 0.65 |
| 4th | 84.30 | 68.39 | 0.69 | 91.67 | 78.06 | 0.65 |

As of February 1, 2012, there were 1,230 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2011, we issued 20,891 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth under Part III, Item 12 of this Annual Report on Form 10-K and such information is incorporated by reference herein.

Recent Purchases of Equity Securities

In December 2011, we received 410,783 Vornado common shares at an average price of \$76.36 per share as payment for the exercise price of certain employee options.

62

Performance Graph

The following graph is a comparison of the five-year cumulative return of our common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index (excluding health care real estate investment trusts), a peer group index. The graph assumes that \$100 was invested on December 31, 2006 in our common shares, the S&P 500 Index and the NAREIT All Equity Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.

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| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Vornado Realty Trust | 100 | 75 | 54 | 66 | 82 | 78 |
| S&P 500 Index | 100 | 105 | 66 | 84 | 97 | 99 |
| The NAREIT All Equity Index | 100 | 84 | 53 | 67 | 86 | 93 |

**ITEM 6. SELECTED
FINANCIAL DATA**

Year Ended December 31,

(Amounts in thousands, except
per share amounts)

Operating Data:

Revenues:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Property rentals | \$ 2,261,811 | \$ 2,237,707 | \$ 2,148,975 | \$ 2,121,234 | \$ 1,885,580 |
| Tenant expense reimbursements | 349,420 | 355,616 | 351,290 | 347,932 | 313,501 |
| Cleveland Medical Mart development project | 154,080 | - | - | - | - |
| Fee and other income | 150,354 | 147,358 | 155,326 | 126,018 | 108,693 |
| Total revenues | 2,915,665 | 2,740,681 | 2,655,591 | 2,595,184 | 2,307,774 |

Expenses:

| | | | | | |
|------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Operating | 1,091,597 | 1,082,844 | 1,050,545 | 1,031,843 | 915,609 |
| Depreciation and amortization | 553,811 | 522,022 | 519,534 | 519,850 | 424,012 |
| General and administrative | 209,981 | 213,949 | 230,584 | 193,593 | 188,513 |
| Cleveland Medical Mart development project | 145,824 | - | - | - | - |
| Tenant buy-outs, impairment losses and other acquisition related costs | 58,299 | 129,458 | 73,763 | 81,447 | 10,375 |
| Total expenses | 2,059,512 | 1,948,273 | 1,874,426 | 1,826,733 | 1,538,509 |
| Operating income | 856,153 | 792,408 | 781,165 | 768,451 | 769,265 |
| Income (loss) applicable to Toys "R" Us | 48,540 | 71,624 | 92,300 | 2,380 | (14,337) |
| Income (loss) from partially owned entities | 71,770 | 22,438 | (19,910) | (159,207) | 82,480 |
| Income (loss) from Real Estate Fund | 22,886 | (303) | - | - | - |
| Interest and other investment income (loss), net | 148,826 | 235,315 | (116,350) | (2,747) | 226,242 |
| Interest and debt expense | (544,015) | (560,052) | (617,768) | (619,298) | (583,042) |
| Net gain (loss) on extinguishment of debt | - | 94,789 | (25,915) | 9,820 | - |
| Net gain on disposition of wholly owned and partially owned assets | 15,134 | 81,432 | 5,641 | 7,757 | 39,493 |
| Income before income taxes | 619,294 | 737,651 | 99,163 | 7,156 | 520,101 |
| Income tax (expense) benefit | (24,827) | (22,476) | (20,642) | 204,644 | (9,057) |
| Income from continuing operations | 594,467 | 715,175 | 78,521 | 211,800 | 511,044 |
| Income (loss) from discontinued operations | 145,533 | (7,144) | 49,929 | 199,645 | 96,789 |

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| | | | | | |
|----------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net income | 740,000 | 708,031 | 128,450 | 411,445 | 607,833 |
| Less: | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (21,786) | (4,920) | 2,839 | 3,263 | 3,494 |
| Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | (55,228) | (25,120) | (55,411) | (69,788) |
| Net income attributable to Vornado | 662,302 | 647,883 | 106,169 | 359,297 | 541,539 |
| Preferred share dividends | (65,531) | (55,534) | (57,076) | (57,091) | (57,177) |
| Discount on preferred share and unit redemptions | 5,000 | 4,382 | - | - | - |
| Net income attributable to common shareholders | \$ 601,771 | \$ 596,731 | \$ 49,093 | \$ 302,206 | \$ 484,362 |
| Income from continuing operations, net - basic | \$ 2.52 | \$ 3.31 | \$ 0.01 | \$ 0.77 | \$ 2.58 |
| Income from continuing operations, net - diluted | 2.50 | 3.28 | 0.01 | 0.75 | 2.48 |
| Net income per common share - basic | 3.26 | 3.27 | 0.28 | 1.96 | 3.18 |
| Net income per common share - diluted | 3.23 | 3.24 | 0.28 | 1.91 | 3.05 |
| Dividends per common share | 2.76 | 2.60 | 3.20 | 3.65 | 3.45 |
| Balance Sheet Data: | | | | | |
| Total assets | \$20,446,487 | \$20,517,471 | \$20,185,472 | \$21,418,048 | \$22,478,717 |
| Real estate, at cost | 17,627,011 | 17,387,701 | 17,293,970 | 17,140,726 | 16,336,129 |
| Accumulated depreciation | (3,095,037) | (2,715,046) | (2,395,608) | (2,068,357) | (1,723,952) |
| Debt | 10,562,002 | 10,889,442 | 10,681,342 | 12,176,317 | 11,456,399 |
| Total equity | 7,508,447 | 6,830,405 | 6,649,406 | 6,214,652 | 6,011,240 |

| (Amounts in thousands) | Year Ended December 31, | | | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------|------------|------------|------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Other Data: | | | | | |
| Funds From Operations ("FFO") ⁽¹⁾ : | | | | | |
| Net income attributable to Vornado | \$ 662,302 | \$ 647,883 | \$ 106,169 | \$ 359,297 | \$ 541,539 |
| Depreciation and amortization of real property | 530,113 | 505,806 | 508,572 | 509,367 | 451,313 |
| Net gain on sales of real estate | (51,623) | (57,248) | (45,282) | (57,523) | (60,811) |
| Real estate impairment losses | 28,799 | 97,500 | 23,203 | - | - |
| Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO: | | | | | |
| Depreciation and amortization of real property | 70,883 | 70,174 | 65,358 | 66,435 | 85,244 |
| Net gain on sales of real estate | (491) | - | (164) | (719) | (3,012) |
| Income tax effect of above adjustments | (24,634) | (24,561) | (22,819) | (23,223) | (28,781) |
| Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO: | | | | | |
| Depreciation and amortization of real property | 99,992 | 78,151 | 75,200 | 49,513 | 48,770 |
| Net gain on sales of real estate | (9,276) | (5,784) | (1,188) | (8,759) | (12,451) |
| Real estate impairment losses | - | 11,481 | - | - | - |
| Noncontrolling interests' share of above adjustments | (40,957) | (46,794) | (47,022) | (49,683) | (46,664) |
| FFO | 1,265,108 | 1,276,608 | 662,027 | 844,705 | 975,147 |
| Preferred share dividends | (65,531) | (55,534) | (57,076) | (57,091) | (57,177) |
| Discount on preferred share and unit redemptions | 5,000 | 4,382 | - | - | - |
| FFO attributable to common shareholders | 1,204,577 | 1,225,456 | 604,951 | 787,614 | 917,970 |
| Interest on 3.88% exchangeable senior debentures | 26,272 | 25,917 | - | 25,261 | 24,958 |
| Convertible preferred share dividends | 124 | 160 | 170 | 189 | 277 |
| FFO attributable to common shareholders plus assumed conversions ⁽¹⁾ | \$1,230,973 | \$1,251,533 | \$ 605,121 | \$ 813,064 | \$ 943,205 |

(1) FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). In the fourth quarter of 2011 and the first quarter of 2012, NAREIT issued updated guidance on FFO and modified its definition of FFO to specifically exclude real estate impairment losses, including the pro rata share of such losses of unconsolidated subsidiaries. To the extent applicable, NAREIT requested companies to restate prior period FFO to conform to the new definition. Accordingly, we have restated our 2010 and 2009 FFO to exclude real estate impairment losses aggregating \$108,981 and \$23,203, respectively. NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gain from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

**ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
7. OF OPERATIONS**

| | Page |
|------------------------------------------------------------------------------------------|------|
| Overview | 67 |
| Overview - Leasing activity | 74 |
| Critical Accounting Policies | 77 |
| Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009 | 80 |
| Results of Operations: | |
| Years Ended December 31, 2011 and 2010 | 85 |
| Years Ended December 31, 2010 and 2009 | 91 |
| Supplemental Information: | |
| Net Income and EBITDA by Segment for the Three Months Ended | |
| December 31, 2011 and 2010 | 97 |
| Three Months Ended December 31, 2011 Compared to December 31, 2010 | 101 |
| Three Months Ended December 31, 2011 Compared to September 30, 2011 | 102 |
| Related Party Transactions | 103 |
| Liquidity and Capital Resources | 104 |
| Financing Activities and Contractual Obligations | 104 |
| Certain Future Cash Requirements | 107 |
| Cash Flows for the Year Ended December 31, 2011 | 110 |
| Cash Flows for the Year Ended December 31, 2010 | 112 |
| Cash Flows for the Year Ended December 31, 2009 | 114 |
| Funds From Operations for the Three Months and Years Ended December 31, 2011 and 2010 | 116 |

Overview

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Accordingly, Vornado’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.5% of the common limited partnership interest in the Operating Partnership at December 31, 2011. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

We own and operate office, retail and showroom properties (our “core” operations) with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. In addition, we have a 32.7% interest in Toys “R” Us, Inc. (“Toys”) which has a significant real estate component, a 32.4% interest in Alexander’s, Inc. (NYSE: ALX) (“Alexander’s”), which has seven properties in the greater New York metropolitan area, as well as interests in other real estate and related investments.

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index (“RMS”) and the SNL REIT Index (“SNL”) for the following periods ended December 31, 2011:

| | Total Return⁽¹⁾ | | |
|------------|-----------------------------------|------------|------------|
| | Vornado | RMS | SNL |
| One-year | (4.6%) | 8.7% | 8.3% |
| Three-year | 40.2% | 79.6% | 79.9% |
| Five-year | (25.2%) | (7.3%) | (3.9%) |
| Ten-year | 187.0% | 163.2% | 175.4% |

(1) Past performance is not necessarily indicative of future performance.

We intend to achieve our business objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;

- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Developing and redeveloping existing properties to increase returns and maximize value; and
- Investing in operating companies that have a significant real estate component.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets. We may also offer Vornado common or preferred shares or Operating Partnership units in exchange for property and may repurchase or otherwise reacquire these securities in the future.

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments than we are. Principal factors of competition include rents charged, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. See “Risk Factors” in Item 1A for additional information regarding these factors.

Overview - continuedYear Ended December 31, 2011 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2011 was \$601,771,000, or \$3.23 per diluted share, compared to \$596,731,000, or \$3.24 per diluted share, for the year ended December 31, 2010. Net income for the years ended December 31, 2011 and 2010 includes \$61,390,000 and \$63,032,000, respectively, of net gains on sale of real estate, and \$28,799,000 and \$108,981,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2011 and 2010 include certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by \$243,606,000, or \$1.31 per diluted share for the year ended December 31, 2011 and \$188,805,000, or \$1.03 per diluted share for the year ended December 31, 2010.

Funds from operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2011 was \$1,230,973,000, or \$6.42 per diluted share, compared to \$1,251,533,000, or \$6.59 per diluted share, for the prior year. FFO for the years ended December 31, 2011 and 2010 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO by \$219,562,000, or \$1.15 per diluted share for the year ended December 31, 2011 and \$250,360,000, or \$1.32 per diluted share for the year ended December 31, 2010.

| (Amounts in thousands) | For the Year Ended December 31, | |
|-----------------------------------------------------------------------------|--------------------------------------------|-------------|
| | 2011 | 2010 |
| Items that affect comparability income (expense): | | |
| Net gain on extinguishment of debt | \$ 83,907 | \$ 92,150 |
| Mezzanine loan loss reversals and net gain on disposition | 82,744 | 53,100 |
| Our share of LNR's income tax benefit, asset sales and tax settlement gains | 27,377 | - |
| Recognition of disputed receivable from Stop & Shop | 23,521 | - |
| Income from the mark-to-market of J.C. Penney derivative position | 12,984 | 130,153 |
| Net gain from Suffolk Downs' sale of a partial interest | 12,525 | - |
| Net gain resulting from Lexington Realty Trust's stock issuance | 9,760 | 13,710 |
| Discount on preferred share and unit redemptions | 7,000 | 11,354 |
| Net gain on sale of condominiums | 5,884 | 3,149 |
| Tenant buy-outs and acquisition costs | (30,071) | (6,945) |
| Non-cash asset write-downs: | | |
| Real estate - development related | - | (30,013) |

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| | | |
|-----------------------------------------------------------------|------------|------------|
| Partially owned entities | (13,794) | - |
| Merchandise Mart restructuring costs | (4,226) | - |
| Real Estate Fund placement fees | (3,451) | (6,482) |
| Default interest and fees accrued on loans in special servicing | - | (15,079) |
| FFO attributable to discontinued operations | 22,227 | 33,679 |
| Other, net | (2,077) | (10,072) |
| | 234,310 | 268,704 |
| Noncontrolling interests' share of above adjustments | (14,748) | (18,344) |
| Items that affect comparability, net | \$ 219,562 | \$ 250,360 |

The percentage increase (decrease) in GAAP basis and cash basis same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of our operating segments for the year ended December 31, 2011 over the year ended December 31, 2010 is summarized below.

| Same Store EBITDA: | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|--------------------------------------------|----------------------------|--------------------------------------|---------------|-----------------------------|
| December 31, 2011 vs. December 31, 2010 | | | | |
| GAAP basis | (0.1%) | 0.9% | 3.1% | 0.5% |
| Cash Basis | 1.8% | 1.8% | 6.4% | 3.5% |

Overview - continuedQuarter Ended December 31, 2011 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2011 was \$69,508,000, or \$0.37 per diluted share, compared to \$243,414,000, or \$1.31 per diluted share, for the quarter ended December 31, 2010. Net income for the quarters ended December 31, 2011 and 2010 includes \$1,916,000 and \$62,718,000, respectively, of net gains on sale of real estate, and \$28,799,000 and \$103,981,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2011 and 2010 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by \$34,999,000, or \$0.19 per diluted share for the quarter ended December 31, 2011 and \$173,501,000, or \$0.91 per diluted share for the quarter ended December 31, 2010.

FFO for the quarter ended December 31, 2011 was \$280,369,000, or \$1.46 per diluted share, compared to \$432,860,000, or \$2.27 per diluted share, for the prior year's quarter. FFO for the quarters ended December 31, 2011 and 2010 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO by \$60,261,000, or \$0.31 per diluted share for the quarter ended December 31, 2011 and \$214,565,000, or \$1.12 per diluted share for the quarter ended December 31, 2010.

| (Amounts in thousands) | For the Three Months Ended December 31, | |
|-------------------------------------------------------------------|----------------------------------------------------|-------------|
| | 2011 | 2010 |
| Items that affect comparability income (expense): | | |
| Income from the mark-to-market of J.C. Penney derivative position | \$ 40,120 | \$ 97,904 |
| Recognition of disputed receivable from Stop & Shop | 23,521 | - |
| Net gain from Suffolk Downs' sale of a partial interest | 12,525 | - |
| Our share of LNR's income tax benefit | 12,380 | - |
| Net gain on extinguishment of debt | - | 93,946 |
| Mezzanine loan loss reversal | - | 60,000 |
| Net gain resulting from Lexington Realty Trust's stock issuance | - | 7,712 |
| Non-cash asset write-downs: | | |
| Real estate - development related | - | (30,013) |
| Partially owned entities | (13,794) | - |
| Tenant buy-outs and acquisition costs | (10,656) | (4,094) |
| FFO attributable to discontinued operations | 5,039 | 7,373 |
| Other, net | (4,833) | (3,174) |

| | | |
|------------------------------------------------------|-----------|------------|
| | 64,302 | 229,654 |
| Noncontrolling interests' share of above adjustments | (4,041) | (15,089) |
| Items that affect comparability, net | \$ 60,261 | \$ 214,565 |

The percentage increase (decrease) in GAAP basis and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2011 over the quarter ended December 31, 2010 and the trailing quarter ended September 30, 2011 are summarized below.

| Same Store EBITDA: | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|------------------------------------------|--------------------------------|--------------------------------------|---------------|-----------------------------|
| December 31, 2011 vs. December 31, 2010 | | | | |
| GAAP basis | 3.3% | (3.0%) | 2.4% | 8.9% |
| Cash Basis | 5.6% | (2.5%) | 6.0% | 10.5% |
| December 31, 2011 vs. September 30, 2011 | | | | |
| GAAP basis | 3.7% | (3.2%) | 2.5% | 23.5%(1) |
| Cash Basis | 1.1% | (2.9%) | 6.3% | 20.8%(1) |

(1) Primarily from the timing of trade shows.

Calculations of same store EBITDA, reconciliations of our net income to EBITDA and FFO and the reasons we consider these non-GAAP financial measures useful are provided in the following pages of Management's Discussion and Analysis of the Financial Condition and Results of Operations.

Overview – continued

Vornado Capital Partners Real Estate Fund (the “Fund”)

In February 2011, the Fund’s subscription period closed with an aggregate of \$800,000,000 of capital commitments, of which we committed \$200,000,000. We are the general partner and investment manager of the Fund, which has an eight-year term and a three-year investment period. During the investment period, which concludes in July 2013, the Fund is our exclusive investment vehicle for all investments that fit within its investment parameters, as defined. The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

During 2011, the Fund made three investments (described below) aggregating \$248,500,000 and exited two investments. As of December 31, 2011, the Fund has five investments with an aggregate fair value of approximately \$346,650,000, or \$11,995,000 in excess of cost, and has remaining unfunded commitments of \$416,600,000, of which our share is \$104,150,000.

One Park Avenue

On March 1, 2011, the Fund as a co-investor (64.7% interest), together with Vornado (30.3% interest), acquired a 95% interest in One Park Avenue, a 932,000 square foot office building located between 32nd and 33rd Streets in New York, for \$374,000,000. The purchase price consisted of \$137,000,000 in cash and 95% of a \$250,000,000 five-year mortgage that bears interest at 5.0%.

Crowne Plaza Times Square

On December 16, 2011, the Fund formed a joint venture with the owner of the property to recapitalize the Crowne Plaza Hotel in Times Square. The property is located at 48th Street and Broadway in Times Square and is comprised of a 795-key hotel, 14,000 square feet of prime retail space, 212,000 square feet of office space, nine large signage

offerings, a 159-space parking garage and a health club. The joint venture plans to reconfigure and reposition the retail and office space as well as add additional signage. Vornado will manage and lease the commercial components of the property and the joint venture partner will asset manage the hotel. This transaction was initiated by us in May 2011, when the Fund acquired a \$34,000,000 mezzanine position in the junior most tranche of the property's mezzanine debt. In December 2011, the Fund contributed \$31,000,000 and its partner contributed \$22,000,000 of new capital to pay down third party debt and for future capital expenditures. The new capital was contributed in the form of debt that is convertible into preferred equity that receives a priority return and then will receive a profit participation. The Fund has an economic interest of approximately 38% in the property. The Fund's investment is subordinate to the property's \$259,000,000 of senior debt which matures in December 2013, with a one-year extension option.

11 East 68th Street

On December 29, 2011, the Fund committed to acquire the retail portion of 11 East 68th Street, an 11-story residential and retail property located on Madison Avenue and 68th Street, for \$50,500,000. The retail portion of the property consists of two retail units aggregating 5,000 square feet. The Fund provided \$21,200,000 at closing and will provide the remaining \$29,300,000 over the next two years. In addition, the Fund has also provided a \$21,000,000 mezzanine loan on the residential portion of the property, which bears paid-in-kind interest at 15%, matures in three years and has a one-year extension option.

Overview – continued

2011 Acquisitions and Investments

1399 New York Avenue (the “Executive Tower”)

On December 23, 2011, we acquired the 97.5% interest that we did not already own in the Executive Tower, an 11-story, 128,000 square foot Class A office building located in the Washington, CBD East End submarket close to the White House, for \$104,000,000 in cash.

666 Fifth Avenue Office

On December 16, 2011, we formed a joint venture with an affiliate of the Kushner Companies to recapitalize the office portion of 666 Fifth Avenue, a 39-story, 1.4 million square foot Class A office building in Manhattan, located on the full block front of Fifth Avenue between 52nd and 53rd Street. We acquired a 49.5% interest in the property from the Kushner Companies, the current owner. In connection therewith, the existing \$1,215,000,000 mortgage loan was modified by LNR, the special servicer, into a \$1,100,000,000 A-Note and a \$115,000,000 B-Note and extended to February 2019; and a portion of the current pay interest was deferred to the B-Note. We and the Kushner Companies have committed to lend the joint venture an aggregate of \$110,000,000 (of which our share is \$80,000,000) for tenant improvements and working capital for the property, which is senior to the \$115,000,000 B-Note. In addition, we have provided the A-Note holders a limited recourse and cooperation guarantee of up to \$75,000,000 if an event of default occurs and is ongoing.

Independence Plaza

On June 17, 2011, a joint venture in which we are a 51% partner invested \$55,000,000 in cash (of which we contributed \$35,000,000) to acquire a face amount of \$150,000,000 of mezzanine loans and a \$35,000,000 participation in a senior loan on Independence Plaza, a residential complex comprised of three 39-story buildings in the Tribeca submarket of Manhattan.

280 Park Avenue Joint Venture

On March 16, 2011, we formed a 50/50 joint venture with SL Green Realty Corp to own the mezzanine debt of 280 Park Avenue, a 1.2 million square foot office building located between 48th and 49th Streets in Manhattan (the "Property"). We contributed our mezzanine loan with a face amount of \$73,750,000 and they contributed their mezzanine loans with a face amount of \$326,250,000 to the joint venture. We equalized our interest in the joint venture by paying our partner \$111,250,000 in cash and assuming \$15,000,000 of their debt. On May 17, 2011, as part of the recapitalization of the Property, the joint venture contributed its debt position for 99% of the common equity of a new joint venture which owns the Property. The new joint venture's investment is subordinate to \$710,000,000 of third party debt. The new joint venture expects to spend \$150,000,000 for re-tenanting and repositioning the Property.

2011 Dispositions

On January 6, 2012, we completed the sale of 350 West Mart Center, a 1.2 million square foot office building located in Chicago, Illinois, for \$228,000,000 in cash, which resulted in a net gain of \$54,200,000 that will be recognized in the first quarter of 2012.

On March 31, 2011, the receiver completed the disposition of the High Point Complex in North Carolina. In connection therewith, the property and related debt were removed from our consolidated balance sheet and we recognized a net gain of \$83,907,000 on the extinguishment of debt.

On January 12, 2011, we sold 1140 Connecticut Avenue and 1227 25th Street in Washington, DC, for \$127,000,000 in cash, which resulted in a net gain of \$45,862,000.

In 2011, we sold three retail properties in separate transactions for an aggregate of \$40,990,000 in cash, which resulted in net gains of \$5,761,000.

Overview – continued

2011 Financing Activities

Senior Unsecured Debt

On November 30, 2011, we completed a public offering of \$400,000,000 aggregate principal amount of 5.0%, ten-year senior unsecured notes and retained net proceeds of approximately \$395,584,000. The notes were sold at 99.546% of their face amount to yield 5.057%.

In 2011, we renewed both of our unsecured revolving credit facilities aggregating \$2,500,000,000. The first facility, which was renewed in June 2011, bears interest on drawn amounts at LIBOR plus 1.35% and has a 0.30% facility fee (drawn or undrawn). The second facility, which was renewed in November 2011, bears interest on drawn amounts at LIBOR plus 1.25% and has a 0.25% facility fee (drawn or undrawn). The LIBOR spread and facility fee on both facilities are based on our credit ratings. Both facilities mature in four years and have one-year extension options. As of December 31, 2011, an aggregate of \$138,000,000 was outstanding under these facilities.

Secured Debt

On January 9, 2012, we completed a \$300,000,000 refinancing of 350 Park Avenue, a 557,000 square foot Manhattan office building. The five-year fixed rate loan bears interest at 3.75% and amortizes based on a 30-year schedule beginning in the third year. The proceeds of the new loan and \$132,000,000 of existing cash were used to repay the existing loan and closing costs.

On December 28, 2011, we completed a \$330,000,000 refinancing of Eleven Penn Plaza, a 1.1 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.35% and amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$126,000,000 after repaying the

existing loan and closing costs.

On September 1, 2011, we completed a \$600,000,000 refinancing of 555 California Street, a three-building office complex aggregating 1.8 million square feet in San Francisco's financial district, known as the Bank of America Center, in which we own a 70% controlling interest. The 10-year fixed rate loan bears interest at 5.10% and amortizes based on a 30-year schedule beginning in the fourth year. The proceeds of the new loan and \$45,000,000 of existing cash were used to repay the existing loan and closing costs.

On May 11, 2011, we repaid the outstanding balance of the construction loan on West End 25, and closed on a \$101,671,000 mortgage at a fixed rate of 4.88%. The loan has a 10-year term and amortizes based on a 30-year schedule beginning in the sixth year.

On February 11, 2011, we completed a \$425,000,000 refinancing of Two Penn Plaza, a 1.6 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for the term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$139,000,000 after repaying the existing loan and closing costs.

On February 10, 2011, we completed a \$150,000,000 financing of 2121 Crystal Drive, a 506,000 square foot office building located in Crystal City, Arlington, Virginia. The 12-year fixed rate loan bears interest at 5.51% and amortizes based on a 30-year schedule beginning in the third year. This property was previously unencumbered.

Overview – continued

2011 Financing Activities – continued

Secured Debt – continued

On January 18, 2011, we repaid the outstanding balance of the construction loan on 220 20th Street and closed on a \$76,100,000 mortgage at a fixed rate of 4.61%. The loan has a seven-year term and amortizes based on a 30-year schedule.

On January 10, 2011, we completed a \$75,000,000 financing of North Bergen (Tonnelle Avenue), a 410,000 square foot strip shopping center. The seven-year fixed rate loan bears interest rate at 4.59% and amortizes based on a 25-year schedule beginning in the sixth year. This property was previously unencumbered.

On January 6, 2011, we completed a \$60,000,000 financing of land under a portion of the Borgata Hotel and Casino complex. The 10-year fixed rate loan bears interest at 5.14% and amortizes based on a 30-year schedule beginning in the third year.

Preferred Equity

On April 20, 2011, we sold 7,000,000 6.875% Series J Cumulative Redeemable Preferred Shares at a price of \$25.00 per share, in an underwritten public offering pursuant to an effective registration statement. On April 21, 2011, the underwriters exercised their option to purchase an additional 1,050,000 shares to cover over-allotments. On May 5, 2011 and August 5, 2011 we sold an additional 800,000 and 1,000,000 shares, respectively, at a price of \$25.00 per share. We retained aggregate net proceeds of \$238,842,000, after underwriters' discounts and issuance costs and

contributed the net proceeds to the Operating Partnership in exchange for 9,850,000 Series J Preferred Units (with economic terms that mirror those of the Series J Preferred Shares).

Overview - continued**Leasing Activity**

The leasing activity presented below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Tenant improvements and leasing commissions presented below are based on square feet leased during the period.

| (Square feet in thousands) | New York | Washington, | | Merchandise Mart | |
|-----------------------------------------|-----------------|----------------------|------------------------------|-------------------------|-----------------|
| As of December 31, 2011: | Office | DC | Retail ⁽⁴⁾ | Office | Showroom |
| Total square feet (in service) | 20,773 | 20,529 | 25,245 | 1,556 | 4,014 |
| Our share of square feet (in service) | 17,546 | 17,925 | 23,012 | 1,556 | 4,014 |
| Number of properties | 30 | 77 | 155 | 5 | 5 |
| Occupancy rate | 95.6% | 90.0% ⁽³⁾ | 93.0% | 90.5% | 83.0% |
| Leasing Activity: | | | | | |
| Quarter Ended December 31, 2011: | | | | | |
| Total square feet leased | 1,138 | 605 | 382 | 68 | 80 |
| Our share of square feet leased | 925 | 575 | 382 | 68 | 80 |
| Initial rent ⁽¹⁾ | \$ 50.99 | \$ 42.30 | \$ 23.37 | \$ 26.00 | \$ 30.99 |
| Weighted average lease term (years) | 8.5 | 7.5 | 8.6 | 12.0 | 4.0 |
| Relet space (included above): | | | | | |
| Square feet | 832 | 497 | 190 | 68 | 80 |
| Cash basis: | | | | | |
| Initial rent ⁽¹⁾ | \$ 50.04 | \$ 41.99 | \$ 15.58 | \$ 26.00 | \$ 30.99 |
| Prior escalated rent | \$ 45.71 | \$ 39.00 | \$ 14.76 | \$ 24.92 | \$ 34.02 |
| Percentage increase (decrease) | 9.5% | 7.7% | 5.6% | 4.3% | (8.9%) |
| GAAP basis: | | | | | |
| Straight-line rent ⁽²⁾ | \$ 50.13 | \$ 41.72 | \$ 15.73 | \$ 26.58 | \$ 30.55 |
| Prior straight-line rent | \$ 43.43 | \$ 38.38 | \$ 13.69 | \$ 22.26 | \$ 30.07 |

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| | | | | | |
|----------------------------------------------|----------|----------------------|----------|----------|----------|
| Percentage increase | 15.4% | 8.7% | 14.9% | 19.4% | 1.6% |
| Tenant improvements and leasing commissions: | | | | | |
| Per square foot | \$ 44.25 | \$ 35.05 | \$ 8.70 | \$ 83.30 | \$ 3.00 |
| Per square foot per annum: | \$ 5.21 | \$ 4.67 | \$ 1.01 | \$ 6.94 | \$ 0.75 |
| Percentage of initial rent | 10.2% | 11.0% | 4.3% | 26.7% | 2.4% |
| Year Ended December 31, 2011: | | | | | |
| Total square feet leased | 3,211 | 1,784 | 1,554 | 257 | 438 |
| Our share of square feet leased | 2,432 | 1,606 | 1,522 | 257 | 438 |
| Initial rent ⁽¹⁾ | \$ 55.37 | \$ 40.99 | \$ 24.95 | \$ 27.61 | \$ 34.68 |
| Weighted average lease term (years) | 9.2 | 5.6 | 8.7 | 8.2 | 5.6 |
| Relet space (included above): | | | | | |
| Square feet | 2,089 | 1,427 | 629 | 257 | 438 |
| Cash basis: | | | | | |
| Initial rent ⁽¹⁾ | \$ 56.21 | \$ 40.79 | \$ 19.88 | \$ 27.61 | \$ 34.68 |
| Prior escalated rent | \$ 47.66 | \$ 38.65 | \$ 18.21 | \$ 27.52 | \$ 36.33 |
| Percentage increase (decrease) | 18.0% | 5.5% | 9.2% | 0.3% | (4.5%) |
| GAAP basis: | | | | | |
| Straight-line rent ⁽²⁾ | \$ 56.19 | \$ 40.43 | \$ 20.46 | \$ 27.99 | \$ 33.71 |
| Prior straight-line rent | \$ 47.47 | \$ 37.33 | \$ 17.56 | \$ 24.40 | \$ 32.86 |
| Percentage increase | 18.4% | 8.3% | 16.5% | 14.7% | 2.6% |
| Tenant improvements and leasing commissions: | | | | | |
| Per square foot | \$ 48.28 | \$ 25.21 | \$ 7.47 | \$ 61.12 | \$ 5.31 |
| Per square foot per annum: | \$ 5.25 | \$ 4.50 | \$ 0.86 | \$ 7.45 | \$ 0.95 |
| Percentage of initial rent | 9.5% | 11.0% | 3.4% | 27.0% | 2.7% |
| As of December 31, 2010: | | | | | |
| Total square feet (in service) | 17,454 | 21,149 | 25,557 | 1,448 | 4,122 |
| Our share of square feet (in service) | 16,194 | 17,823 | 23,453 | 1,448 | 4,122 |
| Number of properties | 28 | 82 | 161 | 5 | 5 |
| Occupancy rate | 95.6% | 94.3% ⁽³⁾ | 92.3% | 91.8% | 93.8% |

See notes on the following page.

Overview - continued

(Square feet in thousands)

| Leasing Activity: Year Ended December 31, 2010: | New York | Washington, DC | Merchandise Mart | | |
|----------------------------------------------------------------|-----------------|---------------------------|------------------------------|---------------|-----------------|
| | Office | Office | Retail ⁽⁴⁾ | Office | Showroom |
| Total square feet leased | 1,364 | 1,837 | 1,237 | 171 | 596 |
| Our share of square feet leased: | 1,277 | 1,697 | 1,209 | 171 | 596 |
| Initial rent ⁽¹⁾ | \$ 49.81 | \$ 38.41 | \$ 24.36 | \$ 30.61 | \$ 36.20 |
| Weighted average lease term (years) | 7.5 | 4.4 | 8.5 | 12.3 | 5.0 |
| Relet space (included above): | | | | | |
| Square feet | 1,061 | 1,385 | 392 | 24 | 596 |
| Cash basis: | | | | | |
| Initial rent ⁽¹⁾ | \$ 49.65 | \$ 38.51 | \$ 18.09 | \$ 24.44 | \$ 36.20 |
| Prior escalated rent | \$ 51.91 | \$ 36.71 | \$ 16.76 | \$ 23.99 | \$ 36.98 |
| Percentage (decrease) increase | (4.4%) | 4.9% | 7.9% | 1.9% | (2.1%) |
| GAAP basis: | | | | | |
| Straight-line rent ⁽²⁾ | \$ 48.35 | \$ 38.59 | \$ 18.70 | \$ 21.63 | \$ 34.90 |
| Prior straight-line rent | \$ 49.27 | \$ 35.08 | \$ 16.49 | \$ 23.03 | \$ 33.57 |
| Percentage (decrease) increase | (1.9%) | 10.0% | 13.4% | (6.1%) | 4.0% |
| Tenant improvements and leasing commissions: | | | | | |
| Per square foot | \$ 50.29 | \$ 12.85 | \$ 11.98 | \$ 100.73 | \$ 6.56 |
| Per square foot per annum: | \$ 6.70 | \$ 2.92 | \$ 1.41 | \$ 8.19 | \$ 1.31 |
| Percentage of initial rent | 13.5% | 7.6% | 5.8% | 26.8% | 3.6% |

(1) Represents the cash basis weighted average starting rent per square foot, which is generally indicative of market rents. Most leases include free rent and periodic step-ups in rent which are not included in the initial cash basis rent per square foot but are included in the GAAP basis straight-line rent per square foot.

(2) Represents the GAAP basis weighted average rent per square foot that is recognized over the term of the respective leases, and includes the effect of free rent and periodic step-ups in rent.

(3) Excluding residential and other properties, occupancy rates for the office properties were as follows.

December 31,
2011 88.7%

December 31,
2010 94.0%

Mall store sales per square foot for in-line stores with less than 10,000 square feet, including partially owned
(4) malls, for the trailing twelve
months ended December 31, 2011 and 2010 were \$467 and \$463, respectively.

Overview - continued**Washington, DC Office Properties Segment**

EBITDA was \$481,077,000 for the year ended December 31, 2011, compared to \$497,551,000 for the prior year, a decrease of \$16,474,000. 2011 and 2010 included an aggregate of \$51,050,000 and \$73,901,000, respectively of EBITDA from discontinued operations and net gains on sale of real estate. In addition, 2010 included a \$10,056,000 litigation loss accrual. Adjusting for these items, 2011 EBITDA was lower than the prior year by \$3,679,000, or 0.8%. Same Store EBITDA was higher than the prior year by 0.9% (see page 90 for a reconciliation of EBITDA to Same Store EBITDA).

We estimate that occupancy will decrease from 90% at December 31, 2011, to between 82% to 84% in 2012 and that 2012 EBITDA will be lower than 2011 by approximately \$55,000,000 to \$65,000,000, based on 2,902,000 square feet expiring in 2012, partially offset by leasing over 1,000,000 square feet. A significant portion of the vacancy is related to the Base Realignment and Closure (“BRAC”) statute. We estimate it will take approximately two to three years to fully absorb this vacancy and for EBITDA to recover. The table below summarizes the effect of BRAC on our Washington, DC Office Properties segment for square feet leased by the DOD.

| | Annual Expiring Escalated Rent Per | Square Foot | Total | Square Feet | | |
|-------------------------------------------------|---------------------------------------------|-------------|-----------|-----------------|---------|---------|
| | | | | Crystal City | Skyline | Rosslyn |
| Square feet to be relet by the General Services | | | | | | |
| Administration (leases pending) | \$ 40.05 | | 313,000 | 313,000 | - | - |
| Square feet already vacated | 26.57 | | 403,000 | - | 403,000 | - |
| Square feet expiring in the future: | | | | | | |
| First Quarter 2012 | 40.10 | | 589,000 | 551,000 | 38,000 | - |
| Second Quarter 2012 | 39.60 | | 171,000 | 171,000 | - | - |
| Third Quarter 2012 | 41.47 | | 380,000 | 251,000 | 119,000 | 10,000 |
| Total 2012 | | | 1,140,000 | 973,000 | 157,000 | 10,000 |
| 2013 | 36.85 | | 183,000 | - | 43,000 | 140,000 |
| 2014 | 32.76 | | 330,000 | 128,000 | 202,000 | - |

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| | | | | | |
|------------------------------------------|-------|-----------|-----------|---------|---------|
| 2015 | 40.09 | 26,000 | 20,000 | 6,000 | - |
| Total square feet expiring in the future | | 1,679,000 | 1,121,000 | 408,000 | 150,000 |
| Total square feet subject to BRAC | | 2,395,000 | 1,434,000 | 811,000 | 150,000 |

In February 2012, we notified the lender that the Skyline property currently has a 26% vacancy rate, which is expected to increase due to scheduled lease expirations resulting primarily from the BRAC statute. Based on the projected vacancy and the significant amount of capital, time and effort to re-tenant the property, we requested that the mortgage loan be placed with the special servicer.

Recently Issued Accounting Literature

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (“ASU No. 2011-04”). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (“IFRS”) and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012 is not expected to have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (“ASU No. 2011-05”). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. ASU No. 2011-05 is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption permitted. The Company early adopted this guidance as of December 31, 2011, and has presented the Consolidated Statements of Comprehensive Income as a separate financial statement.

In September 2011, the FASB issued Update No. 2011-09, *Compensation – Retirement Benefits (Topic 715): Disclosures About an Employer’s Participation in a Multiemployer Plan* (“ASU No. 2011-09”). ASU No. 2011-09 requires enhanced disclosures about an entity’s participation in multiemployer plans that offer pension and other postretirement benefits. ASU No. 2011-09 became effective for interim and annual periods ending on or after December 15, 2011. The adoption of this update on December 31, 2011 did not have a material impact on our consolidated financial statements.

Critical Accounting Policies

In preparing the consolidated financial statements we have made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary

of the accounting policies that we believe are critical to the preparation of our consolidated financial statements. The summary should be read in conjunction with the more complete discussion of our accounting policies included in Note 2 to the consolidated financial statements in this Annual Report on Form 10-K.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2011 and 2010, the carrying amounts of real estate, net of accumulated depreciation, were \$14.5 billion and \$14.7 billion, respectively. Maintenance and repairs are expensed as incurred. Depreciation requires an estimate by management of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated. As real estate is undergoing development activities, all property operating expenses directly associated with and attributable to, the development and construction of a project, including interest expense, are capitalized to the cost of real property to the extent we believe such costs are recoverable through the value of the property. The capitalization period begins when development activities are underway and ends when the project is substantially complete. General and administrative costs are expensed as incurred.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known trends and market/economic conditions.

Our properties, including any related intangible assets, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods, or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

Critical Accounting Policies – continued

Identified Intangibles

As of December 31, 2011 and 2010, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were \$319,704,000 and \$346,157,000, respectively. The carrying amounts of identified intangible liabilities, a component of “deferred credit” on our consolidated balance sheets, were \$467,187,000 and \$521,372,000, respectively. Identified intangibles are recorded at their estimated fair value, separate and apart from goodwill. Identified intangibles that are determined to have finite lives are amortized over the period in which they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of the identified intangible over its estimated fair value. If intangible assets are impaired or estimated useful lives change, the impact to our consolidated financial statements could be material.

Mezzanine Loans Receivable

As of December 31, 2011 and 2010, the carrying amounts of mezzanine loans receivable were \$133,948,000 and \$202,412,000, respectively. We invest in mezzanine loans of entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discount or premium over the life of the related receivable utilizing the effective interest method or straight-line method, if the result is not materially different. We evaluate the collectibility of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan’s effective interest rate, or as a practical expedient, to the value of the collateral if the loan is collateral dependent. If our estimates of the collectability of both interest and principal or the fair value of our loans change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements.

Partially Owned Entities

As of December 31, 2011 and 2010, the carrying amounts of investments in partially owned entities, including Toys “R” Us, was \$1.7 billion and \$1.4 billion, respectively. In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we have the power over significant activities of the entity and the obligation to absorb losses or receive benefits that could potentially be significant to the entity. We account for investments on the equity method when the requirements for consolidation are not met and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

Investments in partially owned entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of an investment over its estimated fair value. Impairment analyses are based on current plans, intended holding periods and available information at the time the analyses are prepared. The ultimate realization of our investments in partially owned entities is dependent on a number of factors, including the performance of each investment and market conditions. If our estimates of the projected future cash flows, the nature of development activities for properties for which such activities are planned and the estimated fair value of the investment change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results.

Critical Accounting Policies – continued

Allowance For Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts (\$43,241,000 and \$62,979,000 as of December 31, 2011 and 2010) for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents (\$4,046,000 and \$7,316,000 as of December 31, 2011 and 2010, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

- **Base Rent** — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- **Percentage Rent** — income arising from retail tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).
- **Hotel Revenue** — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been rendered.

- Trade Shows Revenue — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- Management, Leasing and Other Fees — income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.
- Cleveland Medical Mart — revenue arising from the development of the Cleveland Medical Mart. This revenue is recognized as the related services are performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements*, as we are providing development, marketing, leasing, and other property management services.

Before we recognize revenue, we assess, among other things, its collectibility. If our assessment of the collectibility of revenue changes, the impact on our consolidated financial statements could be material.

Income Taxes

We operate in a manner intended to enable us to continue to qualify as a Real Estate Investment Trust (“REIT”) under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to our shareholders 100% of our taxable income. Therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our shareholders, or fail to meet other REIT requirements, we may fail to qualify as a REIT which may result in substantial adverse tax consequences.

Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009

(Amounts in thousands)

| | For the Year Ended December 31, 2011 | | | | | | |
|------------------------------------------------------------------------|--------------------------------------|-----------------|-----------------------|-----------|------------------|--------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$2,157,938 | \$ 783,438 | \$ 558,256 | \$424,646 | \$ 208,059 | \$ - | \$ 183,539 |
| Straight-line rent adjustments | 41,431 | 25,720 | (721) | 16,319 | (2,680) | - | 2,793 |
| Amortization of acquired below-market leases, net | 62,442 | 31,547 | 2,088 | 23,751 | 38 | - | 5,018 |
| Total rentals | 2,261,811 | 840,705 | 559,623 | 464,716 | 205,417 | - | 191,350 |
| Tenant expense reimbursements | 349,420 | 140,038 | 36,849 | 150,338 | 11,602 | - | 10,593 |
| Cleveland Medical Mart development project | 154,080 | - | - | - | 154,080 | - | - |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 61,754 | 95,452 | - | - | - | - | (33,698) |
| Management and leasing fees | 20,103 | 7,394 | 12,361 | 3,071 | 342 | - | (3,065) |
| Lease termination fees | 16,395 | 11,539 | 3,794 | 767 | 295 | - | - |
| Other | 52,102 | 22,189 | 20,650 | 5,966 | 3,558 | - | (261) |
| Total revenues | 2,915,665 | 1,117,317 | 633,277 | 624,858 | 375,294 | - | 164,919 |
| Operating expenses | 1,091,597 | 485,731 | 200,677 | 205,385 | 132,470 | - | 67,334 |
| Depreciation and amortization | 553,811 | 186,765 | 160,729 | 114,360 | 41,094 | - | 50,863 |
| General and administrative | 209,981 | 18,815 | 26,380 | 28,098 | 29,996 | - | 106,692 |
| Cleveland Medical Mart development project | 145,824 | - | - | - | 145,824 | - | - |
| Tenant buy-outs, impairment losses and other acquisition related costs | 58,299 | - | - | 24,146 | 28,228 | - | 5,925 |
| Total expenses | 2,059,512 | 691,311 | 387,786 | 371,989 | 377,612 | - | 230,814 |
| Operating income (loss) | 856,153 | 426,006 | 245,491 | 252,869 | (2,318) | - | (65,895) |
| Income applicable to Toys | 48,540 | - | - | - | - | 48,540 | - |
| Income (loss) from partially owned | | | | | | | |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-------------|------------|------------|-----------|------------|-----------|------------|
| entities | 71,770 | (12,559) | (6,381) | 4,006 | 455 | - | 86,249 |
| Income from Real Estate Fund | 22,886 | - | - | - | - | - | 22,886 |
| Interest and other investment income (loss), net | 148,826 | 642 | 199 | (29) | 43 | - | 147,971 |
| Interest and debt expense | (544,015) | (138,336) | (120,724) | (91,895) | (36,873) | - | (156,187) |
| Net gain on disposition of wholly owned and partially owned assets | 15,134 | - | - | 4,278 | - | - | 10,856 |
| Income (loss) before income taxes | 619,294 | 275,753 | 118,585 | 169,229 | (38,693) | 48,540 | 45,880 |
| Income tax expense | (24,827) | (2,084) | (2,927) | (34) | (2,237) | - | (17,545) |
| Income (loss) from continuing operations | 594,467 | 273,669 | 115,658 | 169,195 | (40,930) | 48,540 | 28,335 |
| Income from discontinued operations | 145,533 | 563 | 46,466 | 4,000 | 94,504 | - | - |
| Net income | 740,000 | 274,232 | 162,124 | 173,195 | 53,574 | 48,540 | 28,335 |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (21,786) | (10,042) | - | 237 | - | - | (11,981) |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | - | - | - | - | - | (55,912) |
| Net income (loss) attributable to Vornado | 662,302 | 264,190 | 162,124 | 173,432 | 53,574 | 48,540 | (39,558) |
| Interest and debt expense ⁽²⁾ | 797,920 | 150,627 | 134,270 | 96,644 | 40,916 | 157,135 | 218,328 |
| Depreciation and amortization ⁽²⁾ | 777,421 | 201,122 | 181,560 | 117,716 | 46,725 | 134,967 | 95,331 |
| Income tax expense (benefit) ⁽²⁾ | 4,812 | 2,204 | 3,123 | 34 | 2,237 | (1,132) | (1,654) |
| EBITDA ⁽¹⁾ | \$2,242,455 | \$ 618,143 | \$ 481,077 | \$387,826 | \$ 143,452 | \$339,510 | \$ 272,447 |

See notes on page 83.

Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009 - continued

(Amounts in thousands)

| | For the Year Ended December 31, 2010 | | | | | | |
|------------------------------------------------------------------------|--------------------------------------|-----------------|-----------------------|-----------|------------------|--------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$2,099,158 | \$ 773,996 | \$ 566,041 | \$390,068 | \$ 199,323 | \$ - | \$ 169,730 |
| Straight-line rent adjustments | 73,007 | 34,197 | 5,849 | 28,604 | 382 | - | 3,975 |
| Amortization of acquired below-market leases, net | 65,542 | 36,164 | 2,326 | 21,470 | (75) | - | 5,657 |
| Total rentals | 2,237,707 | 844,357 | 574,216 | 440,142 | 199,630 | - | 179,362 |
| Tenant expense reimbursements | 355,616 | 137,412 | 51,963 | 144,224 | 11,059 | - | 10,958 |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 58,053 | 88,664 | - | - | - | - | (30,611) |
| Management and leasing fees | 20,117 | 6,192 | 15,934 | 1,029 | 156 | - | (3,194) |
| Lease termination fees | 14,826 | 4,270 | 1,148 | 7,641 | 467 | - | 1,300 |
| Other | 54,362 | 22,283 | 21,427 | 3,674 | 3,838 | - | 3,140 |
| Total revenues | 2,740,681 | 1,103,178 | 664,688 | 596,710 | 215,150 | - | 160,955 |
| Operating expenses | 1,082,844 | 469,495 | 213,935 | 220,090 | 114,161 | - | 65,163 |
| Depreciation and amortization | 522,022 | 176,534 | 142,720 | 108,156 | 40,130 | - | 54,482 |
| General and administrative | 213,949 | 18,578 | 25,464 | 29,610 | 26,720 | - | 113,577 |
| Tenant buy-outs, impairment losses and other acquisition related costs | 129,458 | - | - | 72,500 | 20,000 | - | 36,958 |
| Total expenses | 1,948,273 | 664,607 | 382,119 | 430,356 | 201,011 | - | 270,180 |
| Operating income (loss) | 792,408 | 438,571 | 282,569 | 166,354 | 14,139 | - | (109,225) |
| Income applicable to Toys | 71,624 | - | - | - | - | 71,624 | - |
| Income (loss) from partially owned entities | 22,438 | (6,354) | (564) | 9,401 | (179) | - | 20,134 |
| (Loss) from Real Estate Fund | (303) | - | - | - | - | - | (303) |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-------------|------------|------------|-----------|-----------|-----------|------------|
| Interest and other investment income, net | 235,315 | 608 | 157 | 180 | 47 | - | 234,323 |
| Interest and debt expense | (560,052) | (132,279) | (130,540) | (85,063) | (37,932) | - | (174,238) |
| Net gain (loss) on extinguishment of debt | 94,789 | - | - | 105,571 | - | - | (10,782) |
| Net gain on disposition of wholly owned and partially owned assets | 81,432 | - | 54,742 | - | 765 | - | 25,925 |
| Income (loss) before income taxes | 737,651 | 300,546 | 206,364 | 196,443 | (23,160) | 71,624 | (14,166) |
| Income tax expense | (22,476) | (2,167) | (1,816) | (37) | (173) | - | (18,283) |
| Income (loss) from continuing operations | 715,175 | 298,379 | 204,548 | 196,406 | (23,333) | 71,624 | (32,449) |
| (Loss) income from discontinued operations | (7,144) | 168 | (4,481) | 2,453 | (5,284) | - | - |
| Net income (loss) | 708,031 | 298,547 | 200,067 | 198,859 | (28,617) | 71,624 | (32,449) |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (4,920) | (9,559) | - | (778) | - | - | 5,417 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,228) | - | - | - | - | - | (55,228) |
| Net income (loss) attributable to Vornado | 647,883 | 288,988 | 200,067 | 198,081 | (28,617) | 71,624 | (82,260) |
| Interest and debt expense ⁽²⁾ | 828,082 | 126,209 | 136,174 | 92,653 | 61,379 | 177,272 | 234,395 |
| Depreciation and amortization ⁽²⁾ | 729,426 | 170,505 | 159,283 | 114,335 | 51,064 | 131,284 | 102,955 |
| Income tax (benefit) expense ⁽²⁾ | (23,036) | 2,167 | 2,027 | 37 | 232 | (45,418) | 17,919 |
| EBITDA ⁽¹⁾ | \$2,182,355 | \$ 587,869 | \$ 497,551 | \$405,106 | \$ 84,058 | \$334,762 | \$ 273,009 |

See notes on page 83.

Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009 - continued

(Amounts in thousands)

| | For the Year Ended December 31, 2009 | | | | | | |
|------------------------------------------------------------------------|--------------------------------------|-----------------|-----------------------|------------|------------------|--------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$ 1,989,169 | \$ 757,372 | \$ 526,683 | \$ 354,397 | \$ 191,485 | \$ - | \$ 159,232 |
| Straight-line rent adjustments | 89,405 | 36,832 | 22,683 | 26,943 | 2,478 | - | 469 |
| Amortization of acquired below-market leases, net | 70,401 | 39,474 | 3,452 | 22,095 | 89 | - | 5,291 |
| Total rentals | 2,148,975 | 833,678 | 552,818 | 403,435 | 194,052 | - | 164,992 |
| Tenant expense reimbursements | 351,290 | 136,368 | 60,620 | 132,385 | 12,079 | - | 9,838 |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 53,824 | 75,549 | - | - | - | - | (21,725) |
| Management and leasing fees | 11,456 | 4,211 | 8,183 | 1,731 | 88 | - | (2,757) |
| Lease termination fees | 4,886 | 1,840 | 2,224 | 464 | 219 | - | 139 |
| Other | 85,160 | 18,868 | 47,745 | 2,565 | 7,528 | - | 8,454 |
| Total revenues | 2,655,591 | 1,070,514 | 671,590 | 540,580 | 213,966 | - | 158,941 |
| Operating expenses | 1,050,545 | 451,977 | 220,333 | 200,457 | 113,078 | - | 64,700 |
| Depreciation and amortization | 519,534 | 173,433 | 142,415 | 99,217 | 41,587 | - | 62,882 |
| General and administrative | 230,584 | 22,662 | 26,205 | 30,339 | 30,749 | - | 120,629 |
| Tenant buy-outs, impairment losses and other acquisition related costs | 73,763 | - | 24,875 | 9,589 | - | - | 39,299 |
| Total expenses | 1,874,426 | 648,072 | 413,828 | 339,602 | 185,414 | - | 287,510 |
| Operating income (loss) | 781,165 | 422,442 | 257,762 | 200,978 | 28,552 | - | (128,569) |
| Income applicable to Toys | 92,300 | - | - | - | - | 92,300 | - |
| (Loss) income from partially owned entities | (19,910) | 5,817 | 4,850 | 4,728 | 151 | - | (35,456) |
| Interest and other investment (loss) income, net | (116,350) | 876 | 786 | 69 | 95 | - | (118,176) |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|------------|------------|--------------|
| Interest and debt expense | (617,768) | (133,647) | (128,039) | (88,844) | (38,009) | - | (229,229) |
| Net (loss) gain on extinguishment of debt | (25,915) | - | - | 769 | - | - | (26,684) |
| Net gain on disposition of wholly owned and partially owned assets | 5,641 | - | - | - | - | - | 5,641 |
| Income (loss) before income taxes | 99,163 | 295,488 | 135,359 | 117,700 | (9,211) | 92,300 | (532,473) |
| Income tax expense | (20,642) | (1,332) | (1,482) | (319) | (2,140) | - | (15,369) |
| Income (loss) from continuing operations | 78,521 | 294,156 | 133,877 | 117,381 | (11,351) | 92,300 | (547,842) |
| Income (loss) from discontinued operations | 49,929 | 945 | 52,308 | (3,430) | 106 | - | - |
| Net income (loss) | 128,450 | 295,101 | 186,185 | 113,951 | (11,245) | 92,300 | (547,842) |
| Less: | | | | | | | |
| Net loss (income) attributable to noncontrolling interests in consolidated subsidiaries | 2,839 | (9,098) | - | 915 | - | - | 11,022 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (25,120) | - | - | - | - | - | (25,120) |
| Net income (loss) attributable to Vornado | 106,169 | 286,003 | 186,185 | 114,866 | (11,245) | 92,300 | (561,940) |
| Interest and debt expense ⁽²⁾ | 826,827 | 126,968 | 132,610 | 95,990 | 52,862 | 127,390 | 291,007 |
| Depreciation and amortization ⁽²⁾ | 728,815 | 168,517 | 152,747 | 105,903 | 56,702 | 132,227 | 112,719 |
| Income tax expense (benefit) ⁽²⁾ | 10,193 | 1,332 | 1,590 | 319 | 2,208 | (13,185) | 17,929 |
| EBITDA ⁽¹⁾ | \$ 1,672,004 | \$ 582,820 | \$ 473,132 | \$ 317,078 | \$ 100,527 | \$ 338,732 | \$ (140,285) |

See notes on the following page.

Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009 - continued**Notes to preceding tabular information:**

(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize these measures to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Interest and debt expense, depreciation and amortization and income tax (benefit) expense in the reconciliation of our net income (loss) to EBITDA includes our share of these items from partially owned entities.

(3) The tables below provide information about EBITDA from certain investments that are included in the "other" column of the preceding EBITDA by segment reconciliations. The totals for each of the columns below agree to the total EBITDA for the "other" column in the preceding EBITDA by segment reconciliations.

(Amounts in thousands)

| | For the Year Ended December 31, | | |
|---------------------------------------------------------------------|----------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Our share of Real Estate Fund: | | | |
| Income before net realized/unrealized gains | \$ 4,205 | \$ 503 | \$ - |
| Net unrealized gains | 2,999 | - | - |
| Net realized gains | 1,348 | - | - |
| Carried interest accrual | 736 | - | - |
| Total | 9,288 | 503 | - |
| Alexander's | 61,080 | 57,425 | 81,703 |
| LNR (acquired in July 2010) | 47,614 | 6,116 | - |
| Lexington Realty Trust ("Lexington") ⁽¹⁾ | 44,539 | 55,304 | 50,024 |
| 555 California Street | 44,724 | 46,782 | 44,757 |
| Hotel Pennsylvania | 30,135 | 23,763 | 15,108 |
| Other investments | 33,529 | 30,463 | 11,070 |
| | 270,909 | 220,356 | 202,662 |
| Corporate general and administrative expenses ⁽²⁾ | (85,922) | (90,343) | (79,843) |
| Investment income and other, net ⁽²⁾ | 52,405 | 65,499 | 78,593 |
| Mezzanine loans loss reversal (accrual) and net gain on disposition | 82,744 | 53,100 | (190,738) |
| Income from the mark-to-market of J.C. Penney derivative position | 12,984 | 130,153 | - |

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| | | | |
|----------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|
| Net gain from Suffolk Downs' sale of a partial interest | 12,525 | - | - |
| Net gain on sale of condominiums | 5,884 | 3,149 | 648 |
| Acquisition costs | (5,925) | (6,945) | - |
| Real Estate Fund placement fees | (3,451) | (5,937) | - |
| Net loss on extinguishment of debt | - | (10,782) | (26,684) |
| Non-cash asset write-downs: | | | |
| Investment in Lexington | - | - | (19,121) |
| Marketable equity securities | - | - | (3,361) |
| Real estate - primarily development projects: | | | |
| Wholly owned entities | - | (30,013) | (39,299) |
| Partially owned entities | (13,794) | - | (17,820) |
| Write-off of unamortized costs from the voluntary surrender of equity awards | - | - | (20,202) |
| Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | (55,228) | (25,120) |
| | \$ 272,447 | \$ 273,009 | \$ (140,285) |

- (1) Includes net gains of \$9,760 and \$13,710 in 2011 and 2010, respectively, resulting from Lexington's stock issuances.
- (2) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

Net Income and EBITDA by Segment for the Years Ended December 31, 2011, 2010 and 2009 - continued

Below is a summary of the percentages of EBITDA by geographic region (excluding Toys, discontinued operations and other gains and losses that affect comparability), from our New York Office, Washington DC Office, Retail and Merchandise Mart segments.

| Region: | For the Year Ended December 31, | | |
|---------------------------------|----------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| New York City metropolitan area | 61% | 61% | 61% |
| Washington, DC / Northern | | | |
| Virginia metropolitan area | 29% | 31% | 30% |
| California | 2% | 2% | 1% |
| Chicago | 4% | 4% | 4% |
| Puerto Rico | 2% | 1% | 2% |
| Other geographies | 2% | 1% | 2% |
| | 100% | 100% | 100% |

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were \$2,915,665,000 for the year ended December 31, 2011, compared to \$2,740,681,000 in the prior year, an increase of \$174,984,000, of which \$154,080,000 relates to the Cleveland Medical Mart development project. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to: | Total | New York | Washington, DC | Merchandise | | |
|---------------------------------------------------------------|-------------|------------|----------------------------|--------------------------|---------|----------|
| | | Office | Office | Retail | Mart | Other |
| Property rentals: | | | | | | |
| Acquisitions, sale of partial interests and other | \$ (10,242) | \$ (3,519) | \$ (26,936) ⁽¹⁾ | \$ 15,369 ⁽²⁾ | \$ - | \$ 4,844 |
| Development projects placed into service | 5,513 | - | 6,100 | (587) | - | - |
| Hotel Pennsylvania | 10,006 | - | - | - | - | 10,006 |
| Trade Shows | 7,722 | - | - | - | 7,722 | - |
| Amortization of acquired below-market leases, net | (3,100) | (4,617) | (238) | 2,281 | 113 | (639) |
| Leasing activity (see page 74) | 14,205 | 4,484 | 6,481 | 7,511 | (2,048) | (2,223) |
| | 24,104 | (3,652) | (14,593) | 24,574 | 5,787 | 11,988 |
| Tenant expense reimbursements: | | | | | | |
| Acquisitions/development, sale of partial interests and other | (5,204) | 4,305 | (13,109) ⁽¹⁾ | 3,926 ⁽²⁾ | - | (326) |
| Operations | (992) | (1,679) | (2,005) | 2,188 | 543 | (39) |
| | (6,196) | 2,626 | (15,114) | 6,114 | 543 | (365) |

**Cleveland Medical
Mart development
project
Fee and other
income:**

| | | | | | | |
|---------------------------------------|-------------|-----------|-------------|-----------|-------------|------------|
| | 154,080 (3) | - | - | - | 154,080 (3) | - |
| BMS cleaning fees | 3,701 | 6,788 | - | - | - | (3,087)(4) |
| Management and leasing fees | (14) | 1,202 | (3,573)(5) | 2,042 | 186 | 129 |
| Lease cancellation fee income | 1,569 | 7,269 | 2,646 | (6,874) | (172) | (1,300) |
| Other | (2,260) | (94) | (777) | 2,292 | (280) | (3,401) |
| | 2,996 | 15,165 | (1,704) | (2,540) | (266) | (7,659) |
| Total increase (decrease) in revenues | \$ 174,984 | \$ 14,139 | \$ (31,411) | \$ 28,148 | \$ 160,144 | \$ 3,964 |

- (1) Primarily from the sale of a partial interest in the Warner Building and 1101 17th Street.
Primarily from the acquisition of the remaining 55% interest we did not previously own in the San Jose Strip Shopping Center.
- (2) Shopping Center.
- (3) This income is offset by \$145,824 of development costs expensed in the period. See note (7) on page 86.
- (4) Primarily from the elimination of inter-company fees from operating segments upon consolidation.
- (5) Primarily from leasing fees in the prior year in connection with our management of a development project.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continuedExpenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were \$2,059,512,000 for the year ended December 31, 2011, compared to \$1,948,273,000 in the prior year, an increase of \$111,239,000, which includes \$145,824,000 related to the Cleveland Medical Mart development project. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to: | Total | Washington, DC | | Merchandise | | |
|---------------------------------------------------------------|-------------------------|-----------------|----------------------------|--------------------------|--------|----------|
| | | New York Office | Office | Retail | Mart | Other |
| Operating: | | | | | | |
| Acquisitions, sale of partial interests and other | \$ (374) | \$ - | \$ (14,123) ⁽¹⁾ | \$ 14,075 ⁽²⁾ | \$ - | \$ (326) |
| Development projects placed into service | 1,006 | - | (248) | 1,254 | - | - |
| Non-reimbursable expenses, including bad-debt reserves | (20,997) ⁽³⁾ | 3,029 | (1,374) | (31,950) ⁽³⁾ | 9,298 | - |
| Hotel Pennsylvania | 3,330 | - | - | - | - | 3,330 |
| Trade Shows | 3,631 | - | - | - | 3,631 | - |
| BMS expenses | 3,262 | 6,349 | - | - | - | (3,087) |
| Operations | 18,895 | 6,858 | 2,487 | 1,916 | 5,380 | 2,254 |
| | 8,753 | 16,236 | (13,258) | (14,705) | 18,309 | 2,171 |
| Depreciation and amortization: | | | | | | |
| Acquisitions/development, sale of partial interests and other | (4,466) | - | (10,261) ⁽¹⁾ | 5,795 ⁽²⁾ | - | - |
| Operations | 36,255 | 10,231 | 28,270 ⁽⁴⁾ | 409 | 964 | (3,619) |
| | 31,789 | 10,231 | 18,009 | 6,204 | 964 | (3,619) |

General and administrative:

| | | | | | | |
|-------------------------------------------------------------------------------|-------------|-----------|----------|-------------|-------------|-------------|
| Mark-to-market of deferred compensation plan liability (5) | (6,391) | - | - | - | - | (6,391) |
| Real Estate Fund placement fees | (3,031) | - | - | - | - | (3,031) |
| Operations | 5,454 | 237 | 916 | (1,512) | 3,276 (6) | 2,537 |
| | (3,968) | 237 | 916 | (1,512) | 3,276 | (6,885) |
| Cleveland Medical Mart development project | 145,824 (7) | - | - | - | 145,824 (7) | - |
| Tenant buy-outs, impairment losses and other acquisition related costs | (71,159) | - | - | (48,354)(8) | 8,228 | (31,033)(9) |
| Total increase (decrease) in expenses | \$ 111,239 | \$ 26,704 | \$ 5,667 | \$ (58,367) | \$ 176,601 | \$ (39,366) |

(1) Primarily from the sale of a partial interest in the Warner Building and 1101 17th Street.

(2) Primarily from the acquisition of the remaining 55% interest we did not previously own in the San Jose Strip Shopping Center.

(3) Includes a \$23,521 reversal for the Stop & Shop accounts receivable reserve.

(4) Includes \$25,000 of depreciation expense on 1851 South Bell Street, which will be taken out of service for redevelopment in 2012.

(5) This decrease in expense is entirely offset by a corresponding decrease in income from the mark-to-market of the deferred compensation plan assets, a component of "interest and other investment income (loss), net" on our consolidated statements of income.

(6) Includes \$4,226 of restructuring costs.

(7) This expense is entirely offset by development revenue in the year. See note (3) on page 85.

(8) Primarily from a \$64,500 non-cash impairment loss on the Springfield Mall in the prior year, partially offset by tenant buy-out costs in the current year.

(9) Primarily from \$30,013 of impairment losses in the prior year on condominium units held for sale.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continuedIncome Applicable to Toys

In the year ended December 31, 2011, we recognized net income of \$48,540,000 from our investment in Toys, comprised of \$39,592,000 for our 32.7% share of Toys' net income (\$38,460,000 before our share of Toys' income tax benefit) and \$8,948,000 of interest and other income.

In the year ended December 31, 2010, we recognized net income of \$71,624,000 from our investment in Toys, comprised of \$61,819,000 for our 32.7% share of Toys' net income (\$16,401,000 before our share of Toys' income tax benefit) and \$9,805,000 of interest and other income.

Income (Loss) from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2011 and 2010.

| (Amounts in thousands) | For the Year Ended December 31, | |
|------------------------------------------------------------------------------|--------------------------------------------|-------------|
| | 2011 | 2010 |
| Equity in Net Income (Loss): | | |
| Alexander's - 32.4% interest | \$ 34,128 | \$ 29,184 |
| Lexington - 12.0% interest in 2011 and 12.8% interest in 2010 ⁽¹⁾ | 8,351 | 11,018 |
| LNR - 26.2% interest (acquired in July 2010) ⁽²⁾ | 58,786 | 1,973 |
| India real estate ventures - 4.0% to 36.5% interest ⁽³⁾ | (14,881) | 2,581 |
| Partially owned office buildings: | | |
| 280 Park Avenue - 49.5% interest (acquired in May 2011) | (18,079) | - |
| West 57th Street Properties - 50.0% interest ⁽⁴⁾ | 876 | (10,990) |
| Rosslyn Plaza - 43.7% to 50.4% interest | 2,193 | (2,419) |
| | (1,142) | - |

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| | | |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| One Park Avenue - 30.3% interest (acquired in March 2011) | | |
| Warner Building and 1101 17th Street - 55.0% interest (deconsolidated in October 2010 upon sale of a 45.0% interest) ⁽⁵⁾ | (16,135) | 72 |
| Other partially owned office buildings | 10,017 | 4,436 |
| Other equity method investments: | | |
| Verde Realty Operating Partnership - 8.3% interest | 1,661 | (537) |
| Independence Plaza - 51.0% interest (acquired in June 2011) | 2,457 | - |
| Downtown Crossing, Boston - 50.0% interest | (1,461) | (1,155) |
| Monmouth Mall - 50.0% interest | 2,556 | 1,952 |
| Other equity method investments ⁽⁶⁾ | 2,443 | (13,677) |
| | \$ 71,770 | \$ 22,438 |

- (1) Includes net gains of \$9,760 and \$13,710 in 2011 and 2010, respectively, resulting from Lexington's stock issuances.
- (2) 2011 includes \$27,377 of income comprised of (i) \$12,380 for an income tax benefit, (ii) \$8,977 of a tax settlement gain, and (iii) \$6,020 of net gains from asset sales.
- (3) 2011 includes \$13,794 for our share of an impairment loss.
- (4) 2010 includes \$11,481 of impairment losses.
- (5) 2011 includes \$9,022 for our share of expense, primarily for straight-line rent reserves and the write-off of tenant-improvements in connection with a tenant's bankruptcy at the Warner Building.
- (6) 2011 includes a \$12,525 net gain from Suffolk Downs' sale of a partial interest.

Income (loss) from Real Estate Fund

In the year ended December 31, 2011, we recognized \$22,886,000 of income from the Fund, including \$11,995,000 of net unrealized gains from the mark-to-market of investments and \$5,391,000 of net realized gains from the disposition of two investments. Of the \$22,886,000, \$13,598,000 was attributable to noncontrolling interests. Accordingly, our share of the Fund's income was \$9,288,000. In addition, we recognized \$2,695,000 of management, leasing and development fees which are included as a component of "fee and other income," and incurred \$3,451,000 of placement fees in connection with the February 2011 closing of the Fund, which is included in "general and administrative" expenses.

In the year ended December 31, 2010, we recognized a \$303,000 loss from the Fund.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continuedInterest and Other Investment Income (Loss), net

Interest and other investment income (loss), net (comprised of the mark-to-market of derivative positions in marketable equity securities, interest income on mezzanine loans receivable, other interest income and dividend income) was \$148,826,000 in the year ended December 31, 2011, compared to \$235,315,000 in the prior year, a decrease of \$86,489,000. This decrease resulted from:

(Amounts in thousands)

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| J.C. Penney derivative position (mark-to-market gain of \$12,984 in 2011, compared to \$130,153 in 2010) | \$ (117,169) |
| Mezzanine loans (\$82,744 loss reversal and net gain on disposition in 2011, compared to \$53,100 loss reversal in 2010) | 29,644 |
| Decrease in the value of investments in our deferred compensation plan (offset by a corresponding decrease in the liability for plan assets in general and administrative expenses) | (6,391) |
| Other, net (primarily dividends and interest on marketable securities and mezzanine loans) | 7,427 |
| | \$ (86,489) |

Interest and Debt Expense

Interest and debt expense was \$544,015,000 for the year ended December 31, 2011, compared to \$560,052,000 in the prior year, a decrease of \$16,037,000. This decrease was primarily due to savings of (i) \$22,865,000 applicable to the repurchase and retirement of convertible senior debentures and repayment of senior unsecured notes, (ii) \$18,157,000 from the repayment of the Springfield Mall mortgage at a discount in December 2010 and (iii) \$14,856,000 from the deconsolidation of the Warner Building resulting from the sale of a 45% interest in October 2010, partially offset by (iv) \$17,204,000 from the issuance of \$660,000,000 of cross-collateralized debt secured by 40 of our strip shopping centers in August 2010, (v) \$14,777,000 from the financing of 2121 Crystal Drive and Two Penn Plaza in the first quarter of 2011, (vi) \$5,057,000 from the issuance of \$500,000,000 of senior unsecured notes in March 2010 and (vii) \$3,854,000 from the consolidation of the San Jose Shopping Center resulting from the October 2010 acquisition of the 55% interest we did not previously own.

Net Gain (Loss) on Extinguishment of Debt

In the year ended December 31, 2010, we recognized a \$94,789,000 net gain on the extinguishment of debt (primarily from our acquisition of the mortgage loan secured by the Springfield Mall).

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

In the year ended December 31, 2011, we recognized a \$15,134,000 net gain on disposition of wholly owned and partially owned assets (primarily from the sale of residential condominiums and marketable securities), compared to a \$81,432,000 net gain in the prior year (primarily from the sale of a 45% interest in the Warner Building and sales of marketable securities).

Income Tax Expense

Income tax expense was \$24,827,000 in the year ended December 31, 2011, compared to \$22,476,000 in the prior year, an increase of \$2,351,000. This increase resulted primarily from higher taxable income of our taxable REIT subsidiaries.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continuedIncome (Loss) from Discontinued Operations

The table below sets forth the combined results of assets related to discontinued operations for the years ended December 31, 2011 and 2010.

| (Amounts in thousands) | For the Year Ended December 31, | |
|---------------------------------------------------------------------|--------------------------------------------|-------------|
| | 2011 | 2010 |
| Total revenues | \$ 45,745 | \$ 82,917 |
| Total expenses | 29,943 | 77,511 |
| | 15,802 | 5,406 |
| Net gain on extinguishment of High Point debt | 83,907 | - |
| Net gain on sale of 1140 Connecticut Avenue and 1227 25th Street | 45,862 | - |
| Net gain on sales of other real estate | 5,761 | 2,506 |
| Impairment losses and litigation loss accrual | (5,799) | (15,056) |
| Income (loss) from discontinued operations | \$ 145,533 | \$ (7,144) |

Net (Income) Loss Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was \$21,786,000 in the year ended December 31, 2011, compared to \$4,920,000 in the prior year, an increase of \$16,866,000. This resulted primarily from a \$14,404,000 increase in income allocated to the noncontrolling interests of our Real Estate Fund.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership, including Unit Distributions

Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions for the years ended December 31, 2011 and 2010 is primarily comprised of allocations of income to redeemable

noncontrolling interests of \$41,059,000 and \$44,033,000, respectively, and preferred unit distributions of the Operating Partnership of \$14,853,000 and \$11,195,000 respectively.

Preferred Share Dividends

Preferred share dividends were \$65,531,000 for the year ended December 31, 2011, compared to \$55,534,000 for the prior year, an increase of \$9,997,000. This increase resulted from the issuance of Series J preferred shares during 2011, partially offset by the redemption of Series D-10 preferred shares in 2010.

Discount on Preferred Share and Unit Redemptions

In the year ended December 31, 2011, we recognized a \$5,000,000 discount from the redemption of 1,000,000 Series D-11 preferred units with a par value of \$25.00 per unit, for an aggregate of \$20,000,000 in cash, compared to a \$4,382,000 discount in the prior year from the redemption of 1,600,000 Series D-10 preferred shares with a par value of \$25.00 per share, for an aggregate of \$35,618,000.

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010 - continued**Same Store EBITDA**

Same store EBITDA represents EBITDA from property level operations which are owned by us in both the current and prior year reporting periods. Same store EBITDA excludes segment-level overhead expenses, which are expenses that we do not consider to be property-level expenses, as well as other non-operating items. We present same store EBITDA on both a GAAP basis and a cash basis, which excludes income from the straight-lining of rents, amortization of below-market leases, net of above-market leases and other non-cash adjustments. We present these non-GAAP measures to (i) facilitate meaningful comparisons of the operational performance of our properties and segments, (ii) make decisions on whether to buy, sell or refinance properties, and (iii) compare the performance of our properties and segments to those of our peers. Same store EBITDA should not be considered as an alternative to net income or cash flow from operations and may not be comparable to similarly titled measures employed by other companies.

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the year ended December 31, 2011, compared to the year ended December 31, 2010.

| (Amounts in thousands) | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|--------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|------------|---------------------|
| EBITDA for the year ended December 31, 2011 | \$ 618,143 | \$ 481,077 | \$ 387,826 | \$ 143,452 |
| Add-back: non-property level overhead expenses included above | 18,815 | 26,380 | 28,098 | 29,996 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | (24,778) | (49,513) | (29,197) | (74,557) |
| GAAP basis same store EBITDA for the year ended December 31, 2011 | 612,180 | 457,944 | 386,727 | 98,891 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (52,644) | (274) | (27,288) | 2,642 |
| Cash basis same store EBITDA for the year ended December 31, 2011 | \$ 559,536 | \$ 457,670 | \$ 359,439 | \$ 101,533 |
| EBITDA for the year ended December 31, 2010 | \$ 587,869 | \$ 497,551 | \$ 405,106 | \$ 84,058 |
| Add-back: non-property level overhead expenses included above | 18,578 | 25,464 | 29,610 | 26,720 |

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| | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|-----------|--|
| Less: EBITDA from acquisitions, dispositions | | | | | |
| and other non-operating income or expenses | 6,487 | (69,288) | (59,561) | (12,387) | |
| GAAP basis same store EBITDA for the year ended December 31, 2010 | 612,934 | 453,727 | 375,155 | 98,391 | |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (63,029) | (4,005) | (37,262) | (307) | |
| Cash basis same store EBITDA for the year ended December 31, 2010 | \$ 549,905 | \$ 449,722 | \$ 337,893 | \$ 98,084 | |
| (Decrease) increase in GAAP basis same store EBITDA for | | | | | |
| the year ended December 31, 2011 over the year ended December 31, 2010 | \$ (754) | \$ 4,217 | \$ 11,572 | \$ 500 | |
| Increase in Cash basis same store EBITDA for the year ended December 31, 2011 over the year ended December 31, 2010 | \$ 9,631 | \$ 7,948 | \$ 21,546 | \$ 3,449 | |
| % (decrease) increase in GAAP basis same store EBITDA | (0.1%) | 0.9% | 3.1% | 0.5% | |
| % increase in Cash basis same store EBITDA | 1.8% | 1.8% | 6.4% | 3.5% | |

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were \$2,740,681,000 for the year ended December 31, 2010, compared to \$2,655,591,000 for the year ended December 31, 2009, an increase of \$85,090,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to: | Total | New York | Washington, DC | Merchandise | | |
|---------------------------------------------------|------------|----------|----------------|-------------|----------|------------|
| | | Office | Office | Retail | Mart | Other |
| Property rentals: | | | | | | |
| Acquisitions and other | \$ (1,713) | \$ - | \$ (6,890) | \$ 4,161 | \$ 2,064 | \$ (1,048) |
| Development projects placed into service | 12,716 | - | 10,316 | 2,400 | - | - |
| Hotel Pennsylvania | 15,622 | - | - | - | - | 15,622 |
| Trade Shows | 5,044 | - | - | - | 5,044 | - |
| Amortization of acquired below-market leases, net | (4,859) | (3,310) | (1,126) | (625) | (164) | 366 |
| Leasing activity (see page 74) | 61,922 | 13,989 | 19,098 | 30,771 | (1,366) | (570) |
| | 88,732 | 10,679 | 21,398 | 36,707 | 5,578 | 14,370 |
| Tenant expense reimbursements: | | | | | | |
| Acquisitions/development | 1,079 | - | (3,236) | 4,564 | - | (249) |
| Operations | 3,247 | 1,044 | (5,421) | 7,275 | (1,020) | 1,369 |
| | 4,326 | 1,044 | (8,657) | 11,839 | (1,020) | 1,120 |
| Fee and other income: | | | | | | |
| BMS cleaning fees | 4,229 | 13,115 | - | - | - | (8,886)(1) |
| Management and leasing fees | 8,661 | 1,981 | 7,751 (2) | (702) | 68 | (437) |
| | 9,940 | 2,430 | (1,076) | 7,177 | 248 | 1,161 |

| | | | | | | |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------|-----------|------------------------|------------------------|
| Lease cancellation fee income | | | | | | |
| Other | (30,798) | 3,415 | (26,318) ⁽³⁾ | 1,109 | (3,690) ⁽⁴⁾ | (5,314) ⁽⁵⁾ |
| | (7,968) | 20,941 | (19,643) | 7,584 | (3,374) | (13,476) |
| Total increase (decrease) in revenues | \$ 85,090 | \$ 32,664 | \$ (6,902) | \$ 56,130 | \$ 1,184 | \$ 2,014 |
| (1) | Primarily from the elimination of inter-company fees from operating segments upon consolidation. See note (3) on page 92. | | | | | |
| (2) | Primarily from leasing fees in connection with our management of a development project. | | | | | |
| (3) | Primarily from income resulting from a forfeited non-refundable purchase deposit in 2009. | | | | | |
| (4) | Primarily from income resulting from the surrender and build-out of tenant space in 2009. | | | | | |
| (5) | 2009 includes \$5,402 of income previously deferred resulting from the termination of a lease with a partially owned entity. | | | | | |

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continuedExpenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were \$1,948,273,000 for the year ended December 31, 2010, compared to \$1,874,426,000 for the year ended December 31, 2009, an increase of \$73,847,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to: | Total | New York | Washington, DC | Merchandise | | |
|---------------------------------------------------------------------------------------------|------------|-----------------------|----------------|-----------------------|----------|------------------------|
| | | Office | Office | Retail | Mart | Other |
| Operating: | | | | | | |
| Acquisitions and other | \$ (6,291) | \$ (4,688) | \$ (3,890) | \$ 1,213 | \$ 1,770 | \$ (696) |
| Development projects placed into service | 3,425 | - | 2,941 | 484 | - | - |
| Hotel Pennsylvania | 11,041 | - | - | - | - | 11,041 |
| Trade Shows | (1,063) | - | - | - | (1,063) | - |
| Operations | 25,187 | 22,206 ⁽¹⁾ | (5,449) | 17,936 ⁽²⁾ | 376 | (9,882) ⁽³⁾ |
| | 32,299 | 17,518 | (6,398) | 19,633 | 1,083 | 463 |
| Depreciation and amortization: | | | | | | |
| Acquisitions/development | (682) | - | (2,207) | 2,132 | - | (607) |
| Operations | 3,170 | 3,101 | 2,512 | 6,807 | (1,457) | (7,793) |
| | 2,488 | 3,101 | 305 | 8,939 | (1,457) | (8,400) |
| General and administrative: | | | | | | |
| Write-off of unamortized costs from the voluntary surrender of equity awards ⁽⁴⁾ | (32,588) | (3,451) | (3,131) | (4,793) | (1,011) | (20,202) |
| Mark-to-market of deferred compensation | | | | | | |

| | | | | | | |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------|------------|------------|-------------|
| plan liability (5) | (1,457) | - | - | - | - | (1,457) |
| Real Estate Fund placement fees | 5,937 | - | - | - | - | 5,937 |
| Operations | 11,473 | (633) | 2,390 | 4,064 | (3,018)(6) | 8,670 (7) |
| | (16,635) | (4,084) | (741) | (729) | (4,029) | (7,052) |
| Tenant buy-outs, impairment losses and other acquisition related costs | 55,695 | - | (24,875) | 62,911 (8) | 20,000 | (2,341) |
| Total increase (decrease) in expenses | \$ 73,847 | \$ 16,535 | \$ (31,709) | \$ 90,754 | \$ 15,597 | \$ (17,330) |
| (1) | Results from increases in (i) BMS operating expenses of \$13,459, (ii) reimbursable operating expenses of \$5,664 and (iii) non-reimbursable operating expenses of \$3,083. | | | | | |
| (2) | Results from increases in (i) reimbursable operating expenses of \$8,121, (ii) bad debt reserves of \$8,505, of which \$5,300 results from a true-up of 2009's billings and (iii) non-reimbursable operating expenses of \$1,310. | | | | | |
| (3) | Primarily from the elimination of inter-company fees from operating segments upon consolidation. See note (1) on page 91. | | | | | |
| (4) | On March 31, 2009, our nine most senior executives voluntarily surrendered their 2007 and 2008 stock option awards and their 2008 out-performance plan awards. Accordingly, we recognized \$32,588 of expense in the first quarter of 2009, representing the unamortized portion of these awards. | | | | | |
| (5) | This decrease in expense is entirely offset by a corresponding decrease in income from the mark-to-market of the deferred compensation plan assets, a component of "interest and other investment income (loss), net" on our consolidated statement of income. | | | | | |
| (6) | Primarily due to \$2,800 of pension plan termination costs in 2009. | | | | | |
| (7) | Primarily from higher payroll costs and stock-based compensation expense as a result of awards granted in March 2010. | | | | | |
| (8) | Results from a \$64,500 non-cash impairment loss on the Springfield Mall. | | | | | |

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continuedIncome Applicable to Toys

In the year ended December 31, 2010, we recognized net income of \$71,624,000 from our investment in Toys, comprised of \$61,819,000 for our 32.7% share of Toys' net income (\$16,401,000 before our share of Toys' income tax benefit) and \$9,805,000 of interest and other income.

In the year ended December 31, 2009, we recognized \$92,300,000 of income from our investment in Toys, comprised of (i) \$71,601,000 for our 32.7% share of Toys' net income (\$58,416,000 before our share of Toys' income tax benefit), (ii) \$13,946,000 for our share of income from previously recognized deferred financing cost amortization expense, which we initially recorded as a reduction of the basis of our investment in Toys, and (iii) \$6,753,000 of interest and other income.

Income (Loss) from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended | |
|------------------------------------------------------------------------------|--------------------|-----------|
| | 2010 | 2009 |
| Equity in Net Income (Loss): | | |
| Alexander's - 32.4% interest ⁽¹⁾ | \$ 29,184 | \$ 53,529 |
| Lexington - 12.8% interest in 2010 and 15.2% interest in 2009 ⁽²⁾ | 11,018 | (25,665) |
| LNR - 26.2% interest (acquired in July 2010) | 1,973 | - |
| India real estate ventures - 4.0% to 36.5% interest | 2,581 | (1,636) |
| Partially owned office buildings: | | |
| West 57th Street Properties - 50.0% interest ⁽³⁾ | (10,990) | 468 |
| Rosslyn Plaza - 43.7% to 50.4% interest | (2,419) | 4,870 |

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| | | |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Warner Building and 1101 17th Street - 55.0% interest (deconsolidated in October 2010 upon sale of a 45.0% interest) | 72 | - |
| Other partially owned office buildings | 4,436 | 4,823 |
| Other equity method investments: | | |
| Verde Realty Operating Partnership - 8.3% interest in 2010 and 8.5% interest in 2009 ⁽⁴⁾ | (537) | (19,978) |
| Downtown Crossing, Boston - 50.0% interest ⁽⁵⁾ | (1,155) | (10,395) |
| Monmouth Mall - 50.0% interest | 1,952 | 1,789 |
| Other equity method investments ⁽⁶⁾ | (13,677) | (27,715) |
| | \$ 22,438 | \$ (19,910) |
| (1) | 2009 includes an aggregate of \$24,773 of income for our share of an income tax benefit and the reversal of stock appreciation rights compensation expense. | |
| (2) | 2010 includes a \$13,710 net gain resulting from Lexington's stock issuance and 2009 includes \$19,121 of expense for our share of impairment losses recorded by Lexington. | |
| (3) | 2010 includes \$11,481 of impairment losses. | |
| (4) | 2009 includes \$14,515 of impairment losses. | |
| (5) | 2009 includes \$7,650 of expense for our share of a lease termination payment. | |
| (6) | 2009 includes \$3,305 of impairment losses. | |

Income (loss) from Real Estate Fund

In the year ended December 31, 2010, we recognized a \$303,000 loss from the Fund.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continuedInterest and Other Investment Income (Loss), net

Interest and other investment income (loss), net was \$235,315,000 for the year ended December 31, 2010, compared to a loss of \$116,350,000 for the year ended December 31, 2009, an increase in income of \$351,665,000. This increase resulted primarily from:

(Amounts in thousands)

| | |
|-----------------------------------------------------------------------------------------------|------------|
| Mezzanine loans (\$53,100 loss reversal in 2010, compared to \$190,738 loss accrual in 2009) | \$ 243,838 |
| Mark-to-market of J.C. Penney derivative position in 2010 | 130,153 |
| Lower average mezzanine loan investments (\$136,795 in 2010, compared to \$345,000 in 2009) | (21,862) |
| Marketable equity securities - impairment losses in 2009 | 3,361 |
| Decrease in value of investments in the deferred compensation plan (offset by a corresponding | |
| decrease in the liability for plan assets in general and administrative | |
| expenses) | (1,457) |
| Other, net (primarily lower average yields on investments) | (2,368) |
| | \$ 351,665 |

Interest and Debt Expense

Interest and debt expense was \$560,052,000 for the year ended December 31, 2010, compared to \$617,768,000 for the year ended December 31, 2009, a decrease of \$57,716,000. This decrease was primarily due to savings of (i) \$93,765,000 from the acquisition, retirement and repayment of an aggregate of \$2.1 billion of our convertible senior debentures and senior unsecured notes in 2009 and (ii) \$30,639,000 from the repayment of \$400,000,000 of cross-collateralized debt secured by 42 of our strip shopping centers, partially offset by (iii) \$43,515,000 from the issuance of \$460,000,000 and \$500,000,000 of senior unsecured notes in September 2009 and March 2010, respectively, (iv) \$16,392,000 of lower capitalized interest, and (v) \$9,813,000 from the issuance of \$660,000,000 of cross-collateralized debt secured by 40 of our strip shopping centers.

Net Gain (Loss) on Extinguishment of Debt

In the year ended December 31, 2010, we recognized a \$94,789,000 net gain on the early extinguishment of debt (primarily from our acquisition of the mortgage loan secured by the Springfield Mall), compared to a \$25,915,000 net loss in the year ended December 31, 2009 (primarily from the acquisition of our convertible senior debentures and related write-off of the unamortized debt discount).

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

In the year ended December 31, 2010, we recognized an \$81,432,000 net gain on disposition of wholly owned and partially owned assets (primarily from the sale of a 45% interest in the Warner Building and sales of marketable securities), compared to a \$5,641,000 net gain in the year ended December 31, 2009 (primarily from the sales of marketable securities and residential condominiums).

Income Tax Expense

Income tax expense was \$22,476,000 for the year ended December 31, 2010, compared to \$20,642,000 for the year ended December 31, 2009 an increase of \$1,834,000. This increase resulted primarily from higher income at 1290 Avenue of Americas and 555 California Street, which are subject to federal withholding taxes on dividends paid to foreign corporations.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continued(Loss) Income from Discontinued Operations

The table below sets forth the combined results of operations of assets related to discontinued operations for the years ended December 31, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended December 31, | |
|-----------------------------------------------|------------------------------------|-----------|
| | 2010 | 2009 |
| Total revenues | \$ 82,917 | \$ 96,853 |
| Total expenses | 77,511 | 78,148 |
| | 5,406 | 18,705 |
| Impairment losses and litigation loss accrual | (15,056) | (14,060) |
| Net gain on sale of 1999 K Street | - | 41,211 |
| Net gain on sales of other real estate | 2,506 | 4,073 |
| (Loss) income from discontinued operations | \$ (7,144) | \$ 49,929 |

Net (Income) Loss Attributable to Noncontrolling Interests in Consolidated Subsidiaries

In the year ended December 31, 2010, we had \$4,920,000 of net income attributable to noncontrolling interests in consolidated subsidiaries, compared to \$2,839,000 of a net loss for the year ended December 31, 2009, an increase in income of \$7,759,000. This increase resulted primarily from higher income at 1290 Avenue of the Americas and 555 California Street.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership, including Unit Distributions

Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions for the year ended December 31, 2010 and 2009 is primarily comprised of allocations of income to redeemable noncontrolling interests of \$44,033,000 and \$5,834,000, respectively and preferred unit distributions of the Operating

Partnership of \$11,195,000 and \$19,286,000, respectively. The increase of \$38,199,000 in allocations of income to redeemable noncontrolling interests resulted primarily from higher net income subject to allocation to unitholders.

Preferred Share Dividends

Preferred share dividends were \$55,534,000 for the year ended December 31, 2010, compared to \$57,076,000 for the year ended December 31, 2009, a decrease of \$1,542,000. This decrease resulted from the redemption of Series D-10 preferred shares in 2010.

Discount on Preferred Share and Unit Redemptions

Discount on preferred share redemptions of \$4,382,000 in the year ended December 31, 2010 resulted from the redemption of 1,600,000 Series D-10 preferred shares with a par value of \$25.00 per share, for an aggregate of \$35,618,000.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continuedSame Store EBITDA

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the year ended December 31, 2010, compared to the year ended December 31, 2009.

| (Amounts in thousands) | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|------------|---------------------|
| EBITDA for the year ended December 31, 2010 | \$ 587,869 | \$ 497,551 | \$ 405,106 | \$ 84,058 |
| Add-back: non-property level overhead expenses included above | 18,578 | 25,464 | 29,610 | 26,720 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | 6,621 | (58,001) | (55,339) | 14,269 |
| GAAP basis same store EBITDA for the year ended December 31, 2010 | 613,068 | 465,014 | 379,377 | 125,047 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (62,962) | (5,184) | (40,362) | (2,681) |
| Cash basis same store EBITDA for the year ended December 31, 2010 | \$ 550,106 | \$ 459,830 | \$ 339,015 | \$ 122,366 |
| EBITDA for the year ended December 31, 2009 | \$ 582,820 | \$ 473,132 | \$ 317,078 | \$ 100,527 |
| Add-back: non-property level overhead expenses included above | 22,662 | 26,205 | 30,339 | 30,749 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | (2,583) | (57,302) | 1,774 | (1,935) |
| GAAP basis same store EBITDA for the year ended December 31, 2009 | 602,899 | 442,035 | 349,191 | 129,341 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (65,069) | (23,940) | (39,871) | (4,036) |
| Cash basis same store EBITDA for the year ended December 31, 2009 | \$ 537,830 | \$ 418,095 | \$ 309,320 | \$ 125,305 |

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| | | | | | |
|---------------------------------------------------------|------------------------------------------------------------------------|-----------|-----------|-----------|------------|
| Increase (decrease) in GAAP basis same store EBITDA for | the year ended December 31, 2010 over the year ended December 31, 2009 | \$ 10,169 | \$ 22,979 | \$ 30,186 | \$ (4,294) |
| Increase (decrease) in Cash basis same store EBITDA for | the year ended December 31, 2010 over the year ended December 31, 2009 | \$ 12,276 | \$ 41,735 | \$ 29,695 | \$ (2,939) |
| % increase (decrease) in GAAP basis same store EBITDA | | 1.7% | 5.2% | 8.6% | (3.3%) |
| % increase (decrease) in Cash basis same store EBITDA | | 2.3% | 10.0% | 9.6% | (2.3%) |

Supplemental Information**Net Income and EBITDA by Segment for the Three Months Ended December 31, 2011 and 2010**

Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended December 31, 2011 and 2010.

(Amounts in thousands)

| | For the Three Months Ended December 31, 2011 | | | | | | |
|------------------------------------------------------------------------|-----------------------------------------------------|------------------------|------------------------------|---------------|-------------------------|-------------|----------------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other⁽³⁾ |
| Property rentals | \$ 553,487 | \$ 196,641 | \$ 144,446 | \$ 107,917 | \$ 53,574 | \$ - | \$ 50,909 |
| Straight-line rent adjustments | 6,718 | 9,943 | (6,683) | 3,763 | (621) | - | 316 |
| Amortization of acquired below-market leases, net | 13,055 | 6,998 | 563 | 3,852 | (17) | - | 1,659 |
| Total rentals | 573,260 | 213,582 | 138,326 | 115,532 | 52,936 | - | 52,884 |
| Tenant expense reimbursements | 84,563 | 31,771 | 9,288 | 38,819 | 2,481 | - | 2,204 |
| Cleveland Medical Mart development project | 45,877 | - | - | - | 45,877 | - | - |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 15,275 | 24,296 | - | - | - | - | (9,021) |
| Management and leasing fees | 4,647 | 2,134 | 2,732 | 632 | (6) | - | (845) |
| Lease termination fees | 3,917 | 2,363 | 781 | 478 | 295 | - | - |
| Other | 14,276 | 7,111 | 4,756 | 1,725 | 726 | - | (42) |
| Total revenues | 741,815 | 281,257 | 155,883 | 157,186 | 102,309 | - | 45,180 |
| Operating expenses | 250,331 | 118,440 | 50,302 | 31,762 | 33,204 | - | 16,623 |
| Depreciation and amortization | 159,965 | 47,928 | 59,095 | 28,707 | 11,981 | - | 12,254 |
| General and administrative | 54,415 | 4,426 | 6,876 | 6,064 | 6,141 | - | 30,908 |
| Cleveland Medical Mart development project | 44,187 | - | - | - | 44,187 | - | - |
| Tenant buy-outs, impairment losses and other acquisition related costs | 35,844 | - | - | 7,553 | 25,188 | - | 3,103 |
| Total expenses | 544,742 | 170,794 | 116,273 | 74,086 | 120,701 | - | 62,888 |
| Operating income (loss) | 197,073 | 110,463 | 39,610 | 83,100 | (18,392) | - | (17,708) |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-----------|----------|----------|----------|----------|----------|----------|
| (Loss) applicable to Toys | (32,254) | - | - | - | - | (32,254) | - |
| Income (loss) from partially owned entities | 15,531 | (7,666) | (343) | 1,875 | 163 | - | 21,502 |
| (Loss) from Real Estate Fund | (2,605) | - | - | - | - | - | (2,605) |
| Interest and other investment income (loss), net | 53,705 | 176 | 80 | (34) | 8 | - | 53,475 |
| Interest and debt expense | (135,483) | (34,822) | (30,813) | (22,413) | (8,733) | - | (38,702) |
| Net gain on disposition of wholly owned and partially owned assets | 7,159 | - | - | 4,278 | - | - | 2,881 |
| Income (loss) before income taxes | 103,126 | 68,151 | 8,534 | 66,806 | (26,954) | (32,254) | 18,843 |
| Income tax expense | (5,379) | (447) | (660) | (29) | (26) | - | (4,217) |
| Income (loss) from continuing operations | 97,747 | 67,704 | 7,874 | 66,777 | (26,980) | (32,254) | 14,626 |
| (Loss) income from discontinued operations | (760) | 165 | - | (5,217) | 4,292 | - | - |
| Net income (loss) | 96,987 | 67,869 | 7,874 | 61,560 | (22,688) | (32,254) | 14,626 |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (1,143) | (3,227) | - | 41 | - | - | 2,043 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (8,548) | - | - | - | - | - | (8,548) |
| Net income (loss) attributable to Vornado | 87,296 | 64,642 | 7,874 | 61,601 | (22,688) | (32,254) | 8,121 |
| Interest and debt expense ⁽²⁾ | 198,252 | 42,154 | 34,253 | 23,644 | 8,891 | 35,589 | 53,721 |
| Depreciation and amortization ⁽²⁾ | 215,683 | 54,472 | 63,270 | 29,394 | 12,093 | 33,105 | 23,349 |
| Income tax (benefit) expense ⁽²⁾ | (37,323) | 509 | 743 | 29 | 26 | (31,046) | (7,584) |

| | | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|----------|-----------|
| EBITDA ⁽¹⁾ | \$ 463,908 | \$ 161,777 | \$ 106,140 | \$ 114,668 | \$ (1,678) | \$ 5,394 | \$ 77,607 |
|-----------------------|------------|------------|------------|------------|------------|----------|-----------|

See notes on page 99.

Supplemental Information – continued**Net Income and EBITDA by Segment for the Three Months Ended December 31, 2011 and 2010 - continued**

(Amounts in thousands)

| | For the Three Months Ended December 31, 2010 | | | | | | |
|------------------------------------------------------------------------|----------------------------------------------|-----------------|-----------------------|------------|------------------|----------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$ 538,685 | \$ 191,906 | \$ 139,824 | \$ 105,260 | \$ 54,117 | \$ - | \$ 47,578 |
| Straight-line rent adjustments | 19,989 | 11,555 | 330 | 6,905 | (246) | - | 1,445 |
| Amortization of acquired below-market leases, net | 17,066 | 8,852 | 490 | 6,573 | 16 | - | 1,135 |
| Total rentals | 575,740 | 212,313 | 140,644 | 118,738 | 53,887 | - | 50,158 |
| Tenant expense reimbursements | 84,576 | 31,444 | 9,371 | 36,425 | 2,183 | - | 5,153 |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 17,320 | 25,886 | - | - | - | - | (8,566) |
| Management and leasing fees | 4,042 | 1,914 | 2,682 | 270 | 125 | - | (949) |
| Lease termination fees | 4,714 | 25 | (108) | 3,459 | 38 | - | 1,300 |
| Other | 16,444 | 7,855 | 4,975 | 1,390 | 367 | - | 1,857 |
| Total revenues | 702,836 | 279,437 | 157,564 | 160,282 | 56,600 | - | 48,953 |
| Operating expenses | 279,917 | 119,561 | 50,838 | 60,959 | 28,246 | - | 20,313 |
| Depreciation and amortization | 128,763 | 44,623 | 33,726 | 27,606 | 10,019 | - | 12,789 |
| General and administrative | 60,718 | 4,754 | 7,385 | 7,019 | 6,468 | - | 35,092 |
| Tenant buy-outs, impairment losses and other acquisition related costs | 126,607 | - | - | 72,500 | 20,000 | - | 34,107 |
| Total expenses | 596,005 | 168,938 | 91,949 | 168,084 | 64,733 | - | 102,301 |
| Operating income (loss) | 106,831 | 110,499 | 65,615 | (7,802) | (8,133) | - | (53,348) |
| (Loss) applicable to Toys | (30,685) | - | - | - | - | (30,685) | - |
| Income (loss) from partially owned entities | 8,638 | (10,699) | 535 | 6,048 | (418) | - | 13,172 |
| Income from Real Estate Fund | 1,107 | - | - | - | - | - | 1,107 |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|----------|-----------|------------|
| Interest and other investment income, net | 169,639 | 142 | 27 | 37 | 12 | - | 169,421 |
| Interest and debt expense | (136,698) | (33,253) | (28,948) | (23,016) | (9,549) | - | (41,932) |
| Net gain (loss) on extinguishment of debt | 96,585 | - | - | 105,571 | - | - | (8,986) |
| Net gain on disposition of wholly owned and partially owned assets | 68,673 | - | 54,742 | - | - | - | 13,931 |
| Income (loss) before income taxes | 284,090 | 66,689 | 91,971 | 80,838 | (18,088) | (30,685) | 93,365 |
| Income tax expense | (6,483) | (497) | (724) | - | (291) | - | (4,971) |
| Income (loss) from continuing operations | 277,607 | 66,192 | 91,247 | 80,838 | (18,379) | (30,685) | 88,394 |
| Income (loss) from discontinued operations | 4,537 | 62 | 1,295 | 3,992 | (812) | - | - |
| Net income (loss) | 282,144 | 66,254 | 92,542 | 84,830 | (19,191) | (30,685) | 88,394 |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (3,430) | (2,269) | - | (1,673) | - | - | 512 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (21,741) | - | - | - | - | - | (21,741) |
| Net income (loss) attributable to Vornado | 256,973 | 63,985 | 92,542 | 83,157 | (19,191) | (30,685) | 67,165 |
| Interest and debt expense ⁽²⁾ | 216,089 | 31,805 | 31,819 | 24,378 | 16,009 | 53,481 | 58,597 |
| Depreciation and amortization ⁽²⁾ | 180,026 | 43,164 | 38,354 | 29,000 | 12,015 | 31,434 | 26,059 |
| Income tax (benefit) expense ⁽²⁾ | (36,589) | 497 | 866 | - | 291 | (43,504) | 5,261 |
| EBITDA ⁽¹⁾ | \$ 616,499 | \$ 139,451 | \$ 163,581 | \$ 136,535 | \$ 9,124 | \$ 10,726 | \$ 157,082 |

See notes on the following page.

Supplemental Information – continued**Net Income and EBITDA by Segment for the Three Months Ended December 31, 2011 and 2010 - continued****Notes to preceding tabular information:**

(1) EBITDA represents “Earnings Before Interest, Taxes, Depreciation and Amortization.” We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize their measures to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Interest and debt expense, depreciation and amortization and income tax expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.

(3) The tables below provide information about EBITDA from certain investments that are included in the “other” column of the preceding EBITDA by segment reconciliations. The totals for each of the columns below agree to the total EBITDA for the “other” column in the preceding EBITDA by segment reconciliations.

| (Amounts in thousands) | For the Three Months Ended December 31, | |
|-------------------------------------------------------------------|----------------------------------------------------|-------------|
| | 2011 | 2010 |
| Our share of Real Estate Fund: | | |
| Income before net realized/unrealized gains | \$ 1,655 | \$ 822 |
| Net unrealized loss | (1,803) | - |
| Net realized gains | 577 | - |
| Carried interest reversal | (929) | - |
| Total | (500) | 822 |
| Lexington ⁽¹⁾ | 6,809 | 17,929 |
| Alexander's | 15,503 | 15,478 |
| 555 California Street | 12,116 | 12,361 |
| Hotel Pennsylvania | 11,753 | 9,514 |
| LNR | 9,045 | 6,116 |
| Other investments | 3,518 | 7,844 |
| | 58,244 | 70,064 |
| Corporate general and administrative expenses ⁽²⁾ | (22,958) | (29,675) |
| Investment income and other, net ⁽²⁾ | 15,121 | 23,623 |
| Income from the mark-to-market of J.C. Penney derivative position | 40,120 | 97,904 |

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| | | |
|-----------------------------------------------------------------------------------|-----------|------------|
| Net loss on extinguishment of debt | - | (8,986) |
| Net gain from Suffolk Downs' sale of a partial interest | 12,525 | - |
| Acquisition costs | (3,103) | (4,094) |
| Mezzanine loan loss reversal | - | 60,000 |
| Non-cash asset write-downs: | | |
| Real estate - primarily development projects: | | |
| Wholly owned entities | - | (30,013) |
| Partially owned entities | (13,794) | - |
| Net income attributable to noncontrolling interests in the Operating Partnership, | | |
| including unit distributions | (8,548) | (21,741) |
| | \$ 77,607 | \$ 157,082 |

(1) Includes a \$7,712 net gain in the three months ended December 31, 2010, resulting from Lexington's stock issuance.

(2) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

Supplemental Information – continued**Net Income and EBITDA by Segment for the Three Months Ended December 31, 2011 and 2010 - continued**

Below is a summary of the percentages of EBITDA by geographic region (excluding Toys, discontinued operations and other gains and losses that affect comparability), from our New York Office, Washington DC Office, Retail and Merchandise Mart segments.

| Region: | For the Three Months Ended December 31, | |
|---------------------------------------------------------|----------------------------------------------------|-------------|
| | 2011 | 2010 |
| New York City metropolitan area | 62% | 60% |
| Washington, DC / Northern Virginia metropolitan area | 28% | 30% |
| California | 2% | 2% |
| Chicago | 4% | 5% |
| Puerto Rico | 2% | 2% |
| Other geographies | 2% | 1% |
| | 100% | 100% |

Supplemental Information – continued**Three Months Ended December 31, 2011 Compared to December 31, 2010****Same Store EBITDA**

Same store EBITDA represents EBITDA from property level operations which are owned by us in both the current and prior year reporting periods. Same store EBITDA excludes segment-level overhead expenses, which are expenses that we do not consider to be property-level expenses, as well as other non-operating items. We present same store EBITDA on both a GAAP basis and a cash basis, which excludes income from the straight-lining of rents, amortization of below-market leases, net of above-market leases and other non-cash adjustments. We present these non-GAAP measures to (i) facilitate meaningful comparisons of the operational performance of our properties and segments, (ii) make decisions on whether to buy, sell or refinance properties, and (iii) compare the performance of our properties and segments to those of our peers. Same store EBITDA should not be considered as an alternative to net income or cash flow from operations and may not be comparable to similarly titled measures employed by other companies.

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2011, compared to the three months ended December 31, 2010.

| (Amounts in thousands) | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|--------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------|---------------|-----------------------------|
| EBITDA for the three months ended December 31, 2011 | \$ 161,777 | \$ 106,140 | \$ 114,668 | \$ (1,678) |
| Add-back: non-property level overhead expenses included above | 4,426 | 6,876 | 6,064 | 6,141 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | (7,798) | (2,629) | (20,495) | 21,502 |
| GAAP basis same store EBITDA for the three months ended December 31, 2011 | 158,405 | 110,387 | 100,237 | 25,965 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (15,429) | 740 | (5,781) | 638 |
| Cash basis same store EBITDA for the three months ended December 31, 2011 | \$ 142,976 | \$ 111,127 | \$ 94,456 | \$ 26,603 |

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| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|-----------|
| EBITDA for the three months ended December 31, 2010 | \$ 139,451 | \$ 163,581 | \$ 136,535 | \$ 9,124 |
| Add-back: non-property level overhead expenses included above | 4,754 | 7,385 | 7,019 | 6,468 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | 9,067 | (57,113) | (45,653) | 8,258 |
| GAAP basis same store EBITDA for the three months ended December 31, 2010 | 153,272 | 113,853 | 97,901 | 23,850 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (17,910) | 134 | (8,828) | 230 |
| Cash basis same store EBITDA for the three months ended December 31, 2010 | \$ 135,362 | \$ 113,987 | \$ 89,073 | \$ 24,080 |
| Increase (decrease) increase in GAAP basis same store EBITDA for the three months ended December 31, 2011 over the three months ended December 31, 2010 | \$ 5,133 | \$ (3,466) | \$ 2,336 | \$ 2,115 |
| Increase (decrease) in Cash basis same store EBITDA for the three months ended December 31, 2011 over the three months ended December 31, 2010 | \$ 7,614 | \$ (2,860) | \$ 5,383 | \$ 2,523 |
| % increase (decrease) in GAAP basis same store EBITDA | 3.3% | (3.0%) | 2.4% | 8.9% |
| % increase (decrease) in Cash basis same store EBITDA | 5.6% | (2.5%) | 6.0% | 10.5% |

Supplemental Information – continued**Three Months Ended December 31, 2011 Compared to September 30, 2011**

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore impacts comparisons of the current quarter to the previous quarter. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which we record on a one-quarter lag basis in our first quarter, accounts for more than 80% of Toys' fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage and specialty rental income.

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2011, compared to the three months ended September 30, 2011.

| (Amounts in thousands) | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|------------|---------------------|
| EBITDA for the three months ended December 31, 2011 | \$ 161,777 | \$ 106,140 | \$ 114,668 | \$ (1,678) |
| Add-back: non-property level overhead expenses included above | 4,426 | 6,876 | 6,064 | 6,141 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | (5,831) | (2,629) | (20,495) | 20,897 |
| GAAP basis same store EBITDA for the three months ended December 31, 2011 | 160,372 | 110,387 | 100,237 | 25,360 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (16,502) | 740 | (5,781) | 638 |
| Cash basis same store EBITDA for the three months ended December 31, 2011 | \$ 143,870 | \$ 111,127 | \$ 94,456 | \$ 25,998 |

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| | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-----------|-----------|
| EBITDA for the three months ended September 30, 2011 ⁽¹⁾ | \$ 155,861 | \$ 106,607 | \$ 93,158 | \$ 15,448 |
| Add-back: non-property level overhead expenses included above | 4,461 | 6,505 | 6,721 | 9,534 |
| Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses | (5,716) | 891 | (2,066) | (4,445) |
| GAAP basis same store EBITDA for the three months ended September 30, 2011 | 154,606 | 114,003 | 97,813 | 20,537 |
| Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments | (12,299) | 467 | (8,921) | 985 |
| Cash basis same store EBITDA for the three months ended September 30, 2011 | \$ 142,307 | \$ 114,470 | \$ 88,892 | \$ 21,522 |
| Increase (decrease) in GAAP basis same store EBITDA for the three months ended December 31, 2011 over the three months ended September 30, 2011 | \$ 5,766 | \$ (3,616) | \$ 2,424 | \$ 4,823 |
| Increase (decrease) in Cash basis same store EBITDA for the three months ended December 31, 2011 over the three months ended September 30, 2011 | \$ 1,563 | \$ (3,343) | \$ 5,564 | \$ 4,476 |
| % increase (decrease) in GAAP basis same store EBITDA | 3.7% | (3.2%) | 2.5% | 23.5% |
| % increase (decrease) in Cash basis same store EBITDA | 1.1% | (2.9%) | 6.3% | 20.8% |

(1) Below is the reconciliation of net income (loss) to EBITDA for the three months ended September 30, 2011.

| (Amounts in thousands) | New York Office | Washington, DC Office | Retail | Merchandise Mart |
|-----------------------------------------------------------------------------------------|-----------------|-----------------------|-----------|------------------|
| Net income (loss) attributable to Vornado for the three months ended September 30, 2011 | \$ 61,663 | \$ 33,894 | \$ 37,844 | \$ (7,195) |
| Interest and debt expense | 39,526 | 33,703 | 24,368 | 9,523 |
| Depreciation and amortization | 53,936 | 38,085 | 30,946 | 12,230 |
| Income tax expense | 736 | 925 | - | 890 |
| EBITDA for the three months ended September 30, 2011 | \$ 155,861 | \$ 106,607 | \$ 93,158 | \$ 15,448 |

Related Party Transactions

Alexander's

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 5 - Investments in Partially Owned Entities to our consolidated financial statements in this Annual Report on Form 10-K.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2011, Interstate and its partners beneficially owned an aggregate of approximately 6.3% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. We believe based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us.

Other

Upon maturity on December 23, 2011, Steven Roth, the Chairman of our Board of Trustees, repaid the Company his \$13,122,500 outstanding loan. Pursuant to a credit agreement dated November 1999, Mr. Roth may draw up to \$15,000,000 of loans from the Company on a revolving basis. Each loan bears interest, payable quarterly, at the applicable Federal rate on the date the loan is made and matures on the sixth anniversary of such loan. Loans are collateralized by assets with a value of not less than two times the amount outstanding. On December 23, 2011, Mr. Roth borrowed \$13,122,500 under this facility, which bears interest at 1.27% per annum and matures on December 23, 2017.

Liquidity and Capital Resources

Property rental income is our primary source of cash flow and is dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund cash requirements include proceeds from debt financings, including mortgage loans, senior unsecured borrowings, and our revolving credit facilities; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, dividends to shareholders and distributions to unitholders of the Operating Partnership, as well as acquisition and development costs.

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions (excluding Fund acquisitions) may require funding from borrowings and/or equity offerings. In addition, the Fund has aggregate unfunded equity commitments of \$416,600,000 for acquisitions, including \$104,150,000 from us.

Dividends

Our dividend policy, if continued for all of 2012, would require us to pay out approximately \$510,000,000 of cash for common share dividends. In addition, during 2012, we expect to pay approximately \$71,000,000 of cash dividends on outstanding preferred shares and approximately \$49,000,000 of cash distributions to unitholders of the Operating Partnership.

Financing Activities and Contractual Obligations

We have an effective shelf registration for the offering of our equity and debt securities that is not limited in amount due to our status as a “well-known seasoned issuer.” Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain

customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal. As of December 31, 2011, we are in compliance with all of the financial covenants required by our revolving credit facilities.

As of December 31, 2011, we had \$606,553,000 of cash and cash equivalents and \$2,339,915,000 of borrowing capacity under our revolving credit facilities, net of outstanding borrowings of \$138,000,000 and letters of credit of \$22,085,000. A summary of our consolidated debt as of December 31, 2011 and 2010 is presented below.

| (Amounts in thousands) | 2011 | | 2010 | |
|------------------------|-------------------------|-----------------------------------------|-------------------------|-----------------------------------------|
| | December 31, Balance | Weighted Average Interest Rate | December 31, Balance | Weighted Average Interest Rate |
| Consolidated debt: | | | | |
| Variable rate | \$ 2,206,993 | 2.25% | \$ 2,903,510 | 1.76% |
| Fixed rate | 8,355,009 | 5.55% | 7,985,932 | 5.66% |
| | \$ 10,562,002 | 4.86% | \$ 10,889,442 | 4.62% |

During 2012 and 2013, \$1,292,886,000 and \$1,714,664,000, respectively, of our outstanding debt matures. We may refinance this maturing debt as it comes due or choose to repay it using a portion of our \$2,946,468,000 of available capacity (comprised of \$606,553,000 of cash and cash equivalents and \$2,339,915,000 of availability under our revolving credit facility). We may also refinance or prepay other outstanding debt depending on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

Liquidity and Capital Resources – continued*Financing Activities and Contractual Obligations – continued*

Below is a schedule of our contractual obligations and commitments at December 31, 2011.

| (Amounts in thousands) | Less than | | | | |
|---------------------------------------------------------------------------|------------------|---------------|--------------------|--------------------|-------------------|
| Contractual cash obligations (principal and interest ⁽¹⁾): | Total | 1 Year | 1 – 3 Years | 3 – 5 Years | Thereafter |
| Notes and mortgages payable | \$ 10,470,734 | \$ 1,217,259 | \$ 2,864,636 | \$ 2,585,671 | \$ 3,803,168 |
| Senior unsecured notes due 2039 (PINES) | 1,465,244 | 36,225 | 72,450 | 72,450 | 1,284,119 |
| Operating leases | 1,189,879 | 31,472 | 63,611 | 57,066 | 1,037,730 |
| Senior unsecured notes due 2022 | 600,833 | 20,000 | 40,000 | 40,000 | 500,833 |
| Senior unsecured notes due 2015 | 569,063 | 21,250 | 42,500 | 505,313 | - |
| 3.88% exchangeable senior debentures | 505,633 | 505,633 | - | - | - |
| Purchase obligations, primarily construction commitments | 161,479 | 161,479 | - | - | - |
| Revolving credit facilities | 155,330 | 2,415 | 6,555 | 146,360 | - |
| Capital lease obligations | 19,547 | 707 | 1,413 | 1,413 | 16,014 |
| 2.85% convertible senior debentures | 10,306 | 10,306 | - | - | - |
| Total contractual cash obligations | \$ 15,148,048 | \$ 2,006,746 | \$ 3,091,165 | \$ 3,408,273 | \$ 6,641,864 |
| Commitments: | | | | | |
| Capital commitments to partially owned entities | \$ 288,799 | \$ 213,799 | \$ 75,000 | \$ - | \$ - |
| Standby letters of credit | 22,085 | 21,606 | 479 | - | - |

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| | | | | | | | | | | |
|-------------------|----|---------|----|---------|----|--------|----|---|----|---|
| Total commitments | \$ | 310,884 | \$ | 235,405 | \$ | 75,479 | \$ | - | \$ | - |
|-------------------|----|---------|----|---------|----|--------|----|---|----|---|

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2011.

Details of 2011 financing activities are provided in the “Overview” of Management’s Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2010 financing activities are discussed below.

In March 2010, we completed a public offering of \$500,000,000 aggregate principal amount of 4.25% senior unsecured notes due April 1, 2015 and retained net proceeds of approximately \$496,000,000. The notes were sold at 99.834% of their face amount to yield 4.287%. The notes can be redeemed without penalty beginning January 1, 2015.

In August 2010, we sold \$660,000,000 of 10-year mortgage notes in a single issuer securitization. The notes are comprised of a \$600,000,000 fixed rate component and a \$60,000,000 variable rate component and are cross-collateralized by 40 of our strip shopping centers. The \$600,000,000 fixed rate portion bears interest at an initial rate of 4.18% and a weighted average rate of 4.31% over the 10-year term and amortizes based on a 30-year schedule. The variable rate portion bears interest at LIBOR plus 1.36%, with a 1% floor.

In December 2010, we acquired the mortgage loan secured by the Springfield Mall, located in Fairfax County, Virginia for \$115,000,000 in cash. The loan had an outstanding balance of \$171,500,000. In a separate transaction, we acquired the prior owner’s interest in the partnership that owns the mall in exchange for \$25,000,000 in Operating Partnership units. These transactions resulted in a \$102,932,000 net gain on early extinguishment of debt.

In 2010, through open market repurchases and tender offers, we purchased \$270,491,000 aggregate face amount (\$264,476,000 aggregate carrying amount) of our convertible senior debentures and \$17,000,000 aggregate face amount (\$16,981,000 aggregate carrying amount) of our senior unsecured notes for \$274,857,000 and \$17,382,000 in cash, respectively, resulting in a net loss of \$10,381,000 and \$401,000, respectively.

Liquidity and Capital Resources – continued

Acquisitions and Investments

Details of 2011 acquisitions and investments are provided in the “Overview” of Management’s Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2010 acquisitions and investments are discussed below.

Investment in LNR Property Corporation (“LNR”)

On July 29, 2010, as a part of LNR’s recapitalization, we acquired a 26.2% equity interest in LNR for \$116,000,000 in cash and conversion into equity of our \$15,000,000 mezzanine loan (the then current carrying amount) made to LNR’s parent, Riley Holdco Corp. The recapitalization involved an infusion of a total of \$417,000,000 in new cash equity and the reduction of LNR’s total debt to \$425,000,000 from \$1.3 billion, excluding liabilities related to the consolidated CMBS and CDO trusts described below. We account for our equity interest in LNR under the equity method on a one-quarter lag basis. LNR consolidates certain commercial mortgage-backed securities (“CMBS”) and Collateralized Debt Obligation (“CDO”) trusts for which it is the primary beneficiary. The assets of these trusts (primarily commercial mortgage loans), which aggregate approximately \$142 billion as of September 30, 2010, are the sole source of repayment of the related liabilities, which are non-recourse to LNR and its equity holders, including us. Changes in the fair value of these assets each period are offset by changes in the fair value of the related liabilities through LNR’s consolidated income statement.

510 Fifth Avenue

On October 8, 2010, we acquired 510 Fifth Avenue, a 59,000 square foot retail property located at 43rd Street and Fifth Avenue in New York, for \$57,000,000, comprised of \$24,700,000 in cash and \$32,300,000 of existing debt. We consolidate the accounts of this property into our consolidated financial statements from the date of the acquisition.

San Jose, California

On October 15, 2010, we acquired the 55% interest that we did not already own of a 646,000 square foot retail property located in San Jose, California, for \$97,000,000, consisting of \$27,000,000 in cash and \$70,000,000 of existing debt. We consolidate the accounts of the property into our consolidated financial statements from the date of this acquisition.

Atlantic City, New Jersey

On November 4, 2010, we acquired 11.3 acres of the land under a portion of the Borgata Hotel and Casino complex for \$83,000,000 in cash. The land is leased to the partnership that controls the Borgata Hotel and Casino complex through December 2070.

Investment in J.C. Penney Company, Inc. ("J.C. Penney") (NYSE: JCP)

We own 23,400,000 J.C. Penney common shares, or 11.0% of J.C. Penney's outstanding common shares. Of these shares, 4,815,990 are owned through a forward contract executed on October 7, 2010, at a weighted average strike price of \$28.80 per share, or \$138,682,000 in the aggregate. The contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 9, 2012. The counterparty may accelerate settlement, in whole or in part, upon one year's notice to us.

Liquidity and Capital Resources – continued*Certain Future Cash Requirements**Capital Expenditures*

The following table summarizes other anticipated 2012 capital expenditures.

| (Amounts in millions, except square foot data) | Total | New York | Washington, DC | Merchandise | | Other (1) |
|----------------------------------------------------|----------|----------|----------------|-------------|--------------|-----------|
| | | Office | Office | Retail | Mart | |
| Expenditures to maintain assets | \$ 72.0 | \$ 33.0 | \$ 20.0 | \$ 5.0 | \$ 6.0 | \$ 8.0 |
| Tenant improvements | 114.0 | 45.0 | 36.0 | 21.0 | 11.0 | 1.0 |
| Leasing commissions | 32.0 | 15.0 | 8.0 | 6.0 | 3.0 | - |
| Total capital expenditures and leasing commissions | \$ 218.0 | \$ 93.0 | \$ 64.0 | \$ 32.0 | \$ 20.0 | \$ 9.0 |
| Square feet budgeted to be leased (in thousands) | | 1,200 | 1,300 | 2,000 | 300 | |
| Weighted average lease term (years) | | 10 | 5 | 7 | 9 | |
| Tenant improvements and leasing commissions: | | | | | | |
| <i>Per square foot</i> | | \$ 50.00 | \$ 34.00 | \$ 13.50 | \$ 46.50 (2) | |
| <i>Per square foot per annum</i> | | \$ 5.00 | \$ 6.51 | \$ 1.83 | \$ 5.41 (2) | |

(1) Primarily 555 California Street, Hotel Pennsylvania and Warehouses.

(2) Tenant improvements and leasing commissions per square foot budgeted for 2012 leasing activity are \$76.00 (\$7.00 per annum) and \$25.00 (\$4.50 per annum) for Merchandise Mart office and showroom space, respectively.

The table above excludes anticipated capital expenditures of each of our partially owned non-consolidated subsidiaries, as these entities fund their capital expenditures without additional equity contributions from us.

Development and Redevelopment Expenditures

We expended \$25,100,000 in 2011 to complete development projects in progress. We are evaluating various development and redevelopment opportunities which we estimate could require as much as \$1.5 billion to be expended over the next five years. These opportunities include:

- demolition of a 372,000 square foot office building in Crystal City, to construct a 700,000 square foot office building;
- renovation of the Hotel Pennsylvania;
- construction of a luxury residential condominium at 220 Central Park South, adjacent to Central Park;
- re-tenanting and repositioning of 330 West 34th Street;
- re-tenanting and repositioning of 280 Park Avenue;
- complete renovation of the 1.4 million square foot Springfield Mall; and
- re-tenanting and repositioning a number of our strip shopping centers.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, Rosslyn, Pentagon City and Crystal City, for which plans, budgeted costs and financings have yet to be determined.

There can be no assurance that any of our development projects will commence, or if commenced, be completed on schedule or within budget.

Liquidity and Capital Resources – continued

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$180,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Coverage for NBCR losses is up to \$2.0 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Other Commitments and Contingencies

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2011, the aggregate dollar amount of these guarantees and master leases is approximately \$283,625,000.

At December 31, 2011, \$22,085,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

We expect to fund additional capital to certain of our partially owned entities aggregating approximately \$288,799,000.

Liquidity and Capital Resources – continued

Litigation

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matter referred to below, is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

In 2003, Stop & Shop filed an action against us in the New York Supreme Court, claiming that we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to a Master Agreement and Guaranty, because of the expiration of the leases to which the annual rent was previously allocated. Stop & Shop asserted that an order of the Bankruptcy Court for the Southern District of New York, as modified on appeal by the District Court, froze our right to reallocate and effectively terminated our right to collect the annual rent from Stop & Shop. We asserted a counterclaim seeking a judgment for all the unpaid annual rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the annual rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. After summary judgment motions by both sides were denied, the parties conducted discovery. A trial was held in November 2010. On November 7, 2011, the Court determined that we have a continuing right to allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty, and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent accrued through February 28, 2011 in the amount of \$37,422,000, a portion of the annual rent due from March 1, 2011 through the date of judgment, interest, and attorneys' fees. On December 16, 2011, a money judgment based on the Court's decision was entered in our favor in the amount of \$56,597,000 (including interest and costs). The amount for attorneys' fees is being addressed in a proceeding before a special referee. Stop & Shop has appealed the Court's decision and the judgment, and has posted a bond to secure payment of the judgment. On January 12, 2012, we commenced a new action against Stop & Shop seeking recovery of \$2,500,000 of annual rent not included in the money judgment, plus additional annual rent as it accrues.

As of December 31, 2011, we have a \$41,983,000 receivable from Stop and Shop, excluding amounts due to us for interest and costs resulting from the Court's judgment. In the fourth quarter of 2011, based on the Court's decision, we recognized \$23,521,000 of income, representing the portion of the \$41,983,000 receivable that was previously reserved. As a result of Stop & Shop's appeal, we believe, after consultation with counsel, that the maximum reasonably possible loss is up to the total amount of the receivable of \$41,983,000.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2011

Our cash and cash equivalents were \$606,553,000 at December 31, 2011, a \$84,236,000 decrease over the balance at December 31, 2010. Our consolidated outstanding debt was \$10,562,002,000 at December 31, 2011, a \$327,440,000 decrease over the balance at December 31, 2010. As of December 31, 2011 and December 31, 2010, \$138,000,000 and \$874,000,000, respectively, was outstanding under our revolving credit facilities. During 2012 and 2013, \$1,292,886,000 and \$1,714,664,000 of our outstanding debt matures, respectively. We may refinance our maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of \$702,499,000 was comprised of (i) net income of \$740,000,000, (ii) distributions of income from partially owned entities of \$93,635,000, and (iii) \$150,047,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, income from the mark-to-market of derivative positions in marketable equity securities, impairment losses and tenant buy-out costs, net realized and unrealized gains on Real Estate Fund assets and net gain on early extinguishment of debt, partially offset by (iv) the net change in operating assets and liabilities of \$281,183,000, of which \$184,841,000 relates to Real Estate Fund investments.

Net cash used in investing activities of \$164,761,000 was comprised of (i) \$571,922,000 of investments in partially owned entities, (ii) \$165,680,000 of additions to real estate, (iii) \$98,979,000 of investments in mezzanine loans receivable and other, (iv) \$93,066,000 of development costs and construction in progress, (v) \$90,858,000 of acquisitions of real estate and other, and (vi) \$43,850,000 for the funding of collateral for the J.C. Penney derivative, partially offset by (vii) \$318,966,000 of capital distributions from partially owned entities, (viii) \$187,294,000 of proceeds from sales and repayments of mezzanine loans receivable and other, (ix) \$140,186,000 of proceeds from sales of real estate and related investments, (x) changes in restricted cash of \$126,380,000, (xi) \$70,418,000 of proceeds from sales of marketable securities, and (xii) \$56,350,000 from the return of derivative collateral.

Net cash used in financing activities of \$621,974,000 was comprised of (i) \$3,740,327,000 for the repayments of borrowings, (ii) \$508,745,000 of dividends paid on common shares, (iii) \$116,510,000 of distributions to noncontrolling interests, (iv) \$61,464,000 of dividends paid on preferred shares, (v) \$47,395,000 of debt issuance and other costs, (vi) \$28,000,000 for the purchase of outstanding preferred units and shares, and (vii) \$964,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings, partially offset by (viii) \$3,412,897,000 of proceeds from borrowings, (ix) \$238,842,000 of proceeds from the issuance of Series J preferred shares, (x) \$204,185,000 of contributions from noncontrolling interests, and (xi) \$25,507,000 of proceeds received

from exercise of employee share options.

110

Liquidity and Capital Resources - continued*Capital Expenditures in the Year Ended December 31, 2011*

Capital expenditures consist of expenditures to maintain assets, tenant improvement allowances and leasing commissions. Recurring capital improvements include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures to lease space that has been vacant for more than nine months and expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition, as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Below is a summary of capital expenditures, leasing commissions and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2011.

| (Amounts in thousands) | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Other |
|------------------------------------------------------------------|-----------|--------------------|-----------------------------|----------|---------------------|----------|
| Capital Expenditures (accrual basis): | | | | | | |
| Expenditures to maintain assets | \$ 58,463 | \$ 21,503 | \$ 18,939 | \$ 7,643 | \$ 5,918 | \$ 4,460 |
| | 138,076 | | | | | |
| Tenant improvements | | 76,493 | 33,803 | 6,515 | 15,221 | 6,044 |
| Leasing commissions | 43,613 | 27,666 | 9,114 | 2,520 | 2,794 | 1,519 |
| Non-recurring capital expenditures | 19,442 | 13,733 | - | 1,967 | - | 3,742 |
| Total capital expenditures and leasing | 259,594 | 139,395 | | 18,645 | | |
| commissions (accrual basis) | | | 61,856 | | 23,933 | 15,765 |
| Adjustments to reconcile to cash basis: | | | | | | |
| Expenditures in the current year applicable to prior periods | 90,799 | 38,088 | 13,517 | 15,009 | 15,256 | 8,929 |
| Expenditures to be made in future periods for the current period | (146,062) | (78,302) | (33,530) | (8,697) | (14,185) | (11,348) |

Total capital expenditures and leasing

| | | | | | | | |
|-----------------------------------------------------|---------|-----------|-----------|---------|----------|-----------|------|
| | 204,331 | | | 24,957 | | | |
| commissions (cash basis) | \$ | \$ 99,181 | \$ 41,843 | \$ | \$25,004 | \$ 13,346 | |
| <i>Tenant improvements and leasing commissions:</i> | | | | | | | |
| <i>Per square foot per annum</i> | \$ | 3.81 | \$ 5.25 | \$ 4.50 | \$ 0.86 | \$ 3.95 | \$ - |
| <i>Percentage of initial rent</i> | | 9.1% | 9.5% | 11.0% | 3.4% | 12.3% | - |

Development and Redevelopment Expenditures in the Year Ended December 31, 2011

Development and redevelopment expenditures consist of all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions, capitalized interest and operating costs until the property is substantially completed and ready for its intended use. Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2011.

| (Amounts in thousands) | Total | Washington, | | Merchandise | | |
|--------------------------|-----------|-----------------|-----------|-------------|--------|----------|
| | | New York Office | DC Office | Retail | Mart | Other |
| Bergen Town Center | \$ 23,748 | \$ - | \$ - | \$ 23,748 | \$ - | \$ - |
| 510 Fifth Avenue | 8,833 | - | - | 8,833 | - | - |
| Green Acres Mall | 3,608 | - | - | 3,608 | - | - |
| Beverly Connection | 3,175 | - | - | 3,175 | - | - |
| Wayne Towne Center | 2,720 | - | - | 2,720 | - | - |
| North Bergen, New Jersey | 2,588 | - | - | 2,588 | - | - |
| Crystal Square | 2,276 | - | 2,276 | - | - | - |
| West End 25 | 1,966 | - | 1,966 | - | - | - |
| Crystal City Hotel | 1,627 | - | 1,627 | - | - | - |
| Crystal Plaza 5 | 1,483 | - | 1,483 | - | - | - |
| 220 Central Park South | 1,248 | - | - | - | - | 1,248 |
| Poughkeepsie, New York | 1,228 | - | - | 1,228 | - | - |
| Other | 26,984 | 4,738 | 13,144 | 6,778 | 898 | 1,426 |
| | \$ 81,484 | \$ 4,738 | \$ 20,496 | \$ 52,678 | \$ 898 | \$ 2,674 |

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2010

Our cash and cash equivalents were \$690,789,000 at December 31, 2010, a \$155,310,000 increase over the balance at December 31, 2009. Our consolidated outstanding debt was \$10,889,442,000 at December 31, 2010, a \$208,100,000 increase from the balance at December 31, 2009.

Cash flows provided by operating activities of \$771,086,000 was comprised of (i) net income of \$708,031,000, (ii) \$127,922,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, income from the mark-to-market of derivative positions in marketable equity securities, litigation loss accrual and impairment losses, net gain on early extinguishment of debt, (iii) distributions of income from partially owned entities of \$61,037,000, (iv) interest received on repayment on mezzanine loan of \$40,467,000, partially offset by (v) the net change in operating assets and liabilities of \$166,371,000, of which \$144,423,000 relates to Real Estate Fund investments.

Net cash used in investing activities of \$520,361,000 was comprised of (i) purchases of marketable equity securities, including J.C. Penney Company, Inc. common shares, of \$491,596,000, (ii) acquisitions of real estate of \$173,413,000, (iii) investments in partially owned entities of \$165,170,000, (iv) development and redevelopment expenditures of \$156,775,000, (v) additions to real estate of \$144,794,000, (vi) investments in mezzanine loans receivable and other of \$85,336,000, and (vii) \$12,500,000 for the funding of collateral for the J.C. Penney derivative, partially offset by (viii) proceeds from the sale of real estate and related investments of \$280,462,000, (ix) restricted cash of \$138,586,000, (x) proceeds from sales of real estate and related investments of \$127,736,000, (xi) proceeds received from repayment of mezzanine loans receivable of \$70,762,000, (xii) distributions of capital from investments in partially owned entities of \$51,677,000, and (xiii) proceeds from maturing short-term investments of \$40,000,000.

Net cash used in financing activities of \$95,415,000 was comprised of (i) repayments of borrowing, including the purchase of our senior unsecured notes, of \$2,004,718,000, (ii) dividends paid on common shares of \$474,299,000, (iii) purchases of outstanding preferred units of \$78,954,000, (iv) dividends paid on preferred shares of \$55,669,000, (v) distributions to noncontrolling interests of \$53,842,000, (vi) repurchase of shares related to stock compensation agreements and related tax withholdings of \$25,660,000, (vii) debt issuance costs of \$14,980,000 partially offset by (viii) proceeds from borrowings of \$2,481,883,000, (ix) contributions from noncontrolling interests of \$103,831,000 and (x) proceeds received from exercise of employee share options of \$26,993,000.

Liquidity and Capital Resources – continued*Capital Expenditures in the Year Ended December 31, 2010*

| (Amounts in thousands) | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Other |
|--------------------------------------------------------------------|------------|--------------------|-----------------------------|-----------|---------------------|-----------|
| Capital Expenditures (accrual basis): | | | | | | |
| Expenditures to maintain assets | \$ 53,051 | \$ 20,472 | \$ 17,532 | \$ 4,838 | \$ 6,099 | \$ 4,110 |
| Tenant improvements | 116,939 | 50,387 | 17,464 | 9,827 | 31,742 | 7,519 |
| Leasing commissions | 30,351 | 15,325 | 6,044 | 2,215 | 4,761 | 2,006 |
| Non-recurring capital expenditures | 5,381 | - | - | 915 | - | 4,466 |
| Total capital expenditures and leasing commissions (accrual basis) | 205,722 | 86,184 | 41,040 | 17,795 | 42,602 | 18,101 |
| Adjustments to reconcile to cash basis: | | | | | | |
| Expenditures in the current year applicable to prior periods | 64,216 | 35,080 | 13,296 | 6,698 | 4,825 | 4,317 |
| Expenditures to be made in future periods for the current period | (87,289) | (35,051) | (13,989) | (11,358) | (20,580) | (6,311) |
| Total capital expenditures and leasing commissions (cash basis) | \$ 182,649 | \$ 86,213 | \$ 40,347 | \$ 13,135 | \$ 26,847 | \$ 16,107 |
| <i>Tenant improvements and leasing commissions:</i> | | | | | | |
| <i>Per square foot per annum</i> | \$ 3.73 | \$ 6.70 | \$ 2.92 | \$ 1.41 | \$ 4.01 | \$ - |
| <i>Percentage of initial rent</i> | 10.0% | 13.5% | 7.6% | 5.8% | 11.5% | - |

Development and Redevelopment Expenditures in the Year Ended December 31, 2010

| (Amounts in thousands) | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Other |
|--------------------------|--------------|----------------------------|--------------------------------------|---------------|-----------------------------|--------------|
| 220 Central Park South | \$ 46,769 | \$ - | \$ - | \$ - | \$ - | \$ 46,769 |
| Bergen Town Center | 18,783 | - | - | 18,783 | - | - |
| Residential condominiums | 15,600 | - | - | - | - | 15,600 |
| West End 25 | 9,997 | - | 9,997 | - | - | - |
| 1540 Broadway | 8,091 | - | - | 8,091 | - | - |
| Green Acres Mall | 7,679 | - | - | 7,679 | - | - |
| 220 20th Street | 4,097 | - | 4,097 | - | - | - |
| Beverly Connection | 3,695 | - | - | 3,695 | - | - |
| Poughkeepsie, New York | 3,054 | - | - | 3,054 | - | - |
| Other | 39,010 | 5,705 | 12,495 | 12,621 | 2,667 | 5,522 |
| | \$ 156,775 | \$ 5,705 | \$ 26,589 | \$ 53,923 | \$ 2,667 | \$ 67,891 |

Liquidity and Capital Resources – continued

Cash Flow for the Year Ended December 31, 2009

Our cash and cash equivalents were \$535,479,000 at December 31, 2009, a \$991,374,000 decrease over the balance at December 31, 2008. Our consolidated outstanding debt was \$10,681,342,000 at December 31, 2009, a \$1,494,975,000 decrease from the balance at December 31, 2008.

Cash flows provided by operating activities of \$633,579,000 was comprised of (i) net income of \$128,450,000, (ii) \$620,523,000 of non-cash adjustments, including depreciation and amortization expense, non-cash impairment losses, the effect of straight-lining of rental income, equity in net income of partially owned entities and (iii) distributions of income from partially owned entities of \$30,473,000, partially offset by (iv) the net change in operating assets and liabilities of \$145,867,000.

Net cash used in investing activities of \$242,201,000 was comprised of (i) development and redevelopment expenditures of \$465,205,000, (ii) additions to real estate of \$216,669,000, (iii) purchases of marketable equity securities of \$90,089,000, (iv) purchases of short-term investments of \$55,000,000, (v) investments in partially owned entities of \$38,266,000, partially offset by, (vi) proceeds from the sale of real estate (primarily 1999 K Street) of \$367,698,000, (vii) proceeds from restricted cash of \$111,788,000, (viii) proceeds from the sale of marketable securities of \$64,355,000, (ix) proceeds received from repayments on mezzanine loans receivable of \$47,397,000, (x) proceeds from maturing short-term investments of \$15,000,000 and (xi) distributions of capital from partially owned entities of \$16,790,000.

Net cash used in financing activities of \$1,382,752,000 was primarily comprised of (i) acquisition and retirement of convertible senior debentures and senior unsecured notes of \$2,221,204,000, (ii) repayment of borrowings of \$2,075,236,000, (iii) dividends paid on common shares of \$262,397,000, (iv) dividends paid on preferred shares of \$57,076,000, (v) distributions to noncontrolling interests of \$42,451,000, (vi) repurchase of shares related to stock compensation arrangements and related tax withholdings of \$32,203,000, (vii) redemption of redeemable noncontrolling interests of \$24,330,000, (viii) debt issuance and other costs of \$30,186,000, partially offset by, (ix) proceeds from borrowings of \$2,648,175,000 and (x) proceeds from issuance of common shares of \$710,226,000.

Liquidity and Capital Resources – continued*Capital Expenditures in the Year Ended December 31, 2009*

| (Amounts in thousands) | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Other |
|--------------------------------------------------------------------|--------------|----------------------------|--------------------------------------|---------------|-----------------------------|--------------|
| Capital Expenditures (accrual basis): | | | | | | |
| Expenditures to maintain assets | \$ 41,858 | \$ 15,559 | \$ 17,185 | \$ 3,406 | \$ 5,708 | \$ - |
| Tenant improvements | 76,514 | 44,808 | 18,348 | 4,190 | 9,168 | - |
| Leasing commissions | 28,913 | 15,432 | 10,040 | 1,710 | 1,731 | - |
| Non-recurring capital expenditures | 35,917 | 20,741 | - | 53 | - | 15,123 |
| Total capital expenditures and leasing commissions (accrual basis) | 183,202 | 96,540 | 45,573 | 9,359 | 16,607 | 15,123 |
| Adjustments to reconcile to cash basis: | | | | | | |
| Expenditures in the current year applicable to prior periods | 138,590 | 67,903 | 60,208 | 4,293 | 5,224 | 962 |
| Expenditures to be made in future periods for the current period | (75,397) | (40,516) | (21,627) | (5,244) | (5,900) | (2,110) |
| Total capital expenditures and leasing commissions (cash basis) | \$ 246,395 | \$ 123,927 | \$ 84,154 | \$ 8,408 | \$ 15,931 | \$ 13,975 |
| <i>Tenant improvements and leasing commissions:</i> | | | | | | |
| <i>Per square foot per annum</i> | \$ 2.74 | \$ 5.51 | \$ 2.10 | \$ 0.82 | \$ 1.32 | \$ - |
| <i>Percentage of initial rent</i> | 6.9% | 10.5% | 5.2% | 3.5% | 3.5% | - |

Development and Redevelopment Expenditures in the Year Ended December 31, 2009

| (Amounts in thousands) | Total | Washington, | | Retail | Merchandise | | Other |
|---------------------------------------------|--------------|----------------------------|----------------------|---------------|--------------------|-------------|--------------|
| | | New York Office | DC Office | | | Mart | |
| West End 25 | \$ 64,865 | \$ - | \$ 64,865 | \$ - | \$ - | \$ - | - |
| Bergen Town Center | 57,843 | - | - | 57,843 | - | - | - |
| Residential condominiums 220 20th Street | 49,586 | - | - | - | - | - | 49,586 |
| 1999 K Street (sold in September 2009) | 39,256 | - | 39,256 | - | - | - | - |
| North Bergen, New Jersey | 31,874 | - | 31,874 | - | - | - | - |
| Manhattan Mall | 25,764 | - | - | 25,764 | - | - | - |
| Poughkeepsie, New York | 21,459 | - | - | 21,459 | - | - | - |
| Garfield, New Jersey | 20,280 | - | - | 20,280 | - | - | - |
| 1540 Broadway | 16,577 | - | - | 16,577 | - | - | - |
| 2101 L Street | 15,544 | - | - | 15,544 | - | - | - |
| Beverly Connection | 12,923 | - | 12,923 | - | - | - | - |
| 40 East 66th Street | 12,854 | - | - | 12,854 | - | - | - |
| One Penn Plaza | 10,520 | - | - | - | - | - | 10,520 |
| Other | 9,839 | 9,839 | - | - | - | - | - |
| | 76,021 | 11,790 | 22,849 | 28,438 | 6,409 | 6,535 | |
| | \$ 465,205 | \$ 21,629 | \$ 171,767 | \$ 198,759 | \$ 6,409 | \$ 66,641 | |

Funds From Operations (“FFO”)

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). In the fourth quarter of 2011 and the first quarter of 2012, NAREIT issued updated guidance on FFO and modified its definition of FFO to specifically exclude real estate impairment losses, including the prorata share of such losses of unconsolidated subsidiaries. To the extent applicable, NAREIT requested companies to restate prior period FFO to conform to the new definition. Accordingly, we have restated our quarter and year ended December 31, 2010 FFO to exclude real estate impairment losses aggregating \$103,981,000 and \$108,981,000, respectively. NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

FFO attributable to common shareholders plus assumed conversions was \$1,230,973,000, or \$6.42 per diluted share for the year ended December 31, 2011, compared to \$1,251,533,000, or \$6.59 per diluted share for the year ended December 31, 2010. FFO attributable to common shareholders plus assumed conversions was \$280,369,000, or \$1.46 per diluted share for the three months ended December 31, 2011, compared to \$432,860,000, or \$2.27 per diluted share for the three months ended December 31, 2010. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

| (Amounts in thousands, except per share amounts) | For The Year | | For The Three Months | |
|---------------------------------------------------------------|---------------------------|-------------|-----------------------------|-------------|
| Reconciliation of our net income to FFO: | Ended December 31, | | Ended December 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Net income attributable to Vornado | \$ 662,302 | \$ 647,883 | \$ 87,296 | \$ 256,973 |
| Depreciation and amortization of real property | 530,113 | 505,806 | 152,655 | 124,024 |
| Net gain on sales of real estate | (51,623) | (57,248) | - | (57,248) |
| Real estate impairment losses | 28,799 | 97,500 | 28,799 | 92,500 |
| Proportionate share of adjustments to equity in net income of | | | | |
| Toys, to arrive at FFO: | | | | |
| Depreciation and amortization of real property | 70,883 | 70,174 | 18,039 | 16,878 |
| Net gain on sales of real estate | (491) | - | - | - |
| Income tax effect of above adjustments | (24,634) | (24,561) | (6,314) | (5,907) |

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Proportionate share of adjustments to equity in net income of

partially owned entities, excluding Toys, to arrive at FFO:

| | | | | |
|------------------------------------------------------------------------------------|-------------|-------------|------------|------------|
| Depreciation and amortization of real property | 99,992 | 78,151 | 26,699 | 19,596 |
| Net gain on sales of real estate | (9,276) | (5,784) | (1,916) | (5,470) |
| Real estate impairment losses | - | 11,481 | - | 11,481 |
| Noncontrolling interests' share of above adjustments | (40,957) | (46,794) | (13,733) | (12,960) |
| FFO | 1,265,108 | 1,276,608 | 291,525 | 439,867 |
| Preferred share dividends | (65,531) | (55,534) | (17,788) | (13,559) |
| Discount on preferred share and unit redemptions | 5,000 | 4,382 | - | - |
| FFO attributable to common shareholders | 1,204,577 | 1,225,456 | 273,737 | 426,308 |
| Interest on 3.88% exchangeable senior debentures | 26,272 | 25,917 | 6,602 | 6,512 |
| Convertible preferred share dividends | 124 | 160 | 30 | 40 |
| FFO attributable to common shareholders plus assumed conversions | \$1,230,973 | \$1,251,533 | \$ 280,369 | \$ 432,860 |
| Reconciliation of Weighted Average Shares | | | | |
| Weighted average common shares outstanding | 184,308 | 182,340 | 184,571 | 183,308 |
| Effect of dilutive securities: | | | | |
| 3.88% exchangeable senior debentures | 5,736 | 5,736 | 5,736 | 5,736 |
| Employee stock options and restricted share awards | 1,658 | 1,747 | 1,392 | 1,735 |
| Convertible preferred shares | 55 | 71 | 52 | 70 |
| Denominator for FFO per diluted share | 191,757 | 189,894 | 191,751 | 190,849 |
| FFO attributable to common shareholders plus assumed conversions per diluted share | \$ 6.42 | \$ 6.59 | \$ 1.46 | \$ 2.27 |

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to fluctuations in market interest rates. Market interest rates are sensitive to many factors that are beyond our control. Our exposure to a change in interest rates on our consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

(Amounts in thousands, except per share amounts)

| | 2011 | | Effect of 1% | 2010 | |
|----------------------------------------------------------------------------------|--------------------------|-----------------------------------------|-------------------------|---------------|-----------------------------------------|
| | December 31, | Weighted Average Interest Rate | Change In Base Rates | December 31, | Weighted Average Interest Rate |
| | Balance | | | Balance | |
| Consolidated debt: | | | | | |
| Variable rate | \$ 2,206,993 | 2.25% | \$ 22,070 | \$ 2,903,510 | 1.76% |
| Fixed rate | 8,355,009 | 5.55% | - | 7,985,932 | 5.66% |
| | \$ 10,562,002 | 4.86% | 22,070 | \$ 10,889,442 | 4.62% |
| Prorata share of debt of non-consolidated entities (non-recourse): | | | | | |
| Variable rate – excluding Toys | \$ 284,372 | 2.85% | 2,844 | \$ 345,308 | 1.39% |
| Variable rate – Toys | 706,301 | 4.83% | 7,063 | 501,623 | 4.95% |
| Fixed rate (including \$1,270,029 and \$1,421,820 of Toys debt in 2011 and 2010) | 3,208,472 ⁽¹⁾ | 6.96% | - | 2,428,986 | 6.86% |
| | \$ 4,199,145 | 6.32% | 9,907 | \$ 3,275,917 | 5.99% |
| Redeemable noncontrolling interests' share of above | | | (2,079) | | |
| Total change in annual net income | | | \$ 29,898 | | |
| Per share-diluted | | | \$ 0.16 | | |

(1) Excludes \$33.3 billion for our 26.2% pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of December 31, 2011, variable rate debt with an aggregate principal amount of \$443,353,000 and a weighted average interest rate of 2.40% was subject to LIBOR caps. These caps are based on a notional amount of \$443,353,000 and cap LIBOR at a weighted average rate of 5.58%. In addition, we have one interest rate swap on a \$425,000,000 loan that swapped the rate from LIBOR plus 2.00% (2.30% at December 31, 2011) to a fixed rate of 5.13% for the remaining seven-year term of the loan.

As of December 31, 2011, we have investments in mezzanine loans at variable interest rates with an aggregate carrying amount of \$54,724,000 and a weighted average rate of 10.42%, which partially mitigates our exposure to a change in interest rates on our variable rate debt.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt. As of December 31, 2011, the estimated fair value of our consolidated debt was \$10,770,227,000.

Derivative Instruments

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in J.C. Penney common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income (loss), net" on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense in any given period. During the years ended December 31, 2011 and 2010, we recognized income from derivative instruments of \$12,984,000 and \$130,153,000, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

| | Page |
|------------------------------------------------------------------------------------------------------|-------------|
| Report of Independent Registered Public Accounting Firm | 119 |
| Consolidated Balance Sheets at December 31, 2011 and 2010 | 120 |
| Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009 | 121 |
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009 | 122 |
| Consolidated Statements of Changes in Equity for the years ended December 31, 2011, 2010 and 2009 | 123 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009 | 126 |
| Notes to Consolidated Financial Statements | 128 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of presenting comprehensive income in 2011 due to the adoption of FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*. The change in presentation has been applied retrospectively to all periods presented.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 27, 2012

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

| (Amounts in thousands, except share and per share amounts) | December 31, | December 31, |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | 2011 | 2010 |
| Real estate, at cost: | | |
| Land | \$ 4,558,181 | \$ 4,535,042 |
| Buildings and improvements | 12,709,356 | 12,510,244 |
| Development costs and construction in progress | 230,823 | 217,505 |
| Leasehold improvements and equipment | 128,651 | 124,910 |
| Total | 17,627,011 | 17,387,701 |
| Less accumulated depreciation and amortization | (3,095,037) | (2,715,046) |
| Real estate, net | 14,531,974 | 14,672,655 |
| Cash and cash equivalents | 606,553 | 690,789 |
| Restricted cash | 98,068 | 200,822 |
| Marketable securities | 741,321 | 766,116 |
| Accounts receivable, net of allowance for doubtful accounts of \$43,241 and \$62,979 | 171,798 | 157,146 |
| Investments in partially owned entities | 1,233,650 | 927,672 |
| Investment in Toys "R" Us | 506,809 | 447,334 |
| Real Estate Fund investments | 346,650 | 144,423 |
| Mezzanine loans receivable, net | 133,948 | 202,412 |
| Receivable arising from the straight-lining of rents, net of allowance of \$4,046 and \$7,316 | 728,626 | 695,486 |
| Deferred leasing and financing costs, net of accumulated amortization of \$245,087 and \$219,965 | 376,292 | 354,864 |
| Identified intangible assets, net of accumulated amortization of \$359,944 and \$335,113 | 319,704 | 346,157 |
| Assets related to discontinued operations | 251,202 | 519,285 |
| Due from officers | 13,127 | 13,187 |
| Other assets | 386,765 | 379,123 |
| | \$ 20,446,487 | \$ 20,517,471 |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | | |
| Notes and mortgages payable | \$ 8,558,275 | \$ 8,255,101 |
| Senior unsecured notes | 1,357,661 | 1,082,928 |
| Exchangeable senior debentures | 497,898 | 491,000 |
| Convertible senior debentures | 10,168 | 186,413 |
| Revolving credit facility debt | 138,000 | 874,000 |
| Accounts payable and accrued expenses | 423,512 | 438,479 |
| Deferred credit | 516,259 | 575,836 |
| Deferred compensation plan | 95,457 | 91,549 |

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| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Deferred tax liabilities | 13,315 | 13,278 |
| Liabilities related to discontinued operations | 14,153 | 267,652 |
| Other liabilities | 152,665 | 82,856 |
| Total liabilities | 11,777,363 | 12,359,092 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interests: | | |
| Class A units - 12,160,771 and 12,804,202 units outstanding | 934,677 | 1,066,974 |
| Series D cumulative redeemable preferred units - 9,000,001 and 10,400,001 units outstanding | 226,000 | 261,000 |
| Total redeemable noncontrolling interests | 1,160,677 | 1,327,974 |
| Vornado shareholders' equity: | | |
| Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 42,186,709 and 32,340,009 shares | 1,021,660 | 783,088 |
| Common shares of beneficial interest: \$.04 par value per share; authorized, 250,000,000 shares; issued and outstanding 185,080,020 and 183,661,875 shares | 7,373 | 7,317 |
| Additional capital | 7,127,258 | 6,932,728 |
| Earnings less than distributions | (1,401,704) | (1,480,876) |
| Accumulated other comprehensive income | 73,729 | 73,453 |
| Total Vornado shareholders' equity | 6,828,316 | 6,315,710 |
| Noncontrolling interests in consolidated subsidiaries | 680,131 | 514,695 |
| Total equity | 7,508,447 | 6,830,405 |
| | \$ 20,446,487 | \$ 20,517,471 |

See notes to the consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,

2011 2010 2009

(Amounts in thousands, except per share amounts)

REVENUES:

| | | | |
|--------------------------------------------|--------------|--------------|--------------|
| Property rentals | \$ 2,261,811 | \$ 2,237,707 | \$ 2,148,975 |
| Tenant expense reimbursements | 349,420 | 355,616 | 351,290 |
| Cleveland Medical Mart development project | 154,080 | - | - |
| Fee and other income | 150,354 | 147,358 | 155,326 |
| Total revenues | 2,915,665 | 2,740,681 | 2,655,591 |

EXPENSES:

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Operating | 1,091,597 | 1,082,844 | 1,050,545 |
| Depreciation and amortization | 553,811 | 522,022 | 519,534 |
| General and administrative | 209,981 | 213,949 | 230,584 |
| Cleveland Medical Mart development project | 145,824 | - | - |
| Tenant buy-outs, impairment losses and other acquisition related costs | 58,299 | 129,458 | 73,763 |
| Total expenses | 2,059,512 | 1,948,273 | 1,874,426 |
| Operating income | 856,153 | 792,408 | 781,165 |
| Income applicable to Toys "R" Us | 48,540 | 71,624 | 92,300 |
| Income (loss) from partially owned entities | 71,770 | 22,438 | (19,910) |
| Income (loss) from Real Estate Fund (of which \$13,598 and (\$806), respectively, are attributable to noncontrolling interests) | 22,886 | (303) | - |
| Interest and other investment income (loss), net | 148,826 | 235,315 | (116,350) |
| Interest and debt expense (including amortization of deferred financing costs of \$20,729, \$18,542 and \$17,593 respectively) | (544,015) | (560,052) | (617,768) |
| Net gain (loss) on extinguishment of debt | - | 94,789 | (25,915) |
| Net gain on disposition of wholly owned and partially owned assets | 15,134 | 81,432 | 5,641 |
| Income before income taxes | 619,294 | 737,651 | 99,163 |
| Income tax expense | (24,827) | (22,476) | (20,642) |
| Income from continuing operations | 594,467 | 715,175 | 78,521 |
| Income (loss) from discontinued operations | 145,533 | (7,144) | 49,929 |
| Net income | 740,000 | 708,031 | 128,450 |
| Less: | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (21,786) | (4,920) | 2,839 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | (55,228) | (25,120) |
| Net income attributable to Vornado | 662,302 | 647,883 | 106,169 |
| Preferred share dividends | (65,531) | (55,534) | (57,076) |

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| | | | |
|-------------------------------------------------------|-------------------|-------------------|------------------|
| Discount on preferred share and unit redemptions | 5,000 | 4,382 | - |
| NET INCOME attributable to common shareholders | \$ 601,771 | \$ 596,731 | \$ 49,093 |
| INCOME PER COMMON SHARE - BASIC: | | | |
| Income from continuing operations, net | \$ 2.52 | \$ 3.31 | \$ 0.01 |
| Income (loss) from discontinued operations, net | 0.74 | (0.04) | 0.27 |
| Net income per common share | \$ 3.26 | \$ 3.27 | \$ 0.28 |
| Weighted average shares | 184,308 | 182,340 | 171,595 |
| INCOME PER COMMON SHARE - DILUTED: | | | |
| Income from continuing operations, net | \$ 2.50 | \$ 3.28 | \$ 0.01 |
| Income (loss) from discontinued operations, net | 0.73 | (0.04) | 0.27 |
| Net income per common share | \$ 3.23 | \$ 3.24 | \$ 0.28 |
| Weighted average shares | 186,021 | 184,159 | 173,503 |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in thousands) | Year Ended December 31, | | |
|-----------------------------------------------------------------|-------------------------|------------|------------|
| | 2011 | 2010 | 2009 |
| Net income | \$ 740,000 | \$ 708,031 | \$ 128,450 |
| Other comprehensive income (loss): | | | |
| Change in unrealized net gain on securities available-for-sale | 46,177 | 46,447 | 6,147 |
| Pro rata share of other comprehensive income of | | | |
| nonconsolidated subsidiaries | 12,859 | 11,853 | 22,052 |
| Sale of securities available-for-sale | (9,540) | (13,160) | 7,715 |
| Change in value of interest rate swap | (43,704) | - | - |
| Other | (5,245) | (136) | (566) |
| Comprehensive income | 740,547 | 753,035 | 163,798 |
| Less: | | | |
| Comprehensive (income) attributable to noncontrolling interests | (77,969) | (63,343) | (25,144) |
| Comprehensive income attributable to Vornado | \$ 662,578 | \$ 689,692 | \$ 138,654 |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Accumulated

(Amounts in thousands)

| | Preferred Shares | | Common Shares | | Additional Capital | Earnings Less Than Comprehensive Income Distributions | Other Comprehensive Income (Loss) | Non-controlling Interests | Total Equity |
|----------------------------------------------------------|------------------|-----------|---------------|---------|--------------------|-------------------------------------------------------|-----------------------------------|---------------------------|--------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance, December 31, 2008 | 33,954 | \$823,807 | 155,286 | \$6,195 | \$6,025,976 | \$(1,047,340) | \$ (6,899) | \$412,913 | \$6,214,652 |
| Net income (loss) | - | - | - | - | - | 106,169 | - | (2,839) | 103,330 |
| Dividends on common shares | - | - | 6,441 | 258 | 285,338 | (547,993) | - | - | (262,397) |
| Dividends on preferred shares | - | - | - | - | - | (57,076) | - | - | (57,076) |
| Common shares issued: | | | | | | | | | |
| In connection with April 2009 public offering | - | - | 17,250 | 690 | 709,536 | - | - | - | 710,226 |
| Upon redemption of Class A units, at redemption value | - | - | 1,768 | 70 | 90,885 | - | - | - | 90,955 |
| Under employees' share option plan | - | - | 468 | 4 | 1,713 | (31,355) | - | - | (29,638) |
| Conversion of Series A preferred shares to common shares | (2) | (89) | 2 | - | 89 | - | - | - | - |
| Deferred compensation shares and options | - | - | (1) | 1 | 13,091 | - | - | - | 13,092 |
| Change in unrealized net | | | | | | | | | |

| | | | | | | | | | |
|---------------------|--------|-----------|---------|---------|-------------|---------------|----------|-----------|-------------|
| gain | | | | | | | | | |
| on securities | | | | | | | | | |
| available-for-sale | - | - | - | - | - | - | 6,147 | - | 6,147 |
| Sale of | | | | | | | | | |
| securities | | | | | | | | | |
| available-for-sale | - | - | - | - | - | - | 7,715 | - | 7,715 |
| Pro rata share | | | | | | | | | |
| of other | | | | | | | | | |
| comprehensive | | | | | | | | | |
| income of | | | | | | | | | |
| nonconsolidated | | | | | | | | | |
| subsidiaries | - | - | - | - | - | - | 22,052 | - | 22,052 |
| Voluntary | | | | | | | | | |
| surrender of | | | | | | | | | |
| equity | | | | | | | | | |
| awards on | | | | | | | | | |
| March 31, | | | | | | | | | |
| 2009 | - | - | - | - | 32,588 | - | - | - | 32,588 |
| Adjustments to | | | | | | | | | |
| carry | | | | | | | | | |
| redeemable | | | | | | | | | |
| Class A units | | | | | | | | | |
| at redemption | | | | | | | | | |
| value | - | - | - | - | (167,049) | - | - | - | (167,049) |
| Allocation of | | | | | | | | | |
| cash paid to | | | | | | | | | |
| the equity | | | | | | | | | |
| component | | | | | | | | | |
| upon | | | | | | | | | |
| repurchase of | | | | | | | | | |
| convertible | | | | | | | | | |
| senior | | | | | | | | | |
| debentures | - | - | - | - | (30,159) | - | - | - | (30,159) |
| Other | - | (32) | - | - | (1,001) | 4 | (566) | (3,437) | (5,032) |
| Balance, | | | | | | | | | |
| December 31, | | | | | | | | | |
| 2009 | 33,952 | \$823,686 | 181,214 | \$7,218 | \$6,961,007 | \$(1,577,591) | \$28,449 | \$406,637 | \$6,649,406 |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED
Accumulated

(Amounts in thousands)

| | Preferred Shares | | Common Shares | | Additional | Earnings Less Than | Other Comprehensive Income | Non- controlling Interests | Total Equity |
|--------------------------------------------------------------------------------------------------|------------------|-----------|---------------|---------|-------------|-----------------------|----------------------------------|----------------------------------|-----------------|
| | Shares | Amount | Shares | Amount | Capital | Distributions | (Loss) | | |
| Balance, December 31, 2009 | 33,952 | \$823,686 | 181,214 | \$7,218 | \$6,961,007 | \$(1,577,591) | \$ 28,449 | \$406,637 | \$6,649,406 |
| Net income | - | - | - | - | - | 647,883 | - | 4,920 | 652,803 |
| Dividends on common shares | - | - | - | - | - | (474,299) | - | - | (474,299) |
| Dividends on preferred shares | - | - | - | - | - | (55,669) | - | - | (55,669) |
| Redemption of preferred shares | (1,600) | (39,982) | - | - | - | 4,382 | - | - | (35,600) |
| Common shares issued: Upon redemption of Class A units, at redemption value | - | - | 1,548 | 62 | 126,702 | - | - | - | 126,764 |
| Under employees' share option plan | - | - | 812 | 33 | 25,290 | (25,584) | - | - | (261) |
| Under dividend reinvestment plan | - | - | 22 | 1 | 1,656 | - | - | - | 1,657 |
| Contributions: Real Estate Fund | - | - | - | - | - | - | - | 93,583 | 93,583 |
| Other | - | - | - | - | - | - | - | 8,783 | 8,783 |
| Conversion of Series A preferred shares to common shares | (12) | (616) | 18 | 1 | 615 | - | - | - | - |

| | | | | | | | | | |
|------------------------------------------------------------------------------|--------|-----------|---------|---------|-------------|---------------|-----------|-----------|-------------|
| Deferred compensation shares and options | - | - | 48 | 2 | 9,345 | - | - | - | 9,347 |
| Change in unrealized net gain on securities available-for-sale | - | - | - | - | - | - | 46,447 | - | 46,447 |
| Sale of securities available-for-sale | - | - | - | - | - | - | (13,160) | - | (13,160) |
| Pro rata share of other comprehensive income of nonconsolidated subsidiaries | - | - | - | - | - | - | 11,853 | - | 11,853 |
| Adjustments to carry redeemable Class A units at redemption value | - | - | - | - | (191,826) | - | - | - | (191,826) |
| Other | - | - | - | - | (61) | 2 | (136) | 772 | 577 |
| Balance, December 31, 2010 | 32,340 | \$783,088 | 183,662 | \$7,317 | \$6,932,728 | \$(1,480,876) | \$ 73,453 | \$514,695 | \$6,830,405 |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED
Accumulated

(Amounts in thousands)

| | Preferred Shares | | Common Shares | | Additional | Earnings Less Than | Other Comprehensive | Non- controlling | Total |
|----------------------------------------------------------------------|------------------|------------|---------------|---------|-------------|-----------------------|------------------------|---------------------|-------------|
| | Shares | Amount | Shares | Amount | Capital | Distributions | Income (Loss) | Interests | Equity |
| Balance, December 31, 2010 | 32,340 | \$ 783,088 | 183,662 | \$7,317 | \$6,932,728 | \$(1,480,876) | \$ 73,453 | \$514,695 | \$6,830,405 |
| Net income | - | - | - | - | - | 662,302 | - | 21,786 | 684,088 |
| Dividends on common shares | - | - | - | - | - | (508,745) | - | - | (508,745) |
| Dividends on preferred shares | - | - | - | - | - | (65,694) | - | - | (65,694) |
| Issuance of Series J preferred shares | 9,850 | 238,842 | - | - | - | - | - | - | 238,842 |
| Common shares issued: | | | | | | | | | |
| Upon redemption of Class A units, at redemption value | - | - | 798 | 32 | 64,798 | - | - | - | 64,830 |
| Under employees' share option plan | - | - | 590 | 23 | 23,705 | (13,289) | - | - | 10,439 |
| Under dividend reinvestment plan | - | - | 21 | 1 | 1,771 | - | - | - | 1,772 |
| Contributions: | | | | | | | | | |
| Real Estate Fund | - | - | - | - | - | - | - | 203,407 | 203,407 |
| Other | - | - | - | - | - | - | - | 778 | 778 |
| Distributions: | | | | | | | | | |
| Real Estate Fund | - | - | - | - | - | - | - | (49,422) | (49,422) |
| Other | - | - | - | - | - | - | - | (15,604) | (15,604) |
| Conversion of Series A | | | | | | | | | |

| | | | | | | | | | |
|---------------------------------------------------------------------------------------------|--------|-------------|---------|---------|-------------|---------------|-----------|-----------|-------------|
| preferred shares to common shares | (3) | (165) | 5 | - | 165 | - | - | - | - |
| Deferred compensation shares and options | - | - | 4 | - | 10,608 | (523) | - | - | 10,085 |
| Change in unrealized net gain on securities available-for-sale | - | - | - | - | - | - | 46,177 | - | 46,177 |
| Sale of securities available-for-sale | - | - | - | - | - | - | (9,540) | - | (9,540) |
| Pro rata share of other comprehensive income of nonconsolidated subsidiaries | - | - | - | - | - | - | 12,859 | - | 12,859 |
| Change in value of interest rate swap | - | - | - | - | - | - | (43,704) | - | (43,704) |
| Adjustments to carry redeemable Class A units at redemption value | - | - | - | - | 98,092 | - | - | - | 98,092 |
| Redeemable noncontrolling interests' share of above adjustments | - | - | - | - | - | - | (271) | - | (271) |
| Other | - | (105) | - | - | (4,609) | 5,121 | (5,245) | 4,491 | (347) |
| Balance, December 31, 2011 | 42,187 | \$1,021,660 | 185,080 | \$7,373 | \$7,127,258 | \$(1,401,704) | \$ 73,729 | \$680,131 | \$7,508,447 |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|------------------------------------------------------------------------------------|-------------------------|------------|------------|
| | 2011 | 2010 | 2009 |
| (Amounts in thousands) | | | |
| Cash Flows from Operating Activities: | | | |
| Net income | \$ 740,000 | \$ 708,031 | \$ 128,450 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization (including amortization of deferred financing costs) | 580,990 | 556,312 | 559,053 |
| Equity in net income of partially owned entities, including Toys “R” Us | (120,310) | (94,062) | (72,390) |
| Distributions of income from partially owned entities | 93,635 | 61,037 | 30,473 |
| Net (gain) loss on extinguishment of debt | (83,907) | (97,728) | 25,915 |
| Mezzanine loans loss (reversal) accrual and net gain on disposition | (82,744) | (53,100) | 190,738 |
| Amortization of below-market leases, net | (63,044) | (66,202) | (72,481) |
| Impairment losses, write-off of tenant buy-outs and litigation loss accrual | 58,173 | 137,367 | 91,184 |
| Net gain on sales of real estate | (51,623) | (2,506) | (45,284) |
| Straight-lining of rental income | (45,788) | (76,926) | (98,355) |
| Other non-cash adjustments | 27,325 | 36,352 | 15,196 |
| Recognition of disputed account receivable from Stop & Shop | (23,521) | - | - |
| Net realized and unrealized gains on Real Estate Fund assets | (17,386) | - | - |
| Net gain on disposition of wholly owned and partially owned assets | (15,134) | (81,432) | (5,641) |
| Income from the mark-to-market of J.C. Penney derivative position | (12,984) | (130,153) | - |
| Interest received on repayment of mezzanine loan | - | 40,467 | - |
| Write-off of unamortized costs from the voluntary surrender of equity awards | - | - | 32,588 |
| Changes in operating assets and liabilities: | | | |
| Real Estate Fund investments | (184,841) | (144,423) | - |
| Accounts receivable, net | 8,869 | 2,019 | 15,383 |
| Prepaid assets | (7,779) | 6,321 | (90,519) |
| Other assets | (87,488) | (66,736) | (61,878) |
| Accounts payable and accrued expenses | (28,699) | 2,645 | (3,606) |
| Other liabilities | 18,755 | 33,803 | (5,247) |
| Net cash provided by operating activities | 702,499 | 771,086 | 633,579 |
| Cash Flows from Investing Activities: | | | |
| Investments in partially owned entities | (571,922) | (165,170) | (38,266) |
| | 318,966 | 51,677 | 16,790 |

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| | | | |
|----------------------------------------------------------------------------------|-----------|-----------|-----------|
| Distributions of capital from partially owned entities | | | |
| Proceeds from sales and repayments of mezzanine loans receivable and other | 187,294 | 70,762 | 47,397 |
| Additions to real estate | (165,680) | (144,794) | (216,669) |
| Proceeds from sales of real estate and related investments | 140,186 | 127,736 | 367,698 |
| Restricted cash | 126,380 | 138,586 | 111,788 |
| Investments in mezzanine loans receivable and other | (98,979) | (85,336) | - |
| Development costs and construction in progress | (93,066) | (156,775) | (465,205) |
| Acquisitions of real estate and other | (90,858) | (173,413) | - |
| Proceeds from sales of, and return of investment in, marketable securities | 70,418 | 280,462 | 64,355 |
| Return of J.C. Penney derivative collateral | 56,350 | - | - |
| Funding of J.C. Penney derivative collateral | (43,850) | (12,500) | - |
| Proceeds from the repayment of loan to officer | 13,123 | - | - |
| Loan to officer | (13,123) | - | - |
| Purchases of marketable securities including J.C. Penney common shares and other | - | (491,596) | (90,089) |
| Proceeds from maturing short-term investments | - | 40,000 | 15,000 |
| Purchases of short-term investments | - | - | (55,000) |
| Net cash used in investing activities | (164,761) | (520,361) | (242,201) |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year Ended December 31,

2011 2010 2009

(Amounts in thousands)

Cash Flows from Financing Activities:

| | | | |
|--------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Repayments of borrowings | \$ (3,740,327) | \$ (1,564,143) | \$ (2,075,236) |
| Proceeds from borrowings | 3,412,897 | 2,481,883 | 2,648,175 |
| Dividends paid on common shares | (508,745) | (474,299) | (262,397) |
| Proceeds from the issuance of Series J preferred shares | 238,842 | - | - |
| Contributions from noncontrolling interests | 204,185 | 103,831 | 2,180 |
| Distributions to noncontrolling interests | (116,510) | (53,842) | (42,451) |
| Dividends paid on preferred shares | (61,464) | (55,669) | (57,076) |
| Debt issuance and other costs | (47,395) | (14,980) | (30,186) |
| Purchases of outstanding preferred units and shares | (28,000) | (78,954) | (24,330) |
| Proceeds received from exercise of employee share options | 25,507 | 26,993 | 1,750 |
| Repurchase of shares related to stock compensation agreements and related tax withholdings | (964) | (25,660) | (32,203) |
| Acquisition of convertible senior debentures and senior unsecured notes | - | (440,575) | (2,221,204) |
| Proceeds from issuance of common shares | - | - | 710,226 |
| Net cash used in by financing activities | (621,974) | (95,415) | (1,382,752) |
| Net (decrease) increase in cash and cash equivalents | (84,236) | 155,310 | (991,374) |
| Cash and cash equivalents at beginning of period | 690,789 | 535,479 | 1,526,853 |
| Cash and cash equivalents at end of period | \$ 606,553 | \$ 690,789 | \$ 535,479 |

Supplemental Disclosure of Cash Flow Information:

| | | | |
|----------------------------------------------------------------------------------------|------------|------------|------------|
| Cash payments for interest (net of amounts capitalized of \$1,197, \$864 and \$17,256) | \$ 531,174 | \$ 549,327 | \$ 631,573 |
| Cash payments for income taxes | \$ 26,187 | \$ 23,960 | \$ 21,775 |

Non-Cash Investing and Financing Activities:

| | | | |
|------------------------------------------------------------------------------------|-----------|--------------|--------------|
| Adjustments to carry redeemable Class A units at redemption value | \$ 98,092 | \$ (191,826) | \$ (167,049) |
| Contribution of mezzanine loan receivable to joint venture | 73,750 | - | - |
| Write-off of fully depreciated assets | (72,279) | (63,007) | (86,291) |
| Common shares issued upon redemption of Class A units at redemption value | 64,830 | 126,764 | 90,955 |
| Change in unrealized net gain on securities available-for-sale | 46,177 | 46,447 | 6,147 |
| Like-kind exchange of real estate | (23,626) | - | - |
| Financing assumed in acquisitions | - | 102,616 | - |
| Dividends paid in common shares | - | - | 285,596 |
| Unit distributions paid in Class A units | - | - | 23,876 |
| Increase in assets and liabilities resulting from the consolidation of investments | | | |

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| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|---|
| previously accounted for on the equity method: | | | |
| Real estate, net | - | 102,804 | - |
| Notes and mortgages payable | - | 57,563 | - |
| Decrease in assets and liabilities resulting from the deconsolidation of discontinued operations and/or investments that were previously consolidated: | | | |
| Real estate, net | (145,333) | (401,857) | - |
| Notes and mortgages payable | (232,502) | (316,490) | - |
| See notes to consolidated financial statements. | | | |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Accordingly, Vornado’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.5% of the common limited partnership interest in the Operating Partnership at December 31, 2011. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2011, we own all or portions of:

Office Properties:

- In Midtown Manhattan – 30 properties aggregating 20.8 million square feet;
- In the Washington, DC / Northern Virginia area – 77 properties aggregating 20.5 million square feet, including 63 office properties aggregating 17.5 million square feet and seven residential properties containing 2,424 units;
- In San Francisco’s financial district – a 70% controlling interest in 555 California Street, a three-building office complex aggregating 1.8 million square feet, known as the Bank of America Center;

Retail Properties:

- In Manhattan – 2.2 million square feet in 46 properties, of which 1.0 million square feet in 21 properties is in our Retail Properties segment and 1.2 million square feet in 25 properties is in our New York Office Properties segment;

- 134 strip shopping centers, regional malls, and single tenant retail assets aggregating 24.2 million square feet, primarily in the northeast states, California and Puerto Rico;

Merchandise Mart Properties:

- 5.7 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Other Real Estate and Related Investments:

- A 32.4% interest in Alexander's, Inc. (NYSE: ALX), which owns seven properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg headquarters building;
- A 25.0% interest in Vornado Capital Partners, our \$800 million real estate fund. We are the general partner and investment manager of the fund;
- The 1,700 room Hotel Pennsylvania in Midtown Manhattan;
- A 32.7% interest in Toys "R" Us, Inc.;
- An 11.0% interest in J.C. Penney Company, Inc. (NYSE: JCP); and
- Other real estate and related investments, marketable securities and mezzanine loans on real estate, including a 26.2% equity interest in LNR Property Corporation, an industry leading mortgage servicer and special servicer.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Vornado and the Operating Partnership. All significant inter-company amounts have been eliminated. We account for unconsolidated partially owned entities on the equity method of accounting. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recently Issued Accounting Literature

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (“ASU No. 2011-04”). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (“IFRS”) and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012 is not expected to have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (“ASU No. 2011-05”). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. ASU No. 2011-05 is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption permitted. The Company early adopted this guidance as of December 31, 2011, and has presented the Consolidated Statements of

Comprehensive Income as a separate financial statement.

In September 2011, the FASB issued Update No. 2011-09, *Compensation – Retirement Benefits (Topic 715): Disclosures About an Employer’s Participation in a Multiemployer Plan* (“ASU No. 2011-09”). ASU No. 2011-09 requires enhanced disclosures about an entity’s participation in multiemployer plans that offer pension and other postretirement benefits. ASU No. 2011-09 became effective for interim and annual periods ending on or after December 15, 2011. The adoption of this update on December 31, 2011 did not have a material impact on our consolidated financial statements.

Significant Accounting Policies

Real Estate: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the improvement and leasing of real estate are capitalized. Maintenance and repairs are expensed as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the undepreciated net book value of the property carried forward, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is provided on a straight-line basis over estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of \$1,197,000 and \$864,000 for the years ended December 31, 2011 and 2010, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies- continued

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles, such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate the purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known trends, and market/economic conditions.

Our properties, including any related intangible assets, are individually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Impairment analyses are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. If our estimates of the projected future cash flows, anticipated holding periods, or market conditions change, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses. The table below summarizes tenant buy-outs, impairment losses and other acquisition related costs incurred in the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended December 31, | | |
|------------------------------------------------------|----------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Tenant buy-outs, acquisition related costs and other | \$ 32,259 | \$ 6,945 | \$ - |
| Real estate assets | 23,000 | 92,500 | 4,789 |
| Development projects and undeveloped land | 3,040 | - | 55,307 |
| Condominium units held for sale (see page 132) | - | 30,013 | 13,667 |
| | \$ 58,299 | \$ 129,458 | \$ 73,763 |

Partially Owned Entities: In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we have power over significant activities of the entity and the obligation to absorb losses or receive benefits that could potentially be significant to the entity. We have concluded that we do not control a partially owned entity if the entity is not considered a variable interest entity and the approval of all of the partners/members is contractually required with respect to major decisions, such as operating and capital budgets, the sale, exchange or other disposition of real property, the hiring of a chief executive officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of new or additional financing secured by assets of the venture. We account for investments on the equity method when the requirements for consolidation are not met, and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method. Investments in partially owned entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of an investment over its estimated fair value. Impairment analyses are based on current plans, intended holding periods and available information at the time the analyses are prepared. In the years ended December 31, 2011, 2010 and 2009, we recognized non-cash impairment losses on investments in partially owned entities aggregating \$13,794,000, \$11,481,000 and \$17,820,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Identified Intangibles: We record acquired intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) and acquired intangible liabilities (including below-market leases) at their estimated fair value separate and apart from goodwill. We amortize identified intangibles that have finite lives over the period they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is measured based on the excess of carrying amount of the identified intangible over its estimated fair value. As of December 31, 2011 and 2010, the carrying amounts of identified intangible assets were \$319,704,000 and \$346,157,000, respectively. The carrying amounts of identified intangible liabilities, a component of “deferred credit” on our consolidated balance sheets, were \$467,187,000 and \$521,372,000, respectively.

Mezzanine Loans Receivable: We invest in mezzanine loans of entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discount or premium over the life of the related receivable utilizing the effective interest method or straight-line method, if the result is not materially different. We evaluate the collectibility of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan’s effective interest rate, or as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest on impaired loans is recognized when received in cash. In the year ended December 31, 2009 we recorded a \$190,738,000 loss accrual on our portfolio of mezzanine loans, of which \$72,270,000 and \$53,100,000 was reversed in 2011 and 2010, respectively.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. To date, we have not experienced any losses on our invested cash.

Restricted Cash: Restricted cash consists of security deposits, cash restricted in connection with our deferred compensation plan and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Allowance for Doubtful Accounts: We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. As of December 31, 2011 and 2010, we had \$43,241,000 and \$62,979,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2011 and 2010, we had \$4,046,000 and \$7,316,000, respectively, in allowances for receivables arising from the straight-lining of rents.

Deferred Charges: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to successful leasing activities are capitalized and amortized on a straight line basis over the lives of the related leases. All other deferred charges are amortized on a straight line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

Stock-Based Compensation: Stock-based compensation consists of awards to certain employees and officers and consists of stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. We account for all stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Revenue Recognition: We have the following revenue sources and revenue recognition policies:

- **Base Rent** — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- **Percentage Rent** — income arising from retail tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).
- **Hotel Revenue** — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue is recognized when the services have been rendered.
- **Trade Shows Revenue** — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- **Expense Reimbursements** — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- **Management, Leasing and Other Fees** — income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.
- **Cleveland Medical Mart** — revenue arising from the development of the Cleveland Medical Mart. This revenue is recognized as the related services are performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements*, as we are providing development, marketing, leasing, and other property management services.

Condominium Units Held For Sale: Condominium units held for sale are carried at the lower of cost or fair value less costs to sell. As of December 31, 2011 and 2010, condominiums held for sale, which are included in “other assets”

on our consolidated balance sheet, aggregate \$60,785,000 and \$84,397,000, respectively and consist of substantially completed units at Granite Park in Pasadena, The Bryant in Boston and our 40 East 66th Street property in Manhattan. Revenue from condominium unit sales is recognized upon closing of the sale (the “completed contract method”), as all conditions for full profit recognition have been met at that time. We use the relative sales value method to allocate costs to individual condominium units. Net gains on sales of condominiums units are included in “net gains on disposition of wholly owned and partially owned assets” on our consolidated statements of income. In the years ended December 31, 2010 and 2009, we recognized non-cash impairment losses related to certain of these condominiums aggregating \$30,013,000 and \$13,667,000, respectively, based on our assessments of the expected net sales proceeds associated with these condominium projects. These losses are included in “tenant buy-outs, impairment losses and other acquisition related costs” on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Derivative Instruments and Hedging Activities: ASC 815, *Derivatives and Hedging*, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As of December 31, 2011 and 2010, our derivative instruments consisted primarily of a portion of our investment in J.C. Penney common shares (see Note 4 – Marketable Securities and Derivative Instruments) and interest rate swaps. We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

Income Per Share: Basic income per share is computed based on weighted average shares outstanding. Diluted income per share considers the effect of all potentially dilutive share equivalents, including outstanding employee stock options, restricted shares and convertible or redeemable securities.

Income Taxes: We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to shareholders 100% of taxable income and therefore, no provision for Federal income taxes is required. Dividends distributed for the year ended December 31, 2011, were characterized, for federal income tax purposes, as 93.2% ordinary income and 6.8% as long term capital gain. Dividend distributions for the year ended December 31, 2010, were characterized,

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for Federal income tax purposes, as 95.9% ordinary income, 2.8% long-term capital gain and 1.3% return of capital. Dividend distributions for the year ended December 31, 2009 were characterized, for Federal income tax purposes, as 63.9% ordinary income, 0.9% long-term capital gain and 35.2% return of capital.

We have elected to treat certain consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries pursuant to an amendment to the Internal Revenue Code that became effective January 1, 2001. Taxable REIT subsidiaries may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to Federal and State income tax at regular corporate tax rates. Our taxable REIT subsidiaries had a combined current income tax liability of approximately \$26,645,000 and \$24,858,000 at December 31, 2011 and 2010, respectively, and have immaterial differences between the financial reporting and tax basis of assets and liabilities.

The following table reconciles net income attributable to common shareholders to estimated taxable income for the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended December 31, | | |
|------------------------------------------------|----------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Net income attributable to common shareholders | \$ 601,771 | \$ 596,731 | \$ 49,093 |
| Book to tax differences (unaudited): | | | |
| Depreciation and amortization | 225,802 | 216,473 | 247,023 |
| Mezzanine loans receivable | (82,512) | (104,727) | 171,380 |
| Straight-line rent adjustments | (38,800) | (70,606) | (83,959) |
| Earnings of partially owned entities | (96,178) | (62,315) | (82,382) |
| Stock options | (27,697) | (48,399) | (32,643) |
| Sale of real estate | (18,766) | 12,899 | 3,923 |
| Derivatives | (12,160) | (121,120) | - |
| Other, net | (6,223) | 48,915 | 81,936 |
| Estimable taxable income | \$ 545,237 | \$ 467,851 | \$ 354,371 |

The net basis of our assets and liabilities for tax reporting purposes is approximately \$3.6 billion lower than its amount reported in our consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Vornado Capital Partners Real Estate Fund (the “Fund”)

In February 2011, the Fund’s subscription period closed with an aggregate of \$800,000,000 of capital commitments, of which we committed \$200,000,000. We are the general partner and investment manager of the Fund, which has an eight-year term and a three-year investment period. During the investment period, which concludes in July 2013, the Fund is our exclusive investment vehicle for all investments that fit within its investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) non-controlling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

During 2011, the Fund made three investments (described below) aggregating \$248,500,000 and exited two investments. As of December 31, 2011, the Fund has five investments with an aggregate fair value of approximately \$346,650,000, or \$11,995,000 in excess of cost, and has remaining unfunded commitments of \$416,600,000, of which our share is \$104,150,000.

One Park Avenue

On March 1, 2011, the Fund as a co-investor (64.7% interest), together with Vornado (30.3% interest), acquired a 95% interest in One Park Avenue, a 932,000 square foot office building located between 32nd and 33rd Streets in New York, for \$374,000,000. The purchase price consisted of \$137,000,000 in cash and 95% of a \$250,000,000 five-year mortgage that bears interest at 5.0%. The Fund accounts for its 64.7% interest in the property at fair value in accordance with the AICPA Audit and Accounting Guide for Investment Companies. We account for our directly owned 30.3% equity interest under the equity method of accounting.

Crowne Plaza Times Square

On December 16, 2011, the Fund formed a joint venture with the owner of the property to recapitalize the Crowne Plaza Hotel in Times Square. The property is located at 48th Street and Broadway in Times Square and is comprised of a 795-key hotel, 14,000 square feet of prime retail space, 212,000 square feet of office space, nine large signage offerings, a 159-space parking garage and a health club. The joint venture plans to reconfigure and reposition the retail and office space as well as add additional signage. Vornado will manage and lease the commercial components of the property and the joint venture partner will asset manage the hotel. This transaction was initiated by us in May 2011, when the Fund acquired a \$34,000,000 mezzanine position in the junior most tranche of the property's mezzanine debt. In December 2011, the Fund contributed \$31,000,000 and its partner contributed \$22,000,000 of new capital to pay down third party debt and for future capital expenditures. The new capital was contributed in the form of debt that is convertible into preferred equity that receives a priority return and then will receive a profit participation. The Fund has an economic interest of approximately 38% in the property. The Fund's investment is subordinate to the property's \$259,000,000 of senior debt which matures in December 2013, with a one-year extension option.

11 East 68th Street

On December 29, 2011, the Fund committed to acquire the retail portion of 11 East 68th Street, an 11-story residential and retail property located on Madison Avenue and 68th Street, for \$50,500,000. The retail portion of the property consists of two retail units aggregating 5,000 square feet. The Fund provided \$21,200,000 at closing and will provide the remaining \$29,300,000 over the next two years. In addition, the Fund has also provided a \$21,000,000 mezzanine loan on the residential portion of the property, which bears paid-in-kind interest at 15%, matures in three years and has a one-year extension option.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Vornado Capital Partners Real Estate Fund (the "Fund") - continued

Below is a summary of income (loss) from the Fund for the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended December 31, | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------|
| | 2011 | 2010 | 2009 |
| Income (loss) before net realized/unrealized gains | \$ 5,500 | \$ (303) | \$ - |
| Net realized gains | 5,391 | - | - |
| Net unrealized gains | 11,995 | - | - |
| Income (loss) from Real Estate Fund | 22,886 | (303) | - |
| Less: | | | |
| (Income) loss attributable to noncontrolling interests | (13,598) | 806 | - |
| Income from Real Estate Fund attributable to Vornado ⁽¹⁾ | \$ 9,288 | \$ 503 | \$ - |
| (1) | Excludes \$2,695 and \$248 of management, leasing and development fees in the years ended December 31, 2011 and 2010, respectively, which are included as a component of "fee and other income" on our consolidated statements of income. | | |

4. Marketable Securities and Derivative Instruments

Marketable Securities

Our portfolio of marketable securities is comprised of debt and equity securities that are classified as available-for-sale. Available-for-sale securities are presented on our consolidated balance sheets at fair value. Gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive income (loss)." Gains and losses are recognized in earnings only upon the sale of the securities and are recorded based on the weighted average cost of such securities.

We evaluate our portfolio of marketable securities for impairment each reporting period. For each of the securities in our portfolio with unrealized losses, we review the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold

these investments for a reasonable period of time sufficient for us to recover our cost basis. We also evaluate the near-term prospects for each of these investments in relation to the severity and duration of the decline. In 2009, we concluded that certain of our investments in marketable securities were “other-than-temporarily” impaired and recognized a \$3,361,000 impairment loss. This loss is included as a component of “interest and other investment income (loss), net” on our consolidated statement of income. Our conclusion was based on the severity and duration of the decline in the market value of the securities and our inability to forecast a recovery in the near term. No impairment losses were recognized in the years ended December 31, 2011 and 2010. During 2011, 2010 and 2009 we sold certain marketable securities for aggregate proceeds of \$69,559,000, \$281,486,000, and \$64,355,000, respectively resulting in net gains of \$5,020,000, \$22,604,000, and \$3,834,000, respectively, which are included as a component of “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Marketable Securities and Derivative Instruments - continued

Below is a summary of our marketable securities portfolio as of December 31, 2011 and 2010.

| | As of December 31, 2011 | | | | As of December 31, 2010 | | | |
|--------------------|-------------------------|------------|------------|-----------------|-------------------------|------------|------------|-----------------|
| | Maturity | Fair Value | GAAP Cost | Unrealized Gain | Maturity | Fair Value | GAAP Cost | Unrealized Gain |
| Equity securities: | | | | | | | | |
| J.C. Penney | n/a | \$ 653,228 | \$ 591,069 | \$ 62,159 | n/a | \$ 601,303 | \$ 591,069 | \$ 10,234 |
| Other | n/a | 29,544 | 13,561 | 15,983 | n/a | 46,545 | 25,778 | 20,767 |
| Debt securities | 04/13 - 10/18 | 58,549 | 54,965 | 3,584 | 08/11 - 10/18 | 118,268 | 104,180 | 14,088 |
| | | \$ 741,321 | \$ 659,595 | \$ 81,726 | | \$ 766,116 | \$ 721,027 | \$ 45,089 |

Investment in J.C. Penney Company, Inc. ("J.C. Penney") (NYSE: JCP)

We own 23,400,000 J.C. Penney common shares, or 11.0% of its outstanding common shares. Below are the details of our investment.

We own 18,584,010 common shares at an average economic cost of \$25.75 per share or \$478,532,000 in the aggregate. As of December 31, 2011, these shares have an aggregate fair value of \$653,228,000, based on J.C. Penney's closing share price of \$35.15 per share at December 31, 2011. Of these shares, 15,500,000 were acquired through the exercise of a call option that was acquired on September 28, 2010 and settled on November 9, 2010. During the period in which the call option was outstanding and classified as a derivative instrument, we recognized \$112,537,000 of income. Upon exercise of the call option, the GAAP basis of the 18,584,010 common shares we own increased to \$31.81 per share, or \$591,069,000 in the aggregate. These shares are included in marketable equity securities on our consolidated balance sheet and are classified as "available-for-sale." In the year ended December 31, 2011, we recognized a \$51,925,000 gain from the mark-to-market of these shares, which is included in "other comprehensive income (loss)," based on the difference between the carrying amount of these shares of \$601,303,000 at December 31, 2010 and the fair value of \$653,228,000 at December 31, 2011.

We also own an economic interest in 4,815,990 J.C. Penney common shares through a forward contract executed on October 7, 2010, at a weighted average strike price of \$28.80 per share, or \$138,682,000 in the aggregate. The contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 9, 2012. The counterparty may accelerate settlement, in whole or in part, upon one year's notice to us. The contract is a derivative instrument that does not qualify for hedge accounting treatment. Mark-to-market adjustments on the underlying common shares are recognized in "interest and other investment income (loss), net" on our consolidated statements of income. In the years ended December 31, 2011 and 2010, we recognized gains of \$12,984,000 and \$17,616,000, respectively, from the mark-to-market of the underlying common shares, based on J.C. Penney's closing share price of \$35.15 per share and \$32.31 per share at December 31, 2011 and 2010, respectively.

On September 16, 2011, we entered into an agreement with J.C. Penney which enables us to increase our beneficial and/or economic ownership to up to 15.4% of J.C. Penney's outstanding common shares. We have agreed to vote any common shares we hold in excess of 9.9% of J.C. Penney's outstanding common shares in accordance with either the recommendation of the board of directors of J.C. Penney or in direct proportion to the vote of all other public shareholders of J.C. Penney (excluding shares affiliated with Pershing Square Capital Management L.P.).

We review our investment in J.C. Penney on a continuing basis. Depending on various factors, including, without limitation, J.C. Penney's financial position and strategic direction, actions taken by its board, price levels of its common shares, other investment opportunities available to us, market conditions and general economic and industry conditions, we may take such actions with respect to J.C. Penney as we deem appropriate, including (i) purchasing additional common shares or other financial instruments related to J.C. Penney, subject to our agreement with J.C. Penney as described in the preceding paragraph, or (ii) selling some or all of our beneficial or economic holdings, or (iii) engaging in hedging or similar transactions.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities

The following is a summary of condensed combined financial information for all of our partially owned entities, including Toys “R” Us, Alexander’s, Inc., Lexington Realty Trust and LNR Property Corporation, as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | December 31, | | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
| Balance Sheet: | 2011 | 2010 | |
| Assets ⁽¹⁾ | \$ 153,861,000 | \$ 165,183,000 | |
| Liabilities ⁽¹⁾ | 147,854,000 | 160,203,000 | |
| Noncontrolling interests | 132,000 | 124,000 | |
| Equity | 5,875,000 | 4,856,000 | |
| | For the Year Ended December 31, | | |
| Income Statement: | 2011 | 2010 | 2009 |
| Total revenue | \$ 15,390,000 | \$ 15,030,000 | \$ 14,321,000 |
| Net income | 199,000 | 63,000 | 103,000 |
| (1) | 2011 and 2010 includes \$127 billion and \$142 billion, respectively, of assets and liabilities of LNR related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us. | | |

Toys “R” Us (“Toys”)

As of December 31, 2011, we own 32.7% of Toys. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income accounts for more than 80% of its fiscal year net income. We account for our investment in Toys under the equity method and record our 32.7% share of Toys net income or loss on a one-quarter lag basis because Toys’ fiscal year ends on the Saturday nearest January 31, and our fiscal year ends on December 31. As of December 31, 2011, the carrying amount of our investment in Toys does not differ materially from our share of the equity in the net assets of Toys on a purchase accounting basis.

On May 28, 2010, Toys filed a registration statement, as amended, with the SEC for the offering and sale of its common stock. The offering, if completed, would result in a reduction of our percentage ownership of Toys’ equity. The size of the offering and its completion are subject to market and other conditions.

In August 2010, in connection with certain financing and refinancing transactions, Toys paid us an aggregate of \$9,600,000 for our share of advisory fees. Since Toys has capitalized these fees and are amortizing them over the term of the related debt, we recorded the fees as a reduction of the basis of our investment in Toys and will amortize the fees into income over the term of the related debt.

Below is a summary of Toys' latest available financial information on a purchase accounting basis:

(Amounts in thousands)

| Balance Sheet: | Balance as of | |
|--------------------------|-------------------------|-------------------------|
| | October 29, 2011 | October 30, 2010 |
| Assets | \$ 13,221,000 | \$ 12,810,000 |
| Liabilities | 11,530,000 | 11,317,000 |
| Toys "R" Us, Inc. equity | 1,691,000 | 1,493,000 |

| Income Statement: | For the Twelve Months Ended | | |
|---------------------------------|------------------------------------|-------------------------|-------------------------|
| | October 29, 2011 | October 30, 2010 | October 31, 2009 |
| Total revenues | \$ 13,956,000 | \$ 13,749,000 | \$ 13,172,000 |
| Net income attributable to Toys | 121,000 | 189,000 | 216,000 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Alexander's, Inc. ("Alexander's") (NYSE: ALX)

As of December 31, 2011, we own 1,654,068 Alexander's commons shares, or approximately 32.4% of Alexander's common equity. We manage, lease and develop Alexander's properties pursuant to the agreements described below which expire in March of each year and are automatically renewable.

As of December 31, 2011 the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's 2011 closing share price of \$370.03, was \$612,055,000, or \$422,280,000 in excess of the carrying amount on our consolidated balance sheet. As of December 31, 2011, the carrying amount of our investment in Alexander's, excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander's by approximately \$59,010,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander's common stock acquired over the book value of Alexander's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander's net income. The basis difference related to the land will be recognized upon disposition of our investment.

Management and Development Agreements

We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) \$3,000,000, (ii) 3% of the gross income from the Kings Plaza Regional Shopping Center, (iii) 2% of the gross income from the Rego Park II Shopping Center, (iv) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (v) \$256,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, we are entitled to a development fee of 6% of development costs, as defined, with a minimum guaranteed payment of \$750,000 per annum. During the years ended December 31, 2011, 2010, and 2009, we recognized \$730,000, \$711,000 and \$2,710,000, respectively, of development fee income.

Leasing Agreements

We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through twentieth year of a lease term and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event third-party real estate brokers are used, our fee increases by 1% and we are responsible for the fees to the third-parties. We are also entitled to a commission upon the sale of any of Alexander's assets equal to 3% of gross proceeds, as defined, for asset sales less than \$50,000,000, or 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more. The total of these amounts is payable to us in annual installments in an amount not to exceed \$4,000,000 with interest on the unpaid balance at one-year LIBOR plus 1.0% (1.78% at December 31, 2011).

Other Agreements

Building Maintenance Services ("BMS"), our wholly-owned subsidiary, supervises the cleaning, engineering and security services at Alexander's 731 Lexington Avenue and Kings Plaza properties for an annual fee of the costs for such services plus 6%. During the years ended December 31, 2011, 2010 and 2009, we recognized \$2,970,000, \$2,775,000 and \$2,552,000 of income, respectively, under these agreements.

Below is a summary of Alexander's latest available financial information:

(Amounts in thousands)

| | Balance as of | | |
|----------------------------------------|---------------------------|---------------------|---------------------|
| | December 31, | December 31, | |
| | 2011 | 2010 | |
| Balance Sheet: | | | |
| Assets | \$ 1,771,000 | \$ 1,679,000 | |
| Liabilities | 1,408,000 | 1,335,000 | |
| Noncontrolling interests | 4,000 | 3,000 | |
| Stockholders' equity | 359,000 | 341,000 | |
| | For the Year Ended | | |
| | December 31, | December 31, | December 31, |
| | 2011 | 2010 | 2009 |
| Income Statement: | | | |
| Total revenues | \$ 254,000 | \$ 242,000 | \$ 224,000 |
| Net income attributable to Alexander's | 79,000 | 67,000 | 132,000 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Lexington Realty Trust (“Lexington”) (NYSE: LXP)

As of December 31, 2011, we own 18,468,969 Lexington common shares, or approximately 12.0% of Lexington’s common equity. We account for our investment in Lexington on the equity method because we believe we have the ability to exercise significant influence over Lexington’s operating and financial policies, based on, among other factors, our representation on Lexington’s Board of Trustees and the level of our ownership in Lexington as compared to other shareholders. We record our pro rata share of Lexington’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Based on Lexington’s December 31, 2011 closing share price of \$7.49, the market value (“fair value” pursuant to ASC 820) of our investment in Lexington was \$138,333,000, or \$80,931,000 in excess of the December 31, 2011 carrying amount on our consolidated balance sheet. As of December 31, 2011, the carrying amount of our investment in Lexington was less than our share of the equity in the net assets of Lexington by approximately \$49,200,000. This basis difference resulted primarily from \$107,882,000 of non-cash impairment charges recognized during 2008, partially offset by purchase accounting for our acquisition of an additional 8,000,000 common shares of Lexington in October 2008, of which the majority relates to our estimate of the fair values of Lexington’s real estate (land and buildings) as compared to the carrying amounts in Lexington’s consolidated financial statements. The basis difference related to the buildings is being amortized over their estimated useful lives as an adjustment to our equity in net income or loss of Lexington. This amortization is not material to our share of equity in Lexington’s net income or loss. The basis difference attributable to the land will be recognized upon disposition of our investment.

Below is a summary of Lexington’s latest available financial information:

(Amounts in thousands)

| Balance Sheet: | Balance as of | |
|--------------------------|-------------------------------|-------------------------------|
| | September 30, 2011 | September 30, 2010 |
| Assets | \$ 3,164,000 | \$ 3,385,000 |
| Liabilities | 1,888,000 | 2,115,000 |
| Noncontrolling interests | 59,000 | 71,000 |
| Shareholders’ equity | 1,217,000 | 1,199,000 |

| Income Statement: | For the Twelve Months Ended September 30, | | |
|---------------------------------------|--------------------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Total revenues | \$ 335,000 | \$ 330,000 | \$ 375,000 |
| Net loss attributable to Lexington | (81,000) | (90,000) | (178,000) |

LNR Property Corporation (“LNR”)

As of December 31, 2011, we own a 26.2% equity interest in LNR, which we acquired in July 2010. We account for our investment in LNR under the equity method and record our 26.2% share of LNR’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to receiving LNR’s consolidated financial statements.

LNR consolidates certain commercial mortgage-backed securities (“CMBS”) and Collateralized Debt Obligation (“CDO”) trusts for which it is the primary beneficiary. The assets of these trusts (primarily commercial mortgage loans), which aggregate approximately \$127 billion as of September 30, 2011, are the sole source of repayment of the related liabilities, which are non-recourse to LNR and its equity holders, including us. Changes in the fair value of these assets each period are offset by changes in the fair value of the related liabilities through LNR’s consolidated income statement. As of December 31, 2011, the carrying amount of our investment in LNR does not materially differ from our share of LNR’s equity.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Below is a summary of LNR's latest available financial information:

(Amounts in thousands)

| | Balance as of | |
|---------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------|
| | September 30, 2011 | September 30, 2010 |
| Balance Sheet: | | |
| Assets | \$ 128,536,000 | \$ 143,266,000 |
| Liabilities | 127,809,000 | 142,720,000 |
| Noncontrolling interests | 55,000 | 37,000 |
| LNR Property Corporation equity | 672,000 | 509,000 |
| | For the Twelve Months Ended September 30, 2011 | For the Period July 29, 2010 to September 30, 2010 |
| Income Statement: | | |
| Total revenue | \$ 208,000 | \$ 23,000 |
| Net income attributable to LNR | 224,000 | 8,000 |

280 Park Avenue Joint Venture

On March 16, 2011, we formed a 50/50 joint venture with SL Green Realty Corp to own the mezzanine debt of 280 Park Avenue, a 1.2 million square foot office building located between 48th and 49th Streets in Manhattan (the "Property"). We contributed our mezzanine loan with a face amount of \$73,750,000, and they contributed their mezzanine loans with a face amount of \$326,250,000 to the joint venture. We equalized our interest in the joint venture by paying our partner \$111,250,000 in cash and assuming \$15,000,000 of their debt. On May 17, 2011, as part of the recapitalization of the Property, the joint venture contributed its debt position for 99% of the common equity of a new joint venture which owns the Property. The new joint venture's investment is subordinate to \$710,000,000 of third party debt. The new joint venture expects to spend \$150,000,000 for re-tenanting and repositioning the Property. We account for our 49.5% equity interest in the Property under the equity method of accounting from the date of recapitalization.

Independence Plaza

On June 17, 2011, a joint venture in which we are a 51% partner, invested \$55,000,000 in cash (of which we contributed \$35,000,000) to acquire a face amount of \$150,000,000 of mezzanine loans and a \$35,000,000 participation in a senior loan on Independence Plaza, a residential complex comprised of three 39-story buildings in the Tribeca submarket of Manhattan. We share control over major decisions with our joint venture partner. We account for our 51% interest in the joint venture under the equity method of accounting from the date of acquisition.

666 Fifth Avenue Office

On December 16, 2011, we formed a joint venture with an affiliate of the Kushner Companies to recapitalize the office portion of 666 Fifth Avenue, a 39-story, 1.4 million square foot Class A office building in Manhattan, located on the full block front of Fifth Avenue between 52nd and 53rd Street. We acquired a 49.5% interest in the property from the Kushner Companies, the current owner. In connection therewith, the existing \$1,215,000,000 mortgage loan was modified by LNR, the special servicer, into a \$1,100,000,000 A-Note and a \$115,000,000 B-Note and extended to February 2019; and a portion of the current pay interest was deferred to the B-Note. We and the Kushner Companies have committed to lend the joint venture an aggregate of \$110,000,000 (of which our share is \$80,000,000) for tenant improvements and working capital for the property, which is senior to the \$115,000,000 B-Note. In addition, we have provided the A-Note holders a limited recourse and cooperation guarantee of up to \$75,000,000 if an event of default occurs and is ongoing. We account for our 49.5% interest in the property under the equity method of accounting from the date of recapitalization.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Below is a schedule of our investments in partially owned entities as of December 31, 2011 and 2010.

| (Amounts in thousands) | Percentage Ownership | As of December 31, | |
|-------------------------------------------------------|-------------------------|--------------------|-------------|
| Investments: | | 2011 | 2010 |
| Toys | 32.7 % | \$ 506,809 | \$ 447,334 |
| Alexander's | 32.4 % | \$ 189,775 | \$ 186,811 |
| Lexington | 12.0 % | 57,402 | 57,270 |
| LNR | 26.2 % | 174,408 | 132,973 |
| India real estate ventures | 4.0%-36.5% | 80,499 | 127,193 |
| Partially owned office buildings: | | | |
| 280 Park Avenue (see page 140) | 49.5 % | 184,516 | - |
| West 57th Street properties | 50.0 % | 58,529 | 58,963 |
| | 43.7% | | |
| Rosslyn Plaza | -50.4% | 53,333 | 52,689 |
| One Park Avenue (see page 134) | 30.3 % | 47,568 | - |
| Warner Building and 1101 17th Street | 55.0 % | 23,122 | 37,741 |
| Other partially owned office buildings ⁽¹⁾ | Various | 61,898 | 36,487 |
| Other equity method investments: | | | |
| Verde Realty Operating Partnership | 8.3 % | 59,801 | 59,326 |
| Independence Plaza (see page 140) | 51.0 % | 48,511 | - |
| Downtown Crossing, Boston | 50.0 % | 46,691 | 46,147 |
| Monmouth Mall | 50.0 % | 7,536 | 6,251 |
| Other equity method investments ⁽²⁾ | Various | 140,061 | 125,821 |
| | | \$1,233,650 | \$ 927,672 |

(1) Includes interests in 330 Madison Avenue (25.0%), 666 Fifth Avenue Office (49.5%), 825 Seventh Avenue (50.0%) and Fairfax Square (20.0%).

(2) Includes interests in 85 10th Avenue Associates, Farley Project, Suffolk Downs, Dune Capital L.P. and others.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities – continued

Below is a schedule of income recognized from investments in partially owned entities for the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | For the Year Ended December 31, | | |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------|------------------|
| Our Share of Net Income (Loss): | 2011 | 2010 | 2009 |
| Toys - 32.7% interest | | | |
| Equity in net income before income taxes ⁽¹⁾ | \$ 38,460 | \$ 16,401 | \$ 58,416 |
| Income tax benefit | 1,132 | 45,418 | 13,185 |
| Equity in net income | 39,592 | 61,819 | 71,601 |
| Non-cash purchase price accounting adjustments | - | - | 13,946 |
| Interest and other income | 8,948 | 9,805 | 6,753 |
| | \$ 48,540 | \$ 71,624 | \$ 92,300 |
| Alexander's - 32.4% interest | | | |
| Equity in net income before income taxes and reversal of stock appreciation rights compensation expense ("SARs") | \$ 25,013 | \$ 20,059 | \$ 17,991 |
| Income tax benefit and reversal of SARs | - | - | 24,773 |
| Equity in net income | 25,013 | 20,059 | 42,764 |
| Management, leasing and development fees | 9,115 | 9,125 | 10,765 |
| | 34,128 | 29,184 | 53,529 |
| Lexington - 12.0% interest in 2011, 12.8% interest in 2010 and 15.2% interest in 2009 ⁽²⁾ | 8,351 | 11,018 | (25,665) |
| LNR - 26.2% interest (acquired in July 2010) ⁽³⁾ | 58,786 | 1,973 | - |
| India real estate ventures - 4.0% to 36.5% interest ⁽⁴⁾ | (14,881) | 2,581 | (1,636) |
| Partially owned office buildings: | | | |
| 280 Park Avenue - 49.5% interest (acquired in May 2011) | (18,079) | - | - |
| West 57th Street properties - 50.0% interest ⁽⁵⁾ | 876 | (10,990) | 468 |
| Rosslyn Plaza - 43.7% to 50.4% interest | 2,193 | (2,419) | 4,870 |

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| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-------------|
| One Park Avenue - 30.3% interest (acquired in March 2011) | (1,142) | - | - |
| Warner Building and 1101 17th Street - 55.0% interest (deconsolidated in October 2010 upon sale of a 45.0% interest) ⁽⁶⁾ | (16,135) | 72 | - |
| Other partially owned office buildings | 10,017 | 4,436 | 4,823 |
| Other equity method investments | | | |
| Verde Realty Operating Partnership - 8.3% interest ⁽⁷⁾ | 1,661 | (537) | (19,978) |
| Independence Plaza - 51.0% interest (acquired in June 2011) | 2,457 | - | - |
| Downtown Crossing, Boston - 50.0% interest ⁽⁸⁾ | (1,461) | (1,155) | (10,395) |
| Monmouth Mall - 50.0% interest | 2,556 | 1,952 | 1,789 |
| Other equity method investments ⁽⁹⁾ | 2,443 | (13,677) | (27,715) |
| | \$ 71,770 | \$ 22,438 | \$ (19,910) |

-
- (1) 2009 includes \$10,200 for our share of income from a litigation settlement.
- (2) Includes net gains of \$9,760 and \$13,710 in 2011 and 2010, respectively, resulting from Lexington's stock issuances. 2009 includes \$19,121 for our share of impairment losses recorded by Lexington.
- (3) 2011 includes \$27,377 of income comprised of (i) \$12,380 for an income tax benefit, (ii) \$8,977 of a tax settlement gain, and (iii) \$6,020 of net gains from asset sales.
- (4) 2011 includes \$13,794 for our share of an impairment loss.
- (5) 2010 includes \$11,481 of impairment losses.
- (6) 2011 includes \$9,022 for our share of expense, primarily for straight-line rent reserves and the write-off of tenant improvements in connection with a tenant's bankruptcy at the Warner Building.
- (7) 2009 includes \$14,515 of impairment losses.
- (8) 2009 includes \$7,650 of expense for our share of a lease termination payment.
- (9) 2011 includes a \$12,525 net gain from Suffolk Downs' sale of a partial interest and 2009 includes \$3,305 of impairment losses.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

Below is a summary of the debt of our partially owned entities as of December 31, 2011 and 2010; none of which is recourse to us.

| (Amounts in thousands) | Maturity | Interest Rate at December 31, 2011 | December 31, 2011 | 100% of Partially Owned Entities' Debt at December 31, 2010 |
|-------------------------------------------------------------------------------------------|-------------|------------------------------------------------|----------------------|----------------------------------------------------------------------|
| Toys (32.7% interest) (as of October 29, 2011 and October 30, 2010, respectively): | | | | |
| Senior unsecured notes (Face value – \$950,000) | 07/17 | 10.75 % | \$ 930,382 | \$ 928,045 |
| \$1.85 billion credit facility | 08/15 | 2.77 % | 750,000 | 519,810 |
| Senior unsecured notes (Face value – \$725,000) | 12/17 | 8.50 % | 716,583 | 715,577 |
| \$700 million secured term loan facility | 09/16 | 6.00 % | 684,217 | 689,757 |
| Senior U.K. real estate facility | 04/13 | 5.02 % | 562,004 | 561,559 |
| \$400 million secured term loan facility | 05/18 | 5.25 % | 395,195 | - |
| 7.875% senior notes (Face value – \$400,000) | 04/13 | 9.50 % | 391,520 | 386,167 |
| 7.375% senior secured notes (Face value - \$350,000) | 09/16 | 7.38 % | 361,561 | 350,000 |
| 7.375% senior notes (Face value – \$400,000) | 10/18 | 9.99 % | 348,537 | 343,528 |
| Japan bank loans | 03/12-02/16 | 1.85%-2.85% | 189,525 | 180,500 |
| Spanish real estate facility | 02/13 | 4.51 % | 180,174 | 179,511 |
| Junior U.K. real estate facility | 04/13 | 6.81%-7.84% | 97,964 | 98,266 |
| Japan borrowings | 06/12 | 1.06 % | 94,968 | 141,360 |
| French real estate facility | 02/13 | 4.51 % | 86,919 | 86,599 |
| European and Australian asset-based revolving credit facility | 03/16 | 2.88 % | 64,520 | 25,767 |
| 8.750% debentures (Face value – \$21,600) | 09/21 | 9.17 % | 21,089 | 21,054 |

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| | | | | |
|---------------------------------------|---------|---------|-----------|-----------|
| 7.625% bonds (Face value – \$500,000) | n/a | n/a | - | 495,943 |
| Other | Various | Various | 172,363 | 156,853 |
| | | | 6,047,521 | 5,880,296 |

Alexander's (32.4% interest):

| | | | | |
|--------------------------------------------------------------------------------|-------|--------|-----------|-----------|
| 731 Lexington Avenue mortgage note payable, collateralized by the office space | 02/14 | 5.33 % | 339,890 | 351,751 |
| 731 Lexington Avenue mortgage note payable, collateralized by the retail space | 07/15 | 4.93 % | 320,000 | 320,000 |
| Rego Park II Shopping Center mortgage note payable ⁽¹⁾ | 11/18 | 2.15 % | 274,796 | 277,200 |
| Kings Plaza Regional Shopping Center mortgage note payable ⁽²⁾ | 06/16 | 2.24 % | 250,000 | 151,214 |
| Rego Park I Shopping Center mortgage note payable | 03/12 | 0.75 % | 78,246 | 78,246 |
| Paramus mortgage note payable | 10/18 | 2.90 % | 68,000 | 68,000 |
| | | | 1,330,932 | 1,246,411 |

Lexington (12.0% and 12.8% interest)

(as of September 30, 2011 and September 30, 2010, respectively):

| | | | | |
|----------------------------------------------------------|-----------|--------|-----------|-----------|
| Mortgage loans collateralized by Lexington's real estate | 2012-2037 | 5.80 % | 1,712,750 | 1,927,729 |
|----------------------------------------------------------|-----------|--------|-----------|-----------|

LNR (26.2% interest) (as of September 30, 2011 and

September 30, 2010, respectively):

| | | | | |
|-------------------------------------------------|-----------|--------|-------------|-------------|
| Mortgage notes payable | 2014-2043 | 4.54 % | 353,504 | 508,547 |
| Liabilities of consolidated CMBS and CDO trusts | n/a | 5.32 % | 127,348,336 | 142,001,333 |
| | | | 127,701,840 | 142,509,880 |

(1) On November 30, 2011, Alexander's completed a \$275,000 refinancing of this loan. The seven-year loan bears interest at LIBOR plus 1.85% and amortizes based on a 30-year schedule.

(2) On June 10, 2011, Alexander's completed a \$250,000 refinancing of this loan. The five-year interest only loan is at LIBOR plus 1.70%.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Investments in Partially Owned Entities - continued

| (Amounts in thousands) | Maturity | Interest Rate at December 31, 2011 | 100% of Partially Owned Entities' Debt at | |
|----------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------|----------------------------------------------|----------------------|
| | | | December 31, 2011 | December 31, 2010 |
| Partially owned office buildings: | | | | |
| 666 Fifth Avenue Office (49.5% interest) mortgage note payable | 02/19 | 6.80 % | \$ 1,035,884 | \$ n/a |
| 280 Park Avenue (49.5% interest) mortgage notes payable | 06/16 | 6.65 % | 737,678 | n/a |
| Warner Building (55.0% interest) mortgage note payable | 05/16 | 6.26 % | 292,700 | 292,700 |
| One Park Avenue (30.3% interest) mortgage note payable | 03/16 | 5.00 % | 250,000 | n/a |
| 330 Madison Avenue (25.0% interest) mortgage note payable | 06/15 | 1.78 % | 150,000 | 150,000 |
| Fairfax Square (20.0% interest) mortgage note payable | 12/14 | 7.00 % | 70,974 | 71,764 |
| Rosslyn Plaza (43.7% to 50.4% interest) mortgage note payable | 01/12 | 1.27 % | 56,680 | 56,680 |
| 330 West 34th Street (34.8% interest) mortgage note payable, collateralized by land | 07/22 | 5.71 % | 50,150 | 50,150 |
| West 57th Street (50.0% interest) mortgage note payable | 02/14 | 4.94 % | 21,864 | 22,922 |
| 825 Seventh Avenue (50.0% interest) mortgage note payable | 10/14 | 8.07 % | 20,080 | 20,565 |
| Other mortgage notes payable collateralized by real estate ⁽¹⁾ | n/a | n/a | - | 139,337 |
| India Real Estate Ventures: | | | | |
| TCG Urban Infrastructure Holdings (25.0% interest) mortgage notes payable, collateralized by the entity's real estate | 2012-2022 | 11.87 % | 226,534 | 196,319 |
| Other: | | | | |
| Verde Realty Operating Partnership (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate | 2013-2025 | 6.18 % | 340,378 | 581,086 |

Green Courte Real Estate Partners, LLC

(8.3% interest) (as of

September 30, 2011 and

2010), mortgage notes

payable,

collateralized by the

partnerships' real estate

Monmouth Mall (50.0% interest)

mortgage note payable

Wells/Kinzie Garage (50.0% interest)

mortgage note payable

Orleans Hubbard Garage (50.0%

interest) mortgage note payable

Waterfront Station (2.5% interest)

Other

2012-2018

5.63 %

293,771

296,991

02/14-09/15

5.32 %

173,938

164,474

12/17

5.00 %

14,792

15,022

12/17

5.00 %

9,362

9,508

n/a

n/a

-

217,106

Various

4.62 %

663,162

418,339

- (1) On December 23, 2011, we acquired the 97.5% interest we did not already own in the Executive Tower. Accordingly, we consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities, was \$37,531,298,000 and \$40,443,346,000 as of December 31, 2011 and 2010, respectively. Excluding our pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts, which are non-recourse to LNR and its equity holders, including us, our pro rata share of partially owned entities debt was \$4,199,145,000 and \$3,275,917,000 at December 31, 2011 and 2010, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Mezzanine Loans Receivable

As of December 31, 2011 and 2010, the carrying amount of mezzanine loans receivable was \$133,948,000 and \$202,412,000, respectively, net of allowances of \$0 and \$73,216,000, respectively. These loans have a weighted average interest rate of 9.53% and maturities ranging from August 2014 to May 2016.

In the first quarter of 2011, we recognized \$72,270,000 of income, representing the difference between the fair value of our 280 Park Avenue Mezzanine Loan of \$73,750,000, and its carrying amount of \$1,480,000. The \$72,270,000 of income, which is included in “interest and other investment income (loss), net” on our consolidated statement of income, is comprised of \$63,145,000 from the reversal of the loan loss reserve and \$9,125,000 of previously unrecognized interest income. Our decision to reverse the loan loss reserve was based on the increase in value of the underlying collateral. On March 16, 2011, we contributed this mezzanine loan to a 50/50 joint venture with SL Green (see Note 5 – Investments in Partially Owned Entities).

On March 2, 2011, we sold the Tharaldson Lodging Companies mezzanine loan, which had a carrying amount of \$60,416,000, for \$70,890,000 in cash and recognized a net gain of \$10,474,000. The gain is included as a component of “interest and other investment income (loss), net” on our consolidated statement of income.

7. Discontinued Operations

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, we have reclassified the revenues and expenses of properties and businesses sold or held for sale to “income (loss) from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all periods presented in the accompanying consolidated financial statements. The net gains resulting from the sale of the properties below are included in “income (loss) from discontinued operations” on our consolidated statements of income.

On January 6, 2012, we completed the sale of 350 West Mart Center, a 1.2 million square foot office building in Chicago, Illinois, for \$228,000,000 in cash, which resulted in a net gain of \$54,200,000 that will be recognized in the first quarter of 2012.

On March 31, 2011, the receiver completed the disposition of the High Point Complex in North Carolina. In connection therewith, the property and related debt were removed from our consolidated balance sheet and we recognized a net gain of \$83,907,000 on the extinguishment of debt.

On January 12, 2011, we sold 1140 Connecticut Avenue and 1227 25th Street in Washington, DC, for \$127,000,000 in cash, which resulted in a net gain of \$45,862,000.

In 2011, we sold three retail properties in separate transactions for an aggregate of \$40,990,000 in cash, which resulted in net gains of \$5,761,000.

In December 2010, pursuant to a Court judgment, we sold the fee interest in land located in Arlington County, Virginia, known as Pentagon Row, to the tenants for an aggregate of \$14,992,000 in cash.

In March 2010, we ceased making debt service payments on the mortgage loan secured by the Cannery, a retail property in California as a result of insufficient cash flow, and the loan went into default. On October 14, 2010, the special servicer foreclosed on the property, and the property and related debt were removed from our consolidated balance sheet.

On September 1, 2009, we sold 1999 K Street, a newly developed 250,000 square foot office building, in Washington's Central Business District, for \$207,800,000 in cash, which resulted in a net gain of approximately \$41,211,000.

In 2009, we sold 15 retail properties in separate transactions for an aggregate of \$55,000,000 in cash which resulted in net gains aggregating \$4,073,000.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Discontinued Operations- continued

The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2011 and 2010, and their combined results of operations for the years ended December 31, 2011, 2010 and 2009.

| (Amounts in thousands) | Assets Related to | | Liabilities Related to | |
|------------------------------------------------------------------|----------------------------------------|-------------|-------------------------------|-------------|
| | Discontinued Operations as of | | Discontinued Operations as of | |
| | December 31, | | December 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| 350 West Mart Center | \$ 173,780 | \$ 162,984 | \$ 6,361 | \$ - |
| Retail properties | 77,422 | 121,837 | 7,792 | 11,730 |
| High Point | - | 154,563 | - | 236,974 |
| 1227 25th Street | - | 43,630 | - | - |
| 1140 Connecticut Avenue | - | 36,271 | - | 18,948 |
| Total | \$ 251,202 | \$ 519,285 | \$ 14,153 | \$ 267,652 |
| (Amounts in thousands) | For the Year Ended December 31, | | | |
| | | 2011 | 2010 | 2009 |
| Total revenues | | \$ 45,745 | \$ 82,917 | \$ 96,853 |
| Total expenses | | 29,943 | 77,511 | 78,148 |
| | | 15,802 | 5,406 | 18,705 |
| Net gain on extinguishment of High Point debt | | 83,907 | - | - |
| Net gain on sale of 1140 Connecticut Avenue and 1227 25th Street | | 45,862 | - | - |
| Net gain on sales of other real estate | | 5,761 | 2,506 | 45,284 |
| Impairment losses and litigation loss accrual | | (5,799) | (15,056) | (14,060) |
| Income (loss) from discontinued operations | | \$ 145,533 | \$ (7,144) | \$ 49,929 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily acquired above-market leases) and liabilities (primarily acquired below-market leases) as of December 31, 2011 and 2010.

| (Amounts in thousands) | Balance as of | |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
| | December 31, 2011 | December 31, 2010 |
| Identified intangible assets: | | |
| Gross amount | \$ 679,648 | \$ 681,270 |
| Accumulated amortization | (359,944) | (335,113) |
| Net | \$ 319,704 | \$ 346,157 |
| Identified intangible liabilities (included in deferred credit): | | |
| Gross amount | \$ 841,440 | \$ 856,689 |
| Accumulated amortization | (374,253) | (335,317) |
| Net | \$ 467,187 | \$ 521,372 |

Amortization of acquired below-market leases, net of acquired above-market leases resulted in an increase to rental income of \$62,442,000, \$65,542,000 and \$70,401,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases for each of the five succeeding years commencing January 1, 2012 is as follows:

| (Amounts in thousands) | |
|------------------------|-----------|
| 2012 | \$ 49,032 |
| 2013 | 44,373 |
| 2014 | 37,715 |
| 2015 | 34,590 |
| 2016 | 31,518 |

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$56,922,000, \$59,674,000 and \$63,691,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2012 is as follows:

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| (Amounts in thousands) | | |
|------------------------|----|--------|
| 2012 | \$ | 46,572 |
| 2013 | | 39,355 |
| 2014 | | 21,002 |
| 2015 | | 16,043 |
| 2016 | | 13,507 |

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases, net of above-market leases resulted in an increase to rent expense of \$1,377,000, \$2,157,000 and \$1,952,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Estimated annual amortization of these below-market leases, net of above-market leases for each of the five succeeding years commencing January 1, 2012 is as follows:

| (Amounts in thousands) | | |
|------------------------|----|-------|
| 2012 | \$ | 1,377 |
| 2013 | | 1,377 |
| 2014 | | 1,377 |
| 2015 | | 1,377 |
| 2016 | | 1,377 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt

The following is a summary of our debt:

| (Amounts in thousands) | | | Interest Rate at December 31, | Balance at | |
|----------------------------------------------------------------|-------------------------|-------------|--------------------------------------------------|---------------------|---------------------|
| | Maturity (1) | 2011 | December 31, | December 31, | December 31, |
| Notes and mortgages payable: | | | 2011 | 2011 | 2010 |
| Fixed rate: | | | | | |
| New York Office: | | | | | |
| 350 Park Avenue ⁽²⁾ | 01/12 | 5.48 % | \$ | 430,000 | \$ 430,000 |
| Two Penn Plaza ⁽³⁾ | 03/18 | 5.13 % | | 425,000 | 277,347 |
| 1290 Avenue of the Americas | 01/13 | 5.97 % | | 413,111 | 424,136 |
| 770 Broadway | 03/16 | 5.65 % | | 353,000 | 353,000 |
| 888 Seventh Avenue | 01/16 | 5.71 % | | 318,554 | 318,554 |
| 909 Third Avenue | 04/15 | 5.64 % | | 203,217 | 207,045 |
| Eleven Penn Plaza ⁽⁴⁾ | n/a | n/a | | - | 199,320 |
| Washington, DC Office: | | | | | |
| Skyline Place ⁽⁵⁾ | 02/17 | 5.74 % | | 678,000 | 678,000 |
| River House Apartments | 04/15 | 5.43 % | | 195,546 | 195,546 |
| 2121 Crystal Drive ⁽⁶⁾ | 03/23 | 5.51 % | | 150,000 | - |
| Bowen Building | 06/16 | 6.14 % | | 115,022 | 115,022 |
| 1215 Clark Street, 200 12th Street and 251 18th Street | 01/25 | 7.09 % | | 108,423 | 110,931 |
| West End 25 ⁽⁷⁾ | 06/21 | 4.88 % | | 101,671 | - |
| Universal Buildings | 04/14 | 6.44 % | | 98,239 | 103,049 |
| Reston Executive I, II, and III | 01/13 | 5.57 % | | 93,000 | 93,000 |
| 2011 Crystal Drive | 08/17 | 7.30 % | | 80,486 | 81,362 |
| 1550 and 1750 Crystal Drive | 11/14 | 7.08 % | | 76,624 | 79,411 |
| 220 20th Street ⁽⁸⁾ | 02/18 | 4.61 % | | 75,037 | - |
| 1235 Clark Street | 07/12 | 6.75 % | | 51,309 | 52,314 |
| 2231 Crystal Drive | 08/13 | 7.08 % | | 43,819 | 46,358 |
| 1750 Pennsylvania Avenue | 06/12 | 7.26 % | | 44,330 | 45,132 |
| 1225 Clark Street | 08/13 | 7.08 % | | 26,211 | 27,616 |
| 1800, 1851 and 1901 South Bell Street | n/a | n/a | | - | 10,099 |
| Retail: | | | | | |
| Cross-collateralized mortgages on 40 strip shopping centers | 09/20 | 4.21 % | | 585,398 | 597,138 |

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| | | | | |
|----------------------------------------------|-------------|-------------|--------------|--------------|
| Montehiedra Town Center | 07/16 | 6.04 % | 120,000 | 120,000 |
| Broadway Mall | 07/13 | 5.30 % | 87,750 | 90,227 |
| 828-850 Madison Avenue | | | | |
| Condominium | 06/18 | 5.29 % | 80,000 | 80,000 |
| North Bergen (Tonnelle Avenue) | | | | |
| (9) | 01/18 | 4.59 % | 75,000 | - |
| Las Catalinas Mall | 11/13 | 6.97 % | 55,912 | 57,737 |
| 510 5th Avenue | 01/16 | 5.60 % | 31,732 | 32,189 |
| Other | 03/12-05/36 | 5.12%-7.30% | 95,541 | 97,054 |
| Merchandise Mart: | | | | |
| Merchandise Mart | 12/16 | 5.57 % | 550,000 | 550,000 |
| Boston Design Center | 09/15 | 5.02 % | 67,350 | 68,538 |
| Washington Design Center | n/a | n/a | - | 43,447 |
| Other: | | | | |
| 555 California Street ⁽¹⁰⁾ | 09/21 | 5.10 % | 600,000 | 640,911 |
| Borgata Land ⁽¹¹⁾ | 02/21 | 5.14 % | 60,000 | - |
| Industrial Warehouses | n/a | n/a | - | 24,358 |
| Total fixed rate notes and mortgages payable | | 5.53 % | \$ 6,489,282 | \$ 6,248,841 |

See notes on page 150.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

| (Amounts in thousands) | | | | Interest Rate at December 31, | Balance at | |
|-----------------------------------------------------------------------------------|----------|-----------------------|--|----------------------------------------|--------------|--------------|
| | Maturity | Spread over | | December 31, | December 31, | December 31, |
| Notes and mortgages payable: | (1) | LIBOR | | 2011 | 2011 | 2010 |
| Variable rate: | | | | | | |
| New York Office: | | | | | | |
| Eleven Penn Plaza ⁽⁴⁾ | 01/19 | L+235 | | 2.60 % | \$ 330,000 | \$ - |
| Manhattan Mall ⁽¹²⁾ | 02/12 | L+55 | | 0.83 % | 232,000 | 232,000 |
| 866 UN Plaza ⁽¹³⁾ | 05/16 | L+125 | | 1.69 % | 44,978 | 44,978 |
| Washington, DC Office: | | | | | | |
| 2101 L Street | 02/13 | L+120 | | 1.50 % | 150,000 | 150,000 |
| River House Apartments 2200/2300 Clarendon Boulevard | 04/18 | n/a ⁽¹⁴⁾ | | 1.53 % | 64,000 | 64,000 |
| 1730 M and 1150 17th Street | 01/15 | L+75 | | 1.03 % | 53,344 | 59,278 |
| West End 25 ⁽⁷⁾ | 06/14 | L+140 | | 1.69 % | 43,581 | 43,581 |
| 220 20th Street ⁽⁸⁾ | n/a | n/a | | n/a | - | 95,220 |
| | n/a | n/a | | n/a | - | 83,573 |
| Retail: | | | | | | |
| Green Acres Mall | 02/13 | L+140 | | 1.67 % | 325,045 | 335,000 |
| Bergen Town Center | 03/13 | L+150 | | 1.93 % | 283,590 | 279,044 |
| San Jose Strip Center | 03/13 | L+400 | | 4.32 % | 112,476 | 120,863 |
| Beverly Connection ⁽¹⁵⁾ | 09/14 | L+425 ⁽¹⁵⁾ | | 4.75 % | 100,000 | 100,000 |
| 4 Union Square South | 04/14 | L+325 | | 3.69 % | 75,000 | 75,000 |
| Cross-collateralized mortgages on 40 strip shopping centers ⁽¹⁶⁾ | 09/20 | L+136 ⁽¹⁶⁾ | | 2.36 % | 60,000 | 60,000 |
| 435 Seventh Avenue ⁽¹⁷⁾ | 08/14 | L+300 ⁽¹⁷⁾ | | 5.00 % | 51,353 | 51,844 |
| Other | 11/12 | L+375 | | 4.02 % | 19,876 | 21,862 |
| Other: | | | | | | |
| 220 Central Park South | 10/13 | L+275 | | 3.03 % | 123,750 | 123,750 |
| Other | n/a | n/a | | n/a | - | 66,267 |
| Total variable rate notes and mortgages payable | | | | 2.30 % | 2,068,993 | 2,006,260 |
| Total notes and mortgages payable | | | | 4.75 % | \$8,558,275 | \$8,255,101 |
| Senior unsecured notes: | | | | | | |
| Senior unsecured notes due 2015 | 04/15 | | | 4.25 % | \$ 499,462 | \$ 499,296 |

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| | | | | | |
|-------------------------------------------------|-------|--|--------|--------------|--------------|
| Senior unsecured notes due 2039 ⁽¹⁸⁾ | 10/39 | | 7.88 % | 460,000 | 460,000 |
| Senior unsecured notes due 2022 ⁽¹⁹⁾ | 01/22 | | 5.00 % | 398,199 | - |
| Floating rate senior unsecured notes due 2011 | n/a | | n/a | - | 23,250 |
| Senior unsecured notes due 2011 | n/a | | n/a | - | 100,382 |
| Total senior unsecured notes | | | 5.70 % | \$ 1,357,661 | \$ 1,082,928 |

3.88% exchangeable senior debentures due 2025

| | | | | | |
|----------------|-------|--|--------|------------|------------|
| (see page 152) | 04/12 | | 5.32 % | \$ 497,898 | \$ 491,000 |
|----------------|-------|--|--------|------------|------------|

Convertible senior debentures: (see page 152)

| | | | | | |
|-----------------------------------------------------|-------|--|--------|-----------|------------|
| 2.85% due 2027 | 04/12 | | 5.45 % | \$ 10,168 | \$ 9,914 |
| 3.63% due 2026 | n/a | | n/a | - | 176,499 |
| Total convertible senior debentures ⁽²⁰⁾ | | | 5.45 % | \$ 10,168 | \$ 186,413 |

Unsecured revolving credit facilities:

| | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------|-------|-------|--------|------------|------------|
| \$1.25 billion unsecured revolving credit facility (\$22,085 reserved for outstanding letters of credit) ⁽²¹⁾ | 06/16 | L+135 | - | \$ - | \$ 205,000 |
| \$1.25 billion unsecured revolving credit facility ⁽²¹⁾ | 11/16 | L+125 | 1.48 % | 138,000 | 669,000 |
| Total unsecured revolving credit facilities | | | 1.48 % | \$ 138,000 | \$ 874,000 |

See notes on the following page.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

Notes to preceding tabular information (Amounts in thousands):

- (1) Represents the extended maturity for certain loans in which we have the unilateral right, ability and intent to extend. In the case of our convertible and exchangeable debt, represents the earliest date holders may require us to repurchase the debentures.
- (2) On January 9, 2012, we completed a \$300,000 refinancing of this property. The five-year fixed rate loan bears interest at 3.75% and amortizes based on a 30-year schedule beginning in the third year. The proceeds of the new loan and \$132,000 of existing cash were used to repay the existing loan and closing costs.
- (3) On February 11, 2011, we completed a \$425,000 refinancing of this property. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for the term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$139,000, after repaying the existing loan and closing costs.
- (4) On December 28, 2011, we completed a \$330,000 refinancing of this property. The seven-year loan bears interest at LIBOR plus 2.35% and amortizes based on a 30-year schedule beginning in the fourth year.
- (5) In February 2012, we notified the lender that this property currently has a 26% vacancy rate, which is expected to increase due to scheduled lease expirations resulting primarily from the Base Realignment and Closure statute. Based on the projected vacancy and the significant amount of capital, time and effort to re-tenant this property, we requested that the mortgage loan be placed with the special servicer.
- (6) On February 10, 2011, we completed a \$150,000 financing of this property. The 12-year fixed rate loan bears interest at 5.51% and amortizes based on a 30-year schedule beginning in the third year. This property was previously unencumbered.
- (7) On May 11, 2011, we repaid the outstanding balance of the variable-rate construction loan on this property and closed on a \$101,671 mortgage at a fixed rate of 4.88%. The loan has a 10-year term and amortizes based on a 30-year schedule beginning in the sixth year.
- (8) On January 18, 2011, we repaid the outstanding balance of the variable-rate construction loan on this property and closed on a \$76,100 mortgage at a fixed rate of 4.61%. The loan has a seven-year term and amortizes based on a 30-year schedule.
- (9)

- On January 10, 2011, we completed a \$75,000 financing of this property. The seven-year fixed rate loan bears interest at 4.59% and amortizes based on a 25-year schedule beginning in the sixth year. This property was previously unencumbered.
- (10) On September 1, 2011, we completed a \$600,000 refinancing of this property. The 10-year fixed rate loan bears interest at 5.10% and amortizes based on a 30-year schedule beginning in the fourth year.
- (11) On January 6, 2011, we completed a \$60,000 financing of this property. The 10-year fixed rate loan bears interest at 5.14% and amortizes based on a 30-year schedule beginning in the third year.
- (12) We are currently in negotiations to refinance this loan and have extended its maturity date to March 9, 2012.
- (13) On May 10, 2011, we refinanced this loan for the same amount. The five-year interest only loan is at LIBOR plus 1.25%.
- (14) This loan bears interest at the Freddie Mac Reference Note Rate plus 1.53%.
- (15) This loan has a LIBOR floor of 0.50%.
- (16) This loan has a LIBOR floor of 1.00%.
- (17) This loan has a LIBOR floor of 2.00%.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

Notes to preceding tabular information (Amounts in thousands):

- (18) These notes may be redeemed at our option in whole or in part beginning on October 1, 2014, at a price equal to the principal amount plus accrued interest.
- (19) On November 30, 2011, we completed a public offering of \$400,000 aggregate principal amount of 5.0%, ten-year senior unsecured notes and retained net proceeds of approximately \$395,584. The notes were sold at 99.546% of their face amount to yield 5.057%.
- (20) The net proceeds from the offering of these debentures were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership fully and unconditionally guaranteed payment of these debentures. There are no restrictions which limit the Operating Partnership from making distributions to Vornado and Vornado has virtually no independent assets or operations outside of the Operating Partnership.
- (21) In 2011, we renewed both of our unsecured revolving credit facilities aggregating \$2,500,000. The first facility, which was renewed in June 2011, bears interest on drawn amounts at LIBOR plus 1.35% and has a 0.30% facility fee (drawn or undrawn). The second facility, which was renewed in November 2011, bears interest on drawn amounts at LIBOR plus 1.25% and has a 0.25% facility fee (drawn or undrawn). The LIBOR spread and facility fee on both facilities are based on our credit ratings. Both facilities mature in four years and have one-year extension options.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt – continued

Pursuant to the provisions of ASC 470-20, *Debt with Conversion and Other Options*, below is a summary of required disclosures related to our convertible and exchangeable senior debentures.

| (Amounts in thousands, except per share amounts) | 2.85% Convertible Senior Debentures due 2027 | | 3.63% Convertible Senior Debentures due 2026 | | 3.88% Exchangeable Senior Debentures due 2025 | |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------|----------------------------------------------|-------------------|-----------------------------------------------|-------------------|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Balance Sheet: | | | | | | |
| Principal amount of debt component | \$ 10,233 | \$ 10,233 | \$ - | \$ 179,052 | \$ 499,982 | \$ 499,982 |
| Unamortized discount | (65) | (319) | - | (2,553) | (2,084) | (8,982) |
| Carrying amount of debt component | \$ 10,168 | \$ 9,914 | \$ - | \$ 176,499 | \$ 497,898 | \$ 491,000 |
| Carrying amount of equity component | \$ 956 | \$ 956 | \$ - | \$ 9,604 | \$ 32,301 | \$ 32,301 |
| Effective interest rate | 5.45 % | 5.45 % | n/a | 5.32 % | 5.32 % | 5.32 % |
| Maturity date (period through which discount is being amortized) | 4/1/12 | | n/a | | 4/15/12 | |
| Conversion price per share, as adjusted | \$ 157.18 | | n/a | | \$ 87.17 | |
| Number of shares on which the aggregate consideration to be delivered upon conversion is determined | - (1) | | n/a | | 5,736 | |

(1) Our convertible senior debentures require that upon conversion, the entire principal amount is to be settled in cash, and at our option, any excess value above the principal amount may be settled in cash or common shares. Based on the December 31, 2011 closing share price of our common shares and the conversion price in the table above, there was no excess value; accordingly, no common shares would be issued if

these securities were settled on this date. The number of common shares on which the aggregate consideration that would be delivered upon conversion is 65 common shares.

(Amounts in thousands)

| Income Statement: | For the Year Ended December 31, | | |
|-------------------------------------------------------|----------------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| 2.85% Convertible Senior Debentures due 2027: | | | |
| Coupon interest | \$ 292 | \$ 553 | \$ 33,743 |
| Discount amortization – original issue | 45 | 80 | 4,596 |
| Discount amortization – ASC 470-20 implementation | 209 | 374 | 21,514 |
| | \$ 546 | \$ 1,007 | \$ 59,853 |
| 3.63% Convertible Senior Debentures due 2026: | | | |
| Coupon interest | \$ 5,674 | \$ 13,015 | \$ 32,654 |
| Discount amortization – original issue | 694 | 1,520 | 3,606 |
| Discount amortization – ASC 470-20 implementation | 1,859 | 4,069 | 9,651 |
| | \$ 8,227 | \$ 18,604 | \$ 45,911 |
| 3.88% Exchangeable Senior Debentures due 2025: | | | |
| Coupon interest | \$ 19,374 | \$ 19,374 | \$ 19,428 |
| Discount amortization – original issue | 1,628 | 1,544 | 1,464 |
| Discount amortization – ASC 470-20 implementation | 5,270 | 4,999 | 4,741 |
| | \$ 26,272 | \$ 25,917 | \$ 25,633 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt – continued

The net carrying amount of properties collateralizing the notes and mortgages payable amounted to \$10.4 billion at December 31, 2011. As of December 31, 2011, the principal repayments required for the next five years and thereafter are as follows:

| (Amounts in thousands) Year Ending December 31, | Notes and Mortgages Payable | Senior Unsecured Debt and Revolving Credit Facilities |
|-----------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------|
| 2012 | \$ 828,404 | \$ - |
| 2013 | 1,741,750 | - |
| 2014 | 495,098 | - |
| 2015 | 538,159 | 500,000 |
| 2016 | 1,576,394 | 138,000 |
| Thereafter | 3,366,770 | 860,000 |

We may refinance our maturing debt as it comes due or choose to repay it.

10. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets represent Operating Partnership units held by third parties and are comprised of Class A units and Series D-10, D-14, D-15 and D-16 (collectively, “Series D”) cumulative redeemable preferred units. Class A units may be tendered for redemption to the Operating Partnership for cash; we, at our option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. Below are the details of Operating Partnership units held by third-parties that are included in “redeemable noncontrolling interests” as of December 31, 2011 and 2010.

(Amounts in thousands,
except units and
per unit amounts)

| Unit Series | Balance as of | | Units Outstanding at | | Per Unit Liquidation Preference | Preferred or Annual Distribution Rate |
|-------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------------------------|------------------------------------------------|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | | |
| Common: | | | | | | |
| Class A | \$ 934,677 | \$ 1,066,974 | 12,160,771 | 12,804,202 | N/A | \$ 2.76 |
| Perpetual Preferred: ⁽¹⁾ | | | | | | |
| 7.00% D-10 Cumulative Redeemable | \$ 80,000 | \$ 80,000 | 3,200,000 | 3,200,000 | \$ 25.00 | \$ 1.75 |
| 6.75% D-14 Cumulative Redeemable | 100,000 | 100,000 | 4,000,000 | 4,000,000 | \$ 25.00 | \$ 1.6875 |
| 6.875% D-15 Cumulative Redeemable | 45,000 | 45,000 | 1,800,000 | 1,800,000 | \$ 25.00 | \$ 1.71875 |
| 5.00% D-16 Cumulative Redeemable | 1,000 | 1,000 | 1 | 1 | \$1,000,000.00 | \$ 50,000.00 |
| 7.20% D-11 Cumulative Redeemable ⁽²⁾ | - | 35,000 | - | 1,400,000 | \$ 25.00 | \$ 1.80 |
| | \$ 226,000 | \$ 261,000 | 9,000,001 | 10,400,001 | | |

- (1) Holders may tender units for redemption to the Operating Partnership for cash at their stated redemption amount; we, at our option, may assume that obligation and pay the holders either cash or Vornado preferred shares on a one-for-one basis. These units are redeemable at our option at any time.
- (2) In 2011, we redeemed all of the outstanding Series D-11 cumulative redeemable preferred units for \$20.00 per unit in cash, or \$28,000 in the aggregate.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Redeemable Noncontrolling Interests - continued

Redeemable noncontrolling interests on our consolidated balance sheets are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to “additional capital” in our consolidated statements of changes in equity. Below is a table summarizing the activity of redeemable noncontrolling interests.

| | |
|---------------------------------------------------------------------|--------------|
| (Amounts in thousands) | |
| Balance at December 31, 2009 | \$ 1,251,628 |
| Net income | 55,228 |
| Distributions | (53,515) |
| Conversion of Class A units into common shares, at redemption value | (126,764) |
| Adjustment to carry redeemable Class A units at redemption value | 191,826 |
| Redemption of Series D-12 redeemable units | (13,000) |
| Other, net | 22,571 |
| Balance at December 31, 2010 | 1,327,974 |
| Net income | 55,912 |
| Distributions | (50,865) |
| Conversion of Class A units into common shares, at redemption value | (64,830) |
| Adjustment to carry redeemable Class A units at redemption value | (98,092) |
| Redemption of Series D-11 redeemable units | (28,000) |
| Other, net | 18,578 |
| Balance at December 31, 2011 | \$ 1,160,677 |

Redeemable noncontrolling interests exclude our Series G convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly, the fair value of these units is included as a component of “other liabilities” on our consolidated balance sheets and aggregated \$54,865,000 and \$55,097,000 as of December 31, 2011 and 2010, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Shareholders' Equity

Preferred Shares

The following table sets forth the details of our preferred shares of beneficial interest as of December 31, 2011 and 2010.

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

| Preferred Shares | Balance as of | | Shares Outstanding at | | Per Share | |
|-----------------------------------------------------|---------------|----------------------|-----------------------|----------------------|------------------------|----------------------|
| | 2011 | December 31, 2010 | 2011 | December 31, 2010 | Liquidation Preference | Distribution Rate |
| 6.5% Series A: authorized 5,750,000 shares | \$ 1,787 | \$ 2,057 | 36,709 | 40,009 | \$ 50.00 | \$ 3.25 |
| 7.0% Series E: authorized 3,450,000 shares | 72,248 | 72,248 | 3,000,000 | 3,000,000 | \$ 25.00 | \$ 1.75 |
| 6.75% Series F: authorized 6,000,000 shares | 144,720 | 144,720 | 6,000,000 | 6,000,000 | \$ 25.00 | \$ 1.6875 |
| 6.625% Series G: authorized 9,200,000 shares | 193,135 | 193,135 | 8,000,000 | 8,000,000 | \$ 25.00 | \$ 1.656 |
| 6.75% Series H: authorized 4,600,000 shares | 108,549 | 108,549 | 4,500,000 | 4,500,000 | \$ 25.00 | \$ 1.6875 |
| 6.625% Series I: authorized 12,050,000 shares | 262,379 | 262,379 | 10,800,000 | 10,800,000 | \$ 25.00 | \$ 1.656 |
| 6.875% Series J: authorized 9,850,000 shares | 238,842 | - | 9,850,000 | - | \$ 25.00 | \$ 1.71875 |
| | \$ 1,021,660 | \$ 783,088 | 42,186,709 | 32,340,009 | | |

On April 20, 2011, we sold 7,000,000 6.875% Series J Cumulative Redeemable Preferred Shares at a price of \$25.00 per share, in an underwritten public offering pursuant to an effective registration statement. On April 21, 2011, the underwriters exercised their option to purchase an additional 1,050,000 shares to cover over-allotments. On May 5, 2011 and August 5, 2011 we sold an additional 800,000 and 1,000,000 shares, respectively, at a price of \$25.00 per share. We retained aggregate net proceeds of \$238,842,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 9,850,000 Series J Preferred Units (with economic terms that mirror those of the Series J Preferred Shares). Dividends on the Series J Preferred Shares are cumulative and payable quarterly in arrears. The Series J Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we, at our option, may redeem the Series J Preferred Shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series J Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series A Convertible Preferred Shares of Beneficial Interest

Holders of Series A Preferred Shares of beneficial interest are entitled to receive dividends in an amount equivalent to \$3.25 per annum per share. These dividends are cumulative and payable quarterly in arrears. The Series A Preferred Shares are convertible at any time at the option of their respective holders at a conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions we, at our option, may redeem the Series A Preferred Shares at a current conversion rate of 1.4334 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. At no time will the Series A Preferred Shares be redeemable for cash.

Series E Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series E Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of \$25.00 per share, or \$1.75 per Series E Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series E Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series E Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series E Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Shareholders' Equity - continued

Series F Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series F Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of \$25.00 per share, or \$1.6875 per Series F Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series F Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series F Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series F Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series G Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series G Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of \$25.00 per share, or \$1.656 per Series G Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series G Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series G Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series G Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series H Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series H Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of \$25.00 per share, or \$1.6875 per Series H Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series H Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series H Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series H Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series I Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series I Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of \$25.00 per share, or \$1.656 per Series I Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series I Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem Series I Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income was \$73,729,000 and \$73,453,000 as of December 31, 2011 and 2010, respectively, and primarily consists of (i) accumulated unrealized gains from the mark-to-market of marketable securities classified as available-for-sale, (ii) our pro rata share of other comprehensive income of non-consolidated subsidiaries and (iii) changes in the value of our interest rate swap.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining the fair value of our financial and non-financial assets and liabilities. Accordingly, our fair value estimates, which are made at the end of each reporting period, may be different than the amounts that may ultimately be realized upon sale or disposition of these assets.

Fair Value Measurements on a Recurring Basis

Financial assets and liabilities that are measured at fair value on a recurring basis in our consolidated financial statements consist of (i) marketable securities, (ii) derivative positions in marketable equity securities, (iii) the assets of our deferred compensation plan, which are primarily marketable equity securities and equity investments in limited partnerships, (iv) Real Estate Fund investments, and (v) mandatorily redeemable instruments (Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of these financial assets and liabilities by their levels in the fair value hierarchy at December 31, 2011 and 2010, respectively.

| (Amounts in thousands) | Total | As of December 31, 2011 | | |
|-----------------------------------------------------------------------------------------|------------|-------------------------|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Marketable securities | \$ 741,321 | \$ 741,321 | \$ - | \$ - |
| Real Estate Fund investments (75% of which is attributable to noncontrolling interests) | 346,650 | - | - | 346,650 |
| Deferred compensation plan assets (included in other assets) | 95,457 | 39,236 | - | 56,221 |
| Derivative positions in marketable equity securities (included in other assets) | 30,600 | - | 30,600 | - |

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| | | | | |
|-----------------------------------------------------------------------------------------------|--------------|----------------|----------------|----------------|
| Total assets | \$1,214,028 | \$ 780,557 | \$ 30,600 | \$ 402,871 |
| Mandatorily redeemable instruments (included in other liabilities) | \$ 54,865 | \$ 54,865 | \$ - | \$ - |
| As of December 31, 2010 | | | | |
| (Amounts in thousands) | Total | Level 1 | Level 2 | Level 3 |
| Marketable securities | \$ 766,116 | \$ 766,116 | \$ - | \$ - |
| Real Estate Fund investments (75% of which is attributable to noncontrolling interests) | 144,423 | - | - | 144,423 |
| Deferred compensation plan assets (included in other assets) | 91,549 | 43,699 | - | 47,850 |
| Derivative positions in marketable equity securities (included in other assets) | 17,616 | - | 17,616 | - |
| Total assets | \$1,019,704 | \$ 809,815 | \$ 17,616 | \$ 192,273 |
| Mandatorily redeemable instruments (included in other liabilities) | \$ 55,097 | \$ 55,097 | \$ - | \$ - |

The table below summarizes the changes in the fair value of the Level 3 assets above for the years ended December 31, 2011 and 2010.

| (Amounts in thousands) | Real Estate Fund Investments | | Deferred Compensation Plan Assets | |
|-------------------------------|----------------------------------------|-------------|------------------------------------------|-------------|
| | For The Year Ended December 31, | | For The Year Ended December 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Beginning balance | \$ 144,423 | \$ - | \$ 47,850 | \$ 39,589 |
| Purchases | 248,803 | 144,423 | 25,692 | 17,006 |
| Sales | (48,355) | - | (18,801) | (12,320) |
| Realized and unrealized gains | 17,386 | - | 1,232 | 3,527 |
| Other, net | (15,607) | - | 248 | 48 |
| Ending balance | \$ 346,650 | \$ 144,423 | \$ 56,221 | \$ 47,850 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fair Value Measurements - continued

Fair Value Measurements on a Nonrecurring Basis

Non-financial assets measured at fair value on a nonrecurring basis in our consolidated financial statements consist of real estate assets and investments in partially owned entities that have been written-down to estimated fair value during 2011 and 2010. See Note 2 – *Basis of Presentation and Significant Accounting Policies* for details of impairment losses recognized during 2011 and 2010. The fair values of these assets are determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates, and (iii) comparable sales activity. Generally, we consider multiple valuation techniques when measuring fair values but in certain circumstances, a single valuation technique may be appropriate. The tables below aggregate the fair values of these assets by their levels in the fair value hierarchy.

| (Amounts in thousands) | Total | As of December 31, 2011 | | |
|-----------------------------------------|------------|-------------------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 |
| Real estate assets | \$ 62,033 | \$ - | \$ - | \$ 62,033 |
| | | As of December 31, 2010 | | |
| (Amounts in thousands) | Total | Level 1 | Level 2 | Level 3 |
| Real estate assets | \$ 381,889 | \$ - | \$ - | \$ 381,889 |
| Investments in partially owned entities | 11,413 | - | - | 11,413 |

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value in our consolidated financial statements include mezzanine loans receivable and debt. Estimates of the fair values of these instruments are based on our assessments of available market information and valuation methodologies, including discounted cash flow analyses. The table below summarizes the carrying amounts and fair values of these financial instruments as of December 31, 2011 and 2010.

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| (Amounts in thousands) | As of December 31, 2011 | | As of December 31, 2010 | |
|--------------------------------|-------------------------|---------------|-------------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Mezzanine loans receivable | \$ 133,948 | \$ 128,581 | \$ 202,412 | \$ 197,581 |
| Debt: | | | | |
| Notes and mortgages payable | \$ 8,558,275 | \$ 8,685,619 | \$ 8,255,101 | \$ 8,446,791 |
| Senior unsecured notes | 1,357,661 | 1,426,406 | 1,082,928 | 1,119,512 |
| Exchangeable senior debentures | 497,898 | 509,982 | 491,000 | 554,355 |
| Convertible senior debentures | 10,168 | 10,220 | 186,413 | 191,510 |
| Revolving credit facility debt | 138,000 | 138,000 | 874,000 | 874,000 |
| | \$ 10,562,002 | \$ 10,770,227 | \$ 10,889,442 | \$ 11,186,168 |

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation

Our Share Option Plan (the “Plan”), which was approved in May 2010, provides the Compensation Committee of the Board (the “Committee”) the ability to grant certain of our employees and officers, incentive and non-qualified stock options, stock appreciation rights, performance shares, restricted shares and other stock-based awards and Operating Partnership units, certain of which may provide for dividends or dividend equivalents and voting rights prior to vesting. Awards may be granted up to a maximum of 6,000,000 shares, if all awards granted are Full Value Awards, as defined, and up to 12,000,000 shares, if all of the awards granted are Not Full Value Awards, as defined. Full Value Awards are awards of securities, such as restricted shares, that, if all vesting requirements are met, do not require the payment of an exercise price or strike price to acquire the securities. Not Full Value Awards are awards of securities, such as options, that do require the payment of an exercise price or strike price. This means, for example, if the Committee were to award only restricted shares, it could award up to 6,000,000 restricted shares. On the other hand, if the Committee were to award only stock options, it could award options to purchase up to 12,000,000 shares (at the applicable exercise price). The Committee may also issue any combination of awards under the Plan, with reductions in availability of future awards made in accordance with the above limitations. As of December 31, 2011, we have approximately 5,582,000 shares available for future grants under the Plan, if all awards granted are Full Value Awards, as defined.

In the years ended December 31, 2011, 2010 and 2009, we recognized an aggregate of \$28,853,000, \$34,614,000 and \$59,814,000, respectively, of stock-based compensation expense, which is included as a component of “general and administrative expenses” on our consolidated statements of income. The year ended December 31, 2010 includes \$2,800,000 of expense resulting from accelerating the vesting of certain Operating Partnership units and 2006 out-performance plan units, which were scheduled to fully vest in the first quarter of 2011, and the year ended December 31, 2009 includes \$32,588,000 of expense, representing the write-off of the unamortized portion of awards that were voluntarily surrendered by nine of our most senior executives in the first quarter of 2009.

Out-Performance Plans

In March 2008, the Committee approved a \$75,000,000 out-performance plan (the “2008 OPP”). The fair value of the 2008 OPP awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$21,600,000. Of this amount, \$13,722,000 was expensed in the first quarter of 2009 upon the voluntary surrender of these awards by our nine most senior executives, and the remainder is being amortized into expense over a five-year vesting period beginning on the date of grant, using a graded vesting attribution model.

In April 2006, the Committee approved a \$100,000,000 out-performance plan (the “2006 OPP”). The fair value of the 2006 OPP awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$46,141,000 and was amortized into expense over the five-year vesting period beginning on the date of grant, using a graded vesting attribution model. In January 2007, the maximum performance threshold under the 2006 OPP was achieved, concluding the performance period.

In the years ended December 31, 2011, 2010 and 2009, we recognized \$740,000, \$5,062,000 and \$23,493,000, respectively, of compensation expense related to these awards. Of the \$23,493,000 of expense recognized in 2009, \$13,722,000 related to the write-off of the unamortized portion of 2008 OPP that was voluntarily surrendered by nine of our most senior executives. As of December 31, 2011, there was \$510,000 of total unrecognized compensation costs related to these plans, which will be recognized in 2012. Distributions paid on unvested OPP units are charged to “net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions” on our consolidated statements of income and amounted to \$32,000, \$815,000 and \$1,935,000 in 2011, 2010 and 2009, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation – continued

Stock Options

Stock options are granted at an exercise price equal to the average of the high and low market price of our common shares on the NYSE on the date of grant, generally vest over four years and expire 10 years from the date of grant. Compensation expense related to stock option awards is recognized on a straight-line basis over the vesting period. In the years ended December 31, 2011, 2010 and 2009, we recognized \$8,794,000, \$7,916,000 and \$25,911,000, respectively, of compensation expense related to stock options that vested during each year. Of the \$25,911,000 of expense recognized in 2009, \$18,866,000 related to the voluntary surrender of awards in 2009. As of December 31, 2011, there was \$20,398,000 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 1.8 years.

Below is a summary of our stock option activity under the Plan for the year ended December 31, 2011.

| | Shares | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-------------------------------------------------------------|-------------|-------------------------------------------|----------------------------------------------------------|---------------------------------|
| Outstanding at January 1, 2011 | 5,488,880 | \$ 56.89 | | |
| Granted | 534,168 | 91.70 | | |
| Exercised | (1,173,875) | 47.14 | | |
| Cancelled or expired | (378,178) | 81.02 | | |
| Outstanding at December 31, 2011 | 4,470,995 | \$ 61.56 | 5.5 | \$ 87,889,000 |
| Options vested and expected to vest at December 31, 2011 | 4,439,486 | \$ 61.38 | 5.5 | \$ 87,651,000 |
| Options exercisable at December 31, 2011 | 2,395,763 | \$ 57.20 | 3.4 | \$ 56,181,000 |

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The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions for grants in the years ended December 31, 2011, 2010 and 2009.

| | December 31, | | |
|-------------------------|---------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Expected volatility | 35.00 % | 35.00 % | 28.00 % |
| Expected life | 7.1 years | 7.90 years | 7.00 years |
| Risk free interest rate | 2.90 % | 3.60 % | 2.30 % |
| Expected dividend yield | 4.40 % | 4.90 % | 4.60 % |

The weighted average grant date fair value of options granted during the years ended December 31, 2011, 2010 and 2009 was \$21.42, \$16.96 and \$5.67, respectively. Cash received from option exercises for the years ended December 31, 2011, 2010 and 2009 was \$23,736,000, \$25,338,000 and \$1,749,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was \$39,348,000, \$60,923,000 and \$62,139,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Stock-based Compensation - continued

Restricted Stock

Restricted stock awards are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant and generally vest over four years. Compensation expense related to restricted stock awards is recognized on a straight-line basis over the vesting period. In the years ended December 31, 2011, 2010 and 2009, we recognized \$1,814,000, \$1,432,000 and \$2,063,000, respectively, of compensation expense related to restricted stock awards that vested during each year. As of December 31, 2011, there was \$3,567,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.9 years. Dividends paid on unvested restricted stock are charged directly to retained earnings and amounted to \$185,000, \$115,000 and \$161,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

Below is a summary of our restricted stock activity under the Plan for the year ended December 31, 2011.

| Unvested Shares | Shares | Weighted-Average Grant-Date Fair Value |
|----------------------------------|---------------|-------------------------------------------------------|
| Unvested at January 1, 2011 | 75,548 | \$ 78.60 |
| Granted | 11,362 | 91.70 |
| Vested | (24,384) | 83.31 |
| Cancelled or expired | (1,298) | 72.30 |
| Unvested at December 31, 2011 | 61,228 | 79.28 |

Restricted stock awards granted in 2011, 2010 and 2009 had a fair value of \$1,042,000, \$3,922,000 and \$496,000, respectively. The fair value of restricted stock that vested during the years ended December 31, 2011, 2010 and 2009 was \$2,031,000, \$2,186,000 and \$3,272,000, respectively.

Restricted Operating Partnership Units ("OP Units")

OP Units are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant, vest ratably over four years and are subject to a taxable book-up event, as defined. Compensation expense related to OP Units is recognized ratably over the vesting period using a graded vesting attribution model. In the years ended December 31, 2011, 2010 and 2009, we recognized \$17,505,000, \$20,204,000 and \$8,347,000, respectively, of compensation expense related to OP Units that vested during each year. As of December 31, 2011, there was \$18,903,000 of total remaining unrecognized compensation cost related to unvested OP Units, which is expected to be recognized over a weighted-average period of 1.5 years. Distributions paid on unvested OP Units are charged to "net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions" on our consolidated statements of income and amounted to \$2,567,000, \$2,285,000 and \$1,583,000 in 2011, 2010 and 2009, respectively.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2011.

| Unvested Units | Units | Weighted-Average Grant-Date Fair Value |
|----------------------------------|--------------|-------------------------------------------------------|
| Unvested at January 1, 2011 | 720,457 | \$ 56.78 |
| Granted | 217,740 | 86.00 |
| Vested | (175,462) | 58.47 |
| Cancelled or expired | (63,076) | 58.50 |
| Unvested at December 31, 2011 | 699,659 | 65.29 |

OP Units granted in 2011, 2010 and 2009 had a fair value of \$18,727,000, \$31,437,000 and \$10,691,000, respectively. The fair value of OP Units that vested during the years ended December 31, 2011, 2010 and 2009 was \$10,260,000, \$14,087,000 and \$4,020,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fee and Other Income

The following table sets forth the details of our fee and other income:

| (Amounts in thousands) | For the Year Ended December 31, | | |
|-----------------------------|---------------------------------|------------|-----------------------|
| | 2011 | 2010 | 2009 |
| BMS cleaning fees | \$ 61,754 | \$ 58,053 | \$ 53,824 |
| Management and leasing fees | 20,103 | 20,117 | 11,456 |
| Lease termination fees | 16,395 | 14,826 | 4,886 |
| Other income | 52,102 | 54,362 | 85,160 ⁽¹⁾ |
| | \$ 150,354 | \$ 147,358 | \$ 155,326 |

- (1) In December 2009, an agreement to sell an 8.6 acre parcel of land in the Pentagon City area of Arlington, Virginia, was terminated and we recognized \$27,089 of income representing the buyer's non-refundable purchase deposit, which is included in other income.

Fee and other income above includes management fee income from Interstate Properties, a related party, of \$787,000, \$815,000, and \$782,000 for the years ended December 31, 2011, 2010, and 2009, respectively. The above table excludes fee income from partially owned entities which is included in income from partially owned entities (see Note 5 – Investments in Partially Owned Entities).

15. Interest and Other Investment Income (Loss), Net

The following table sets forth the details of our interest and other investment income (loss):

| (Amounts in thousands) | For the Year Ended December 31, | | |
|--------------------------------------------------------------------------------|---------------------------------|-----------|--------------|
| | 2011 | 2010 | 2009 |
| Mezzanine loans loss reversal (accrual) and net gain on disposition | \$ 82,744 | \$ 53,100 | \$ (190,738) |
| Dividends and interest on marketable securities | 29,587 | 25,772 | 25,908 |
| Interest on mezzanine loans | 14,023 | 10,319 | 32,181 |
| Income from the mark-to-market of J.C. Penney derivative position | 12,984 | 130,153 | - |
| Mark-to-market of investments in our deferred compensation plan ⁽¹⁾ | 1,658 | 8,049 | 9,506 |
| Impairment losses on marketable equity securities | - | - | (3,361) |
| Other, net | 7,830 | 7,922 | 10,154 |

\$ 148,826

\$ 235,315

\$ (116,350)

(1) This income is entirely offset by the expense resulting from the mark-to-market of the deferred compensation plan liability, which is included in "general and administrative" expense.

162

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Dilutive share equivalents may include our Series A convertible preferred shares, employee stock options, restricted stock and exchangeable senior debentures.

| (Amounts in thousands, except per share amounts) | Year Ended December 31, | | |
|----------------------------------------------------------------------------------------------------|--------------------------------|-------------|-------------|
| | 2011 | 2010 | 2009 |
| Numerator: | | | |
| Income from continuing operations, net of income attributable to noncontrolling interests | \$ 525,584 | \$ 655,053 | \$ 59,655 |
| Income (loss) from discontinued operations, net of income attributable to noncontrolling interests | 136,718 | (7,170) | 46,514 |
| Net income attributable to Vornado | 662,302 | 647,883 | 106,169 |
| Preferred share dividends | (65,531) | (55,534) | (57,076) |
| Discount on preferred share and unit redemptions | 5,000 | 4,382 | - |
| Net income attributable to common shareholders | 601,771 | 596,731 | 49,093 |
| Earnings allocated to unvested participating securities | (221) | (120) | (184) |
| Numerator for basic income per share | 601,550 | 596,611 | 48,909 |
| Impact of assumed conversions: | | | |
| Convertible preferred share dividends | 124 | 160 | - |
| Numerator for diluted income per share | \$ 601,674 | \$ 596,771 | \$ 48,909 |
| Denominator: | | | |
| Denominator for basic income per share – weighted average shares | 184,308 | 182,340 | 171,595 |
| Effect of dilutive securities ⁽¹⁾ : | | | |
| Employee stock options and restricted share awards | 1,658 | 1,748 | 1,908 |
| Convertible preferred shares | 55 | 71 | - |
| Denominator for diluted income per share – weighted average shares and assumed conversions | 186,021 | 184,159 | 173,503 |
| INCOME PER COMMON SHARE – BASIC: | | | |
| Income from continuing operations, net | \$ 2.52 | \$ 3.31 | \$ 0.01 |
| Income (loss) from discontinued operations, net | 0.74 | (0.04) | 0.27 |

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| | | | | | | |
|-------------------------------------------------|----|------|----|--------|----|------|
| Net income per common share | \$ | 3.26 | \$ | 3.27 | \$ | 0.28 |
| INCOME PER COMMON SHARE – DILUTED: | | | | | | |
| Income from continuing operations, net | \$ | 2.50 | \$ | 3.28 | \$ | 0.01 |
| Income (loss) from discontinued operations, net | | 0.73 | | (0.04) | | 0.27 |
| Net income per common share | \$ | 3.23 | \$ | 3.24 | \$ | 0.28 |

(1) The effect of dilutive securities in the years ended December 31, 2011, 2010 and 2009 excludes an aggregate of 18,896, 19,684 and 21,276 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****17. Leases**

As lessor:

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Office building leases generally require the tenants to reimburse us for operating costs and real estate taxes above their base year costs. Shopping center leases provide for pass-through to tenants the tenant's share of real estate taxes, insurance and maintenance. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2011, future base rental revenue under non-cancelable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

| (Amounts in thousands) | |
|---------------------------------|--------------|
| Year Ending December 31: | |
| 2012 | \$ 1,807,885 |
| 2013 | 1,718,403 |
| 2014 | 1,609,279 |
| 2015 | 1,425,804 |
| 2016 | 1,232,154 |
| Thereafter | 6,045,584 |

These amounts do not include percentage rentals based on tenants' sales. These percentage rents approximated \$8,482,000, \$7,912,000 and \$8,394,000, for the years ended December 31, 2011, 2010 and 2009, respectively.

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2011, 2010 and 2009.

Former Bradlees Locations

Pursuant to a Master Agreement and Guaranty, dated May 1, 1992, we are due \$5,000,000 per annum of additional rent from Stop & Shop which was allocated to certain Bradlees former locations. On December 31, 2002, prior to the expiration of the leases to which the additional rent was allocated, we reallocated this rent to other former Bradlees leases also guaranteed by Stop & Shop. Stop & Shop is contesting our right to reallocate and claims that we are no longer entitled to the additional rent. On November 7, 2011, the Court determined that we have a continuing right to

allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent (see Note 20 – Commitments and Contingencies – Litigation). As of December 31, 2011, we have a \$41,983,000 receivable from Stop and Shop.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Leases - continued*As lessee:*

We are a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2011 are as follows:

| (Amounts in thousands) | |
|---------------------------------|-----------|
| Year Ending December 31: | |
| 2012 | \$ 31,472 |
| 2013 | 31,666 |
| 2014 | 31,945 |
| 2015 | 30,596 |
| 2016 | 26,470 |
| Thereafter | 1,037,730 |

Rent expense was \$37,177,000, \$36,417,000 and \$35,011,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

We are also a lessee under capital leases for real estate. Lease terms generally range from 5-20 years with renewal or purchase options. Capitalized leases are recorded at the present value of future minimum lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease, whichever is shorter. Amortization expense on capital leases is included in "depreciation and amortization" on our consolidated statements of income. As of December 31, 2011, future minimum lease payments under capital leases are as follows:

| (Amounts in thousands) | |
|---------------------------------|----------|
| Year Ending December 31: | |
| 2012 | \$ 707 |
| 2013 | 706 |
| 2014 | 707 |
| 2015 | 706 |
| 2016 | 707 |
| Thereafter | 16,014 |
| Total minimum obligations | 19,547 |
| Interest portion | (12,876) |

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Present value of net minimum payments \$ 6,671

At December 31, 2011 and 2010, \$6,671,000 and \$6,714,000, respectively, representing the present value of net minimum payments are included in "Other Liabilities" on our consolidated balance sheets. At December 31, 2011 and 2010, property leased under capital leases had a total cost of \$6,216,000 and \$6,216,000, respectively, and accumulated depreciation of \$2,184,000 and \$2,029,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Cleveland Medical Mart Development Project

In 2010, two of our wholly owned subsidiaries entered into agreements with Cuyahoga County, Ohio (the “County”) to develop and operate the Cleveland Medical Mart and Convention Center (the “Facility”), a 1,000,000 square foot showroom, trade show and conference center in Cleveland’s central business district. The County is funding the development of the Facility, using the proceeds it received from the issuance of general obligation bonds and other sources, up to the development budget of \$465,000,000 and maintain effective control of the property. During the 17-year development and operating period, our subsidiaries will receive net settled payments of approximately \$10,000,000 per year, which are net of its \$36,000,000 annual obligation to the County. Our subsidiaries’ obligation has been pledged by the County to the bondholders, but is payable by our subsidiaries only to the extent that they first receive at least an equal payment from the County. Our subsidiaries engaged a contractor to construct the Facility pursuant to a guaranteed maximum price contract; although our subsidiaries are ultimately responsible for cost overruns, the contractor is responsible for all costs incurred in excess of its contract and has provided a completion guaranty. Construction of the Facility is expected to be completed in 2013. Upon completion, our subsidiaries are required to fund \$11,500,000, primarily for tenant improvements, and they are responsible for operating expenses and are entitled to the net operating income, if any, of the Facility. The County may terminate the operating agreement five years from the completion of development and periodically thereafter, if our subsidiaries fail to achieve certain performance thresholds.

We account for these agreements using criteria set forth in ASC 605-25, *Multiple-Element Arrangements*, as our subsidiaries are providing development, marketing, leasing, and other property management related services over the 17-year term. We recognize development fees using the percentage of completion method of accounting. In the year ended December 31, 2011, we recognized \$154,080,000 of revenue, which is offset by development costs expensed of \$145,824,000.

19. Multiemployer Benefit Plans

Our subsidiaries make contributions to certain multiemployer defined benefit plans (“Multiemployer Pension Plans”) and health plans (“Multiemployer Health Plans”) for our union represented employees, pursuant to the respective collective bargaining agreements.

Multiemployer Pension Plans

Multiemployer Pension Plans differ from single-employer pension plans in that (i) contributions to multiemployer plans may be used to provide benefits to employees of other participating employers and (ii) if other participating employers fail to make their contributions, each of our participating subsidiaries may be required to bear its then pro rata share of unfunded obligations. If a participating subsidiary withdraws from a plan in which it participates, it may be subject to a withdrawal liability. As of December 31, 2011, our subsidiaries' participation in these plans were not significant to our consolidated financial statements.

In the years ended December 31, 2011, 2010 and 2009, our subsidiaries contributed \$10,168,000, \$9,629,000 and \$9,260,000, respectively, towards Multiemployer Pension Plans, which is included as a component of "operating" expenses on our consolidated statements of income. Our subsidiaries' contributions did not represent more than 5% of total employer contributions in any of these plans for the years ended December 31, 2011, 2010 and 2009.

Multiemployer Health Plans

Multiemployer Health Plans in which our subsidiaries participate provide health benefits to eligible active and retired employees. In the years ended December 31, 2011, 2010 and 2009, our subsidiaries contributed \$23,847,000, \$21,664,000 and \$20,949,000, respectively, towards these plans, which is included as a component of "operating" expenses on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$180,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by Terrorism Risk Insurance Program Reauthorization Act. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Coverage for NBCR losses is up to \$2.0 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance our properties and expand our portfolio.

Other Commitments and Contingencies

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2011, the aggregate dollar amount of these guarantees and master leases is approximately \$283,625,000.

At December 31, 2011, \$22,085,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

We expect to fund additional capital to certain of our partially owned entities aggregating approximately \$288,799,000.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Commitments and Contingencies - continued

Litigation

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matter referred to below, is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

In 2003, Stop & Shop filed an action against us in the New York Supreme Court, claiming that we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the leases to which the annual rent was previously allocated. Stop & Shop asserted that an order of the Bankruptcy Court for the Southern District of New York, as modified on appeal by the District Court, froze our right to reallocate and effectively terminated our right to collect the annual rent from Stop & Shop. We asserted a counterclaim seeking a judgment for all the unpaid annual rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the annual rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. After summary judgment motions by both sides were denied, the parties conducted discovery. A trial was held in November 2010. On November 7, 2011, the Court determined that we have a continuing right to allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty, and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent accrued through February 28, 2011 in the amount of \$37,422,000, a portion of the annual rent due from March 1, 2011 through the date of judgment, interest, and attorneys' fees. On December 16, 2011, a money judgment based on the Court's decision was entered in our favor in the amount of \$56,597,000 (including interest and costs). The amount for attorneys' fees is being addressed in a proceeding before a special referee. Stop & Shop has appealed the Court's decision and the judgment and has posted a bond to secure payment of the judgment. On January 12, 2012, we commenced a new action against Stop & Shop seeking recovery of \$2,500,000 of annual rent not included in the money judgment, plus additional annual rent as it accrues.

As of December 31, 2011, we have a \$41,983,000 receivable from Stop and Shop, excluding amounts due to us for interest and costs resulting from the Court's judgment. In the fourth quarter of 2011, based on the Court's decision, we recognized \$23,521,000 of income, representing the portion of the \$41,983,000 receivable that was previously reserved. As a result of Stop & Shop's appeal, we believe, after consultation with counsel, that the maximum reasonably possible loss is up to the total amount of the receivable of \$41,983,000.

21. Related Party Transactions

Alexander's

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 5 - Investments in Partially Owned Entities.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2011, Interstate and its partners beneficially owned an aggregate of approximately 6.3% of the common shares of beneficial interest of Vornado and 27.2% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us. We earned \$787,000, \$815,000, and \$782,000 of management fees under the agreement for the years ended December 31, 2011, 2010 and 2009.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Related Party Transactions - continued

Other

Upon maturity on December 23, 2011, Steven Roth, the Chairman of our Board of Trustees, repaid the Company his \$13,122,500 outstanding loan. Pursuant to a credit agreement dated November 1999, Mr. Roth may draw up to \$15,000,000 of loans from the Company on a revolving basis. Each loan bears interest, payable quarterly, at the applicable Federal rate on the date the loan is made and matures on the sixth anniversary of such loan. Loans are collateralized by assets with a value of not less than two times the amount outstanding. On December 23, 2011, Mr. Roth borrowed \$13,122,500 under this facility, which bears interest at 1.27% per annum and matures on December 23, 2017.

22. Summary of Quarterly Results (Unaudited)

The following summary represents the results of operations for each quarter in 2011 and 2010:

| (Amounts in thousands, except per share amounts) | Revenues | Net Income Attributable to Common Shareholders (1) | Net Income Per Common Share (2) | |
|--------------------------------------------------|-----------------|---------------------------------------------------------------------------|--------------------------------------------|----------------|
| | | | Basic | Diluted |
| 2011 | | | | |
| December 31 | \$ 741,815 | \$ 69,508 | \$ 0.38 | \$ 0.37 |
| September 30 | 727,343 | 41,135 | 0.22 | 0.22 |
| June 30 | 719,624 | 91,913 | 0.50 | 0.49 |
| March 31 | 726,883 | 399,215 | 2.17 | 2.12 |
| 2010 | | | | |
| December 31 | \$ 702,836 | \$ 243,414 | \$ 1.33 | \$ 1.31 |
| September 30 | 687,125 | 95,192 | 0.52 | 0.52 |

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| | | | | |
|----------|---------|---------|------|------|
| June 30 | 674,192 | 57,840 | 0.32 | 0.31 |
| March 31 | 676,528 | 200,285 | 1.10 | 1.09 |

-
- (1) Fluctuations among quarters resulted primarily from non-cash impairment losses, mark-to-market of derivative instruments, net gains on sale of real estate and from seasonality of business operations.
- (2) The total for the year may differ from the sum of the quarters as a result of weighting.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Segment Information

The financial information summarized below is presented by reportable operating segment, consistent with how we review and manage our businesses.

(Amounts in thousands)

| | For the Year Ended December 31, 2011 | | | | | | Other ⁽³⁾ |
|---------------------------------------------------|--------------------------------------|-----------------|-----------------------|------------|------------------|------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | |
| Property rentals | \$ 2,157,938 | \$ 783,438 | \$ 558,256 | \$ 424,646 | \$ 208,059 | \$ - | \$ 183,539 |
| Straight-line rent adjustments | 41,431 | 25,720 | (721) | 16,319 | (2,680) | - | 2,793 |
| Amortization of acquired below-market leases, net | 62,442 | 31,547 | 2,088 | 23,751 | 38 | - | 5,018 |
| Total rentals | 2,261,811 | 840,705 | 559,623 | 464,716 | 205,417 | - | 191,350 |
| Tenant expense reimbursements | 349,420 | 140,038 | 36,849 | 150,338 | 11,602 | - | 10,593 |
| Cleveland Medical Mart development project | 154,080 | - | - | - | 154,080 | - | - |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 61,754 | 95,452 | - | - | - | - | (33,698) |
| Management and leasing fees | 20,103 | 7,394 | 12,361 | 3,071 | 342 | - | (3,065) |
| Lease termination fees | 16,395 | 11,539 | 3,794 | 767 | 295 | - | - |
| Other | 52,102 | 22,189 | 20,650 | 5,966 | 3,558 | - | (261) |
| Total revenues | 2,915,665 | 1,117,317 | 633,277 | 624,858 | 375,294 | - | 164,919 |
| Operating expenses | 1,091,597 | 485,731 | 200,677 | 205,385 | 132,470 | - | 67,334 |
| Depreciation and amortization | 553,811 | 186,765 | 160,729 | 114,360 | 41,094 | - | 50,863 |
| General and administrative | 209,981 | 18,815 | 26,380 | 28,098 | 29,996 | - | 106,692 |
| Cleveland Medical Mart development project | 145,824 | - | - | - | 145,824 | - | - |
| Tenant buy-outs, impairment losses and | | | | | | | |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|----------|----------|--------|-----------|
| other acquisition related costs | 58,299 | - | - | 24,146 | 28,228 | - | 5,925 |
| Total expenses | 2,059,512 | 691,311 | 387,786 | 371,989 | 377,612 | - | 230,814 |
| Operating income (loss) | 856,153 | 426,006 | 245,491 | 252,869 | (2,318) | - | (65,895) |
| Income applicable to Toys | 48,540 | - | - | - | - | 48,540 | - |
| Income (loss) from partially owned entities | 71,770 | (12,559) | (6,381) | 4,006 | 455 | - | 86,249 |
| Income from Real Estate Fund | 22,886 | - | - | - | - | - | 22,886 |
| Interest and other investment income (loss), net | 148,826 | 642 | 199 | (29) | 43 | - | 147,971 |
| Interest and debt expense | (544,015) | (138,336) | (120,724) | (91,895) | (36,873) | - | (156,187) |
| Net gain on disposition of wholly owned and partially owned assets | 15,134 | - | - | 4,278 | - | - | 10,856 |
| Income (loss) before income taxes | 619,294 | 275,753 | 118,585 | 169,229 | (38,693) | 48,540 | 45,880 |
| Income tax expense | (24,827) | (2,084) | (2,927) | (34) | (2,237) | - | (17,545) |
| Income (loss) from continuing operations | 594,467 | 273,669 | 115,658 | 169,195 | (40,930) | 48,540 | 28,335 |
| Income from discontinued operations | 145,533 | 563 | 46,466 | 4,000 | 94,504 | - | - |
| Net income | 740,000 | 274,232 | 162,124 | 173,195 | 53,574 | 48,540 | 28,335 |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (21,786) | (10,042) | - | 237 | - | - | (11,981) |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | - | - | - | - | - | (55,912) |
| Net income (loss) attributable to | | | | | | | |

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| | | | | | | | |
|----------------------------------------------|--------------|------------|------------|------------|------------|------------|------------|
| Vornado | 662,302 | 264,190 | 162,124 | 173,432 | 53,574 | 48,540 | (39,558) |
| Interest and debt expense ⁽²⁾ | 797,920 | 150,627 | 134,270 | 96,644 | 40,916 | 157,135 | 218,328 |
| Depreciation and amortization ⁽²⁾ | 777,421 | 201,122 | 181,560 | 117,716 | 46,725 | 134,967 | 95,331 |
| Income tax expense (benefit) ⁽²⁾ | 4,812 | 2,204 | 3,123 | 34 | 2,237 | (1,132) | (1,654) |
| EBITDA ⁽¹⁾ | \$ 2,242,455 | \$ 618,143 | \$ 481,077 | \$ 387,826 | \$ 143,452 | \$ 339,510 | \$ 272,447 |

Balance Sheet

Data:

| | | | | | | | |
|-----------------------------------------|--------------|-------------|-------------|-------------|------------|---------|-------------|
| Real estate at cost | \$17,627,011 | \$5,554,964 | \$4,373,361 | \$4,828,536 | \$ 963,811 | \$ - | \$1,906,339 |
| Investments in partially owned entities | 1,740,459 | 355,499 | 113,536 | 13,264 | 3,589 | 506,809 | 747,762 |
| Total assets | 20,446,487 | 6,244,822 | 4,150,140 | 4,438,198 | 1,226,084 | 506,809 | 3,880,434 |

See notes on page 173.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Segment Information – continued

(Amounts in thousands)

| | For the Year Ended December 31, 2010 | | | | | | |
|------------------------------------------------------------------------|--------------------------------------|-----------------|-----------------------|------------|------------------|--------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$ 2,099,158 | \$ 773,996 | \$ 566,041 | \$ 390,068 | \$ 199,323 | \$ - | \$ 169,730 |
| Straight-line rent adjustments | 73,007 | 34,197 | 5,849 | 28,604 | 382 | - | 3,975 |
| Amortization of acquired below-market leases, net | 65,542 | 36,164 | 2,326 | 21,470 | (75) | - | 5,657 |
| Total rentals | 2,237,707 | 844,357 | 574,216 | 440,142 | 199,630 | - | 179,362 |
| Tenant expense reimbursements | 355,616 | 137,412 | 51,963 | 144,224 | 11,059 | - | 10,958 |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 58,053 | 88,664 | - | - | - | - | (30,611) |
| Management and leasing fees | 20,117 | 6,192 | 15,934 | 1,029 | 156 | - | (3,194) |
| Lease termination fees | 14,826 | 4,270 | 1,148 | 7,641 | 467 | - | 1,300 |
| Other | 54,362 | 22,283 | 21,427 | 3,674 | 3,838 | - | 3,140 |
| Total revenues | 2,740,681 | 1,103,178 | 664,688 | 596,710 | 215,150 | - | 160,955 |
| Operating expenses | 1,082,844 | 469,495 | 213,935 | 220,090 | 114,161 | - | 65,163 |
| Depreciation and amortization | 522,022 | 176,534 | 142,720 | 108,156 | 40,130 | - | 54,482 |
| General and administrative | 213,949 | 18,578 | 25,464 | 29,610 | 26,720 | - | 113,577 |
| Tenant buy-outs, impairment losses and other acquisition related costs | 129,458 | - | - | 72,500 | 20,000 | - | 36,958 |
| Total expenses | 1,948,273 | 664,607 | 382,119 | 430,356 | 201,011 | - | 270,180 |
| Operating income (loss) | 792,408 | 438,571 | 282,569 | 166,354 | 14,139 | - | (109,225) |
| Income applicable to Toys | 71,624 | - | - | - | - | 71,624 | - |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|----------|----------|---------|-----------|
| Income (loss) from partially owned entities | 22,438 | (6,354) | (564) | 9,401 | (179) | - | 20,134 |
| (Loss) from Real Estate Fund | (303) | - | - | - | - | - | (303) |
| Interest and other investment income, net | 235,315 | 608 | 157 | 180 | 47 | - | 234,323 |
| Interest and debt expense | (560,052) | (132,279) | (130,540) | (85,063) | (37,932) | - | (174,238) |
| Net gain (loss) on extinguishment of debt | 94,789 | - | - | 105,571 | - | - | (10,782) |
| Net gain on disposition of wholly owned and partially owned assets | 81,432 | - | 54,742 | - | 765 | - | 25,925 |
| Income (loss) before income taxes | 737,651 | 300,546 | 206,364 | 196,443 | (23,160) | 71,624 | (14,166) |
| Income tax expense | (22,476) | (2,167) | (1,816) | (37) | (173) | - | (18,283) |
| Income (loss) from continuing operations | 715,175 | 298,379 | 204,548 | 196,406 | (23,333) | 71,624 | (32,449) |
| (Loss) income from discontinued operations | (7,144) | 168 | (4,481) | 2,453 | (5,284) | - | - |
| Net income (loss) | 708,031 | 298,547 | 200,067 | 198,859 | (28,617) | 71,624 | (32,449) |
| Less: | | | | | | | |
| Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries | (4,920) | (9,559) | - | (778) | - | - | 5,417 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,228) | - | - | - | - | - | (55,228) |
| Net income (loss) attributable to Vornado | 647,883 | 288,988 | 200,067 | 198,081 | (28,617) | 71,624 | (82,260) |
| Interest and debt expense ⁽²⁾ | 828,082 | 126,209 | 136,174 | 92,653 | 61,379 | 177,272 | 234,395 |
| | 729,426 | 170,505 | 159,283 | 114,335 | 51,064 | 131,284 | 102,955 |

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| | | | | | | | |
|----------------------------------------------|--------------|------------|------------|------------|-----------|------------|------------|
| Depreciation and amortization ⁽²⁾ | | | | | | | |
| Income tax (benefit) expense ⁽²⁾ | (23,036) | 2,167 | 2,027 | 37 | 232 | (45,418) | 17,919 |
| EBITDA ⁽¹⁾ | \$ 2,182,355 | \$ 587,869 | \$ 497,551 | \$ 405,106 | \$ 84,058 | \$ 334,762 | \$ 273,009 |

Balance Sheet

Data:

| | | | | | | | |
|-----------------------------------------|---------------|--------------|--------------|--------------|------------|---------|--------------|
| Real estate at cost | \$ 17,387,701 | \$ 5,505,010 | \$ 4,237,438 | \$ 4,782,697 | \$ 970,417 | \$ - | \$ 1,892,139 |
| Investments in partially owned entities | 1,375,006 | 97,743 | 149,295 | 11,831 | 4,183 | 447,334 | 664,620 |
| Total assets | 20,517,471 | 5,743,781 | 3,872,209 | 4,284,871 | 1,435,714 | 447,334 | 4,733,562 |

See notes on page 173.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Segment Information – continued

(Amounts in thousands)

| | For the Year Ended December 31, 2009 | | | | | | |
|------------------------------------------------------------------------|--------------------------------------|--------------------|-----------------------------|------------|---------------------|--------|----------------------|
| | Total | New York Office | Washington, DC Office | Retail | Merchandise Mart | Toys | Other ⁽³⁾ |
| Property rentals | \$ 1,989,169 | \$ 757,372 | \$ 526,683 | \$ 354,397 | \$ 191,485 | \$ - | \$ 159,232 |
| Straight-line rent adjustments | 89,405 | 36,832 | 22,683 | 26,943 | 2,478 | - | 469 |
| Amortization of acquired below-market leases, net | 70,401 | 39,474 | 3,452 | 22,095 | 89 | - | 5,291 |
| Total rentals | 2,148,975 | 833,678 | 552,818 | 403,435 | 194,052 | - | 164,992 |
| Tenant expense reimbursements | 351,290 | 136,368 | 60,620 | 132,385 | 12,079 | - | 9,838 |
| Fee and other income: | | | | | | | |
| BMS cleaning fees | 53,824 | 75,549 | - | - | - | - | (21,725) |
| Management and leasing fees | 11,456 | 4,211 | 8,183 | 1,731 | 88 | - | (2,757) |
| Lease termination fees | 4,886 | 1,840 | 2,224 | 464 | 219 | - | 139 |
| Other | 85,160 | 18,868 | 47,745 | 2,565 | 7,528 | - | 8,454 |
| Total revenues | 2,655,591 | 1,070,514 | 671,590 | 540,580 | 213,966 | - | 158,941 |
| Operating expenses | 1,050,545 | 451,977 | 220,333 | 200,457 | 113,078 | - | 64,700 |
| Depreciation and amortization | 519,534 | 173,433 | 142,415 | 99,217 | 41,587 | - | 62,882 |
| General and administrative | 230,584 | 22,662 | 26,205 | 30,339 | 30,749 | - | 120,629 |
| Tenant buy-outs, impairment losses and other acquisition related costs | 73,763 | - | 24,875 | 9,589 | - | - | 39,299 |
| Total expenses | 1,874,426 | 648,072 | 413,828 | 339,602 | 185,414 | - | 287,510 |
| Operating income (loss) | 781,165 | 422,442 | 257,762 | 200,978 | 28,552 | - | (128,569) |
| Income applicable to Toys | 92,300 | - | - | - | - | 92,300 | - |

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| | | | | | | | |
|------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|----------|----------|----------|-----------|
| (Loss) income from partially owned entities | (19,910) | 5,817 | 4,850 | 4,728 | 151 | - | (35,456) |
| Interest and other investment (loss) income, net | (116,350) | 876 | 786 | 69 | 95 | - | (118,176) |
| Interest and debt expense | (617,768) | (133,647) | (128,039) | (88,844) | (38,009) | - | (229,229) |
| Net (loss) gain on extinguishment of debt | (25,915) | - | - | 769 | - | - | (26,684) |
| Net gain on disposition of wholly owned and partially owned assets | 5,641 | - | - | - | - | - | 5,641 |
| Income (loss) before income taxes | 99,163 | 295,488 | 135,359 | 117,700 | (9,211) | 92,300 | (532,473) |
| Income tax expense | (20,642) | (1,332) | (1,482) | (319) | (2,140) | - | (15,369) |
| Income (loss) from continuing operations | 78,521 | 294,156 | 133,877 | 117,381 | (11,351) | 92,300 | (547,842) |
| Income (loss) from discontinued operations | 49,929 | 945 | 52,308 | (3,430) | 106 | - | - |
| Net income (loss) | 128,450 | 295,101 | 186,185 | 113,951 | (11,245) | 92,300 | (547,842) |
| Less: | | | | | | | |
| Net loss (income) attributable to noncontrolling interests in consolidated subsidiaries | 2,839 | (9,098) | - | 915 | - | - | 11,022 |
| Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (25,120) | - | - | - | - | - | (25,120) |
| Net income (loss) attributable to Vornado | 106,169 | 286,003 | 186,185 | 114,866 | (11,245) | 92,300 | (561,940) |
| Interest and debt expense ⁽²⁾ | 826,827 | 126,968 | 132,610 | 95,990 | 52,862 | 127,390 | 291,007 |
| Depreciation and amortization ⁽²⁾ | 728,815 | 168,517 | 152,747 | 105,903 | 56,702 | 132,227 | 112,719 |
| | 10,193 | 1,332 | 1,590 | 319 | 2,208 | (13,185) | 17,929 |

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Income tax expense
(benefit)⁽²⁾

| | | | | | | | |
|-----------------------|--------------|------------|------------|------------|------------|------------|--------------|
| EBITDA ⁽¹⁾ | \$ 1,672,004 | \$ 582,820 | \$ 473,132 | \$ 317,078 | \$ 100,527 | \$ 338,732 | \$ (140,285) |
|-----------------------|--------------|------------|------------|------------|------------|------------|--------------|

Balance Sheet

Data:

| | | | | | | | |
|---------------------|---------------|--------------|--------------|--------------|------------|------|--------------|
| Real estate at cost | \$ 17,293,970 | \$ 5,421,640 | \$ 4,593,749 | \$ 4,517,625 | \$ 992,290 | \$ - | \$ 1,768,666 |
|---------------------|---------------|--------------|--------------|--------------|------------|------|--------------|

Investments in
partially owned
entities

| | | | | | | | |
|--|-----------|---------|---------|--------|-------|---------|---------|
| | 1,209,285 | 128,961 | 119,182 | 22,955 | 6,520 | 409,453 | 522,214 |
|--|-----------|---------|---------|--------|-------|---------|---------|

Total assets

| | | | | | | | |
|--|------------|-----------|-----------|-----------|-----------|---------|-----------|
| | 20,185,472 | 5,538,362 | 4,138,752 | 3,511,987 | 1,455,000 | 409,453 | 5,131,918 |
|--|------------|-----------|-----------|-----------|-----------|---------|-----------|

See notes on the
following page.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Segment Information - continued**Notes to preceding tabular information:**

- (1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a supplemental measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense, depreciation and amortization and income tax expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The tables below provide information about EBITDA from certain investments that are included in the "other" column of the preceding EBITDA by segment reconciliations. The totals for each of the columns below agree to the total EBITDA for the "other" column in the preceding EBITDA by segment reconciliations.

(Amounts in thousands)

For the Year Ended December 31,

| | 2011 | 2010 | 2009 |
|----------------------------------------------------------------------|----------|----------|-----------|
| Our share of Real Estate Fund: | | | |
| Income before net realized/unrealized gains | \$ 4,205 | \$ 503 | \$ - |
| Net unrealized gains | 2,999 | - | - |
| Net realized gains | 1,348 | - | - |
| Carried interest accrual | 736 | - | - |
| Total | 9,288 | 503 | - |
| Alexander's | 61,080 | 57,425 | 81,703 |
| LNR (acquired in July 2010) | 47,614 | 6,116 | - |
| Lexington ⁽¹⁾ | 44,539 | 55,304 | 50,024 |
| 555 California Street | 44,724 | 46,782 | 44,757 |
| Hotel Pennsylvania | 30,135 | 23,763 | 15,108 |
| Other investments | 33,529 | 30,463 | 11,070 |
| | 270,909 | 220,356 | 202,662 |
| Corporate general and administrative expenses ⁽²⁾ | (85,922) | (90,343) | (79,843) |
| Investment income and other, net ⁽²⁾ | 52,405 | 65,499 | 78,593 |
| Mezzanine loans loss reversals (accrual) and net gain on disposition | 82,744 | 53,100 | (190,738) |
| Income from the mark-to-market of J.C. Penney derivative position | 12,984 | 130,153 | - |
| Net gain from Suffolk Downs' sale of a partial interest | 12,525 | - | - |
| Net gain on sale of condominiums | 5,884 | 3,149 | 648 |
| Acquisition costs | (5,925) | (6,945) | - |

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| | | | |
|----------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|
| Real Estate Fund placement fees | (3,451) | (5,937) | - |
| Net loss on extinguishment of debt | - | (10,782) | (26,684) |
| Non-cash asset write-downs: | | | |
| Investment in Lexington | - | - | (19,121) |
| Marketable equity securities | - | - | (3,361) |
| Real estate - primarily development projects: | | | |
| Wholly owned entities | - | (30,013) | (39,299) |
| Partially owned entities | (13,794) | - | (17,820) |
| Write-off of unamortized costs from the voluntary surrender of equity awards | - | - | (20,202) |
| Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions | (55,912) | (55,228) | (25,120) |
| | \$ 272,447 | \$ 273,009 | \$ (140,285) |

- (1) Includes net gains of \$9,760 and \$13,710 in 2011 and 2010, respectively, resulting from Lexington's stock issuances.
- (2) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

item 9. changes in and disagreements with accountants on accounting and financial disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15 (e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2011, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2011 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide

reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States, and that receipts and expenditures are being made only in accordance with authorizations of management and our trustees; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 175, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2011.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the internal control over financial reporting of Vornado Realty Trust, together with its consolidated subsidiaries (the “Company”) as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2011 of the Company and our report dated February 27, 2012 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph relating to a change in method of presenting comprehensive income.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 27, 2012

Item 9B. Other Information

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

Information relating to trustees of the Registrant, including its audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of trustees under the caption "Election of Trustees" which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 2011, and such information is incorporated herein by reference. Also incorporated herein by reference is the information under the caption "16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office that run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

PRINCIPAL OCCUPATION, POSITION AND OFFICE

| Name | Age | (Current and during past five years with Vornado unless otherwise stated) |
|-----------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Steven Roth | 70 | Chairman of the Board; Chief Executive Officer from May 1989 to May 2009; Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 1995, a Director since 1989, and Chairman since May 2004. |
| Michael D. Fascitelli | 55 | Chief Executive Officer since May 2009; President and a Trustee since December 1996; President of Alexander's Inc. since August 2000 and Director since December 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992. |
| Mark Falanga | 53 | President of the Merchandise Mart Division since July 2011; Senior Vice President of the Merchandise Mart Division from August 2005 to July 2011; Vice President of the Merchandise Mart Division and |

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| | | |
|--------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | its predecessor since January 1994. |
| Michael J. Franco | 43 | Executive Vice President - Co-Head of Acquisitions and Capital Markets since November 2010; Managing Director (2003-2010) and Executive Director (2001-2003) of the Real Estate Investing Group of Morgan Stanley. |
| David R. Greenbaum | 60 | President of the New York Office Division since April 1997 (date of our acquisition); President of Mendik Realty (the predecessor to the New York Office division) from 1990 until April 1997. |
| Joseph Macnow | 66 | Executive Vice President - Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Vice President and Chief Financial Officer of the Company from 1985 to January 1998; Executive Vice President and Chief Financial Officer of Alexander's Inc. since August 1995. |
| Mitchell N. Schear | 53 | President of Vornado/Charles E. Smith L.P. (our Washington, DC Office division) since April 2003; President of the Kaempfer Company from 1998 to April 2003 (date acquired by us). |
| Wendy Silverstein | 51 | Executive Vice President - Co-Head of Acquisitions and Capital Markets since November 2010; Executive Vice President of Capital Markets since 1998; Senior Credit Officer of Citicorp Real Estate and Citibank, N.A. from 1986 to 1998. |

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Michael Fascitelli, its principal executive officer, and Joseph Macnow, its principal financial and accounting officer. This Code is available on our website at www.vno.com.

Item 11. Executive Compensation

Information relating to executive officer and director compensation will be contained in the Proxy Statement referred to above in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Executive Compensation” and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Principal Security Holders” and such information is incorporated herein by reference.

Equity compensation plan information

The following table provides information as of December 31, 2011 regarding our equity compensation plans.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column) |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders | 5,580,481 ⁽¹⁾ | \$ 61.56 | 5,582,014 ⁽²⁾ |
| Equity compensation awards not approved by security holders | - | - | - |

| | | | | |
|-------|-----------|----|-------|-----------|
| Total | 5,580,481 | \$ | 61.56 | 5,582,014 |
|-------|-----------|----|-------|-----------|

-
- (1) Includes an aggregate of 1,109,486 shares/units, comprised of (i) 61,228 restricted common shares, (ii) 939,487 restricted Operating Partnership units and (iii) 108,771 Out-Performance Plan units, which do not have an exercise price.
- (2) Based on awards being granted as "Full Value Awards," as defined. If we were to grant "Not Full Value Awards," as defined, the number of securities available for future grants would be 11,164,028.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, "Directors, Executive Officers and Corporate Governance," under the caption "Certain Relationships and Related Transactions" and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to Principal Accounting fees and services will be contained in the Proxy Statement referred to in Item 10, "Directors, Executive Officers and Corporate Governance," under the caption "Ratification of Selection of Independent Auditors" and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

| | Pages in this Annual Report on Form 10-K |
|----------------------------------------------------------------------------------------|---------------------------------------------------------|
| II--Valuation and Qualifying Accounts--years ended December 31, 2011, 2010 and 2009 | 180 |
| III--Real Estate and Accumulated Depreciation as of December 31, 2011 | 181 |

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The following exhibits listed on the Exhibit Index, which is incorporated herein by reference, are filed with this Annual Report on Form 10-K.

Exhibit No.

| | |
|---------|-----------------------------------------------------------------------------------|
| 12 | Computation of Ratios |
| 21 | Subsidiaries of Registrant |
| 23 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Rule 13a-14 (a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14 (a) Certification of Chief Financial Officer |
| 32.1 | Section 1350 Certification of the Chief Executive Officer |
| 32.2 | Section 1350 Certification of the Chief Financial Officer |
| 10.45 | Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2011 |
| 101.INS | XBRL Instance Document |

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| | |
|---------|-----------------------------------------------|
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

178

SIGNATURES

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

VORNADO REALTY TRUST
(Registrant)

Date: February 27, 2012

By: /s/ Joseph Macnow
Joseph Macnow, Executive Vice President -
Finance and Administration and
Chief Financial Officer (duly authorized officer
and principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature | Title | Date |
|---------------------------------------------------------|------------------------------------------------------------------------|-------------------|
| By: /s/Steven Roth (Steven Roth) | Chairman of the Board of Trustees | February 27, 2012 |
| By: /s/Michael D. Fascitelli (Michael D. Fascitelli) | President and Chief Executive Officer (Principal Executive Officer) | February 27, 2012 |
| By: /s/Candace L. Beinecke (Candace L. Beinecke) | Trustee | February 27, 2012 |
| By: /s/Anthony W. Deering (Anthony W. Deering) | Trustee | February 27, 2012 |
| By: /s/Robert P. Kogod (Robert P. Kogod) | Trustee | February 27, 2012 |
| By: /s/Michael Lynne (Michael Lynne) | Trustee | February 27, 2012 |
| By: /s/David Mandelbaum (David Mandelbaum) | Trustee | February 27, 2012 |
| By: /s/Ronald G. Targan | Trustee | February 27, 2012 |

(Ronald G. Targan)

| | | |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| By: /s/Daniel R. Tisch (Daniel R. Tisch) | Trustee | February 27, 2012 |
| By: /s/Richard R. West (Richard R. West) | Trustee | February 27, 2012 |
| By: /s/Russell B. Wight (Russell B. Wight, Jr.) | Trustee | February 27, 2012 |
| By: /s/Joseph Macnow (Joseph Macnow) | Executive Vice President — Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer) | February 27, 2012 |

**VORNADO REALTY TRUST
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS**

December 31, 2011

(Amounts in Thousands)

| Column A | Column B | Column C | Column D | Column E |
|--------------------------------------|------------|-------------|---------------|------------|
| Description | Balance at | Additions | Uncollectible | Balance |
| Year Ended December 31, | Beginning | Charged | Accounts | at End |
| 2011: | of Year | Against | Written-off | of Year |
| Allowance for doubtful accounts | \$ 143,511 | \$ (54,700) | \$ (41,524) | \$ 47,287 |
| Year Ended December 31, 2010: | | | | |
| Allowance for doubtful accounts | \$ 241,709 | \$ (23,063) | \$ (75,135) | \$ 143,511 |
| Year Ended December 31, 2009: | | | | |
| Allowance for doubtful accounts | \$ 84,818 | \$ 216,784 | \$ (59,893) | \$ 241,709 |

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | | COLUMN F | COLUMN G | COLUMN H |
|---------------------------------------|------------|-----------------------------|--------------|---------------------------------------------|--------------------------------------------------|--------------|--------------|-------------------------------------------|--------------------------|---------------|
| Description | Branches | Land | improvements | Costs capitalized subsequent to acquisition | Land | improvements | Total (2) | Accumulated depreciation and amortization | Date of construction (3) | Date acquired |
| | | Initial cost to company (1) | | | Gross amount at which carried at close of period | | | | | |
| | | Building and | | | Buildings and | | | | | |
| Office Buildings | | | | | | | | | | |
| New York | | | | | | | | | | |
| Manhattan | | | | | | | | | | |
| 1290 Avenue of the Americas | 413,111 \$ | 515,539 \$ | 923,653 \$ | 75,193 \$ | 515,539 \$ | 998,846 \$ | 1,514,385 \$ | 127,938 | 1963 | 2000 |
| 350 Park Avenue | 430,000 | 265,889 | 363,381 | 27,457 | 265,889 | 390,838 | 656,727 | 49,264 | 1960 | 2000 |
| One Penn Plaza | - | - | 412,169 | 162,098 | - | 574,267 | 574,267 | 194,075 | 1972 | 1990 |
| 100 West 33rd Street (Manhattan Mall) | 159,361 | 242,776 | 247,970 | 5,288 | 242,776 | 253,258 | 496,034 | 31,141 | 1911 | 2000 |
| Two Penn Plaza | 425,000 | 53,615 | 164,903 | 78,476 | 52,689 | 244,305 | 296,994 | 101,246 | 1968 | 1990 |
| 770 Broadway | 353,000 | 52,898 | 95,686 | 73,968 | 52,898 | 169,654 | 222,552 | 58,810 | 1907 | 1990 |
| 90 Park Avenue | - | 8,000 | 175,890 | 34,531 | 8,000 | 210,421 | 218,421 | 77,221 | 1964 | 1990 |
| 888 Seventh Avenue | 318,554 | - | 117,269 | 94,096 | - | 211,365 | 211,365 | 75,888 | 1980 | 1990 |

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| | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|---------|-----------|-----------|-----------|-----------|-----------|------|-----|
| 640 Fifth Avenue Eleven Penn Plaza 1740 Broadway 909 Third Avenue 150 East 58th Street 595 Madison Avenue 866 United Nations Plaza 20 Broad Street 40 Fulton Street 689 Fifth Avenue 330 West 34th Street 1540 Broadway Garage Other Total New York Washington, DC 2011-2451 Crystal Drive 2001 Jefferson Davis Highway, | - | 38,224 | 25,992 | 112,598 | 38,224 | 138,590 | 176,814 | 51,821 | 1950 | 199 |
| 330,000 | 40,333 | 85,259 | 49,183 | 40,333 | 134,442 | 174,775 | 50,168 | 1923 | 199 | |
| - | 26,971 | 102,890 | 36,896 | 26,971 | 139,786 | 166,757 | 47,179 | 1950 | 199 | |
| 203,217 | - | 120,723 | 55,860 | - | 176,583 | 176,583 | 49,222 | 1969 | 199 | |
| - | 39,303 | 80,216 | 28,228 | 39,303 | 108,444 | 147,747 | 38,427 | 1969 | 199 | |
| - | 62,731 | 62,888 | 17,444 | 62,731 | 80,332 | 143,063 | 23,464 | 1968 | 199 | |
| 44,978 | 32,196 | 37,534 | 8,335 | 32,196 | 45,869 | 78,065 | 17,376 | 1966 | 199 | |
| - | - | 28,760 | 26,924 | - | 55,684 | 55,684 | 16,914 | 1956 | 199 | |
| - | 15,732 | 26,388 | 12,266 | 15,732 | 38,654 | 54,386 | 12,548 | 1987 | 199 | |
| - | 19,721 | 13,446 | 10,938 | 19,721 | 24,384 | 44,105 | 10,476 | 1925 | 199 | |
| - | - | 8,599 | 6,936 | - | 15,535 | 15,535 | 4,700 | 1925 | 199 | |
| - | 4,086 | 8,914 | - | 4,086 | 8,914 | 13,000 | 1,235 | 1990 | 200 | |
| - | - | 5,548 | 67,113 | 36,106 | 36,555 | 72,661 | 4,794 | | | |
| 2,677,221 | 1,418,014 | 3,108,078 | 983,828 | 1,453,194 | 4,056,726 | 5,509,920 | 1,043,907 | | | |
| 274,305 | 100,935 | 409,920 | 115,837 | 100,228 | 526,464 | 626,692 | 149,944 | 1984-1989 | 200 | |

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| | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|--------|-----------|-----|
| 2100/2200 Crystal Drive, 223 23rd Street, 2221 South Clark Street, Crystal City Shops at 2100, 220 20th Street | 75,037 | 57,213 | 131,206 | 186,549 | 57,070 | 317,898 | 374,968 | 68,079 | 1964-1969 | 200 |
| 1550-1750 Crystal Drive/ 241-251 18th Street | 121,067 | 64,817 | 218,330 | 58,625 | 64,652 | 277,120 | 341,772 | 85,657 | 1974-1980 | 200 |
| Riverhouse Apartments Skyline Place (6 buildings) | 59,546 | 118,421 | 125,078 | 57,582 | 138,696 | 162,385 | 301,081 | 19,248 | | 200 |
| 1215, 1225 S. Clark Street/ 200, 201 12th Street S. | 442,500 | 41,986 | 221,869 | 27,343 | 41,862 | 249,336 | 291,198 | 67,946 | 1973-1984 | 200 |
| | 90,191 | 47,594 | 177,373 | 27,015 | 47,465 | 204,517 | 251,982 | 59,451 | 1983-1987 | 200 |

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G | COLUMN H | | | |
|-----------------------------------------|--------------|-----------------------------|---------------------------------------------|---------------------------------|-------------------------------------------|--------------------------|---------------|--------|-----------|------|
| Description | Encumbrances | Land improvements | Acquisition | Land improvements | Total (2) | Date of construction (3) | Date acquired | | | |
| | | Initial cost to company (1) | Costs capitalized subsequent to acquisition | Buildings and Land improvements | Accumulated depreciation and amortization | | | | | |
| 1800, 1851 and 1901 South Bell Street | - | 37,551 | 118,806 | 32,899 | 37,551 | 151,705 | 189,256 | 66,789 | 1968 | 2000 |
| 1229-1231 25th Street (West End 25) | 101,671 | 67,049 | 5,039 | 105,574 | 68,198 | 109,464 | 177,662 | 5,851 | | 2000 |
| 2101 L Street | 150,000 | 32,815 | 51,642 | 82,632 | 39,768 | 127,321 | 167,089 | 16,783 | 1975 | 2000 |
| 2200 / 2300 Clarendon Blvd | 53,344 | - | 105,475 | 29,342 | - | 134,817 | 134,817 | 38,724 | 1988-1989 | 2000 |
| Bowen Building - 875 15th Street, NW | 115,022 | 30,077 | 98,962 | 1,287 | 30,176 | 100,150 | 130,326 | 16,584 | 2004 | 2000 |
| 1875 Connecticut Ave, NW | 49,433 | 36,303 | 82,004 | 3,459 | 35,886 | 85,880 | 121,766 | 13,104 | 1963 | 2000 |
| One Skyline Tower | 134,700 | 12,266 | 75,343 | 32,911 | 12,231 | 108,289 | 120,520 | 27,483 | 1988 | 2000 |
| Reston Executive H Street - North 10-1D | 93,000 | 15,424 | 85,722 | 9,084 | 15,380 | 94,850 | 110,230 | 27,272 | 1987-1989 | 2000 |
| Land Parcel 409 3rd Street | - | 104,473 | 55 | (11,356) | 87,666 | 5,506 | 93,172 | - | | 2000 |
| | - | 10,719 | 69,658 | 5,826 | 10,719 | 75,484 | 86,203 | 26,065 | 1990 | 1990 |
| | 48,806 | 33,090 | 61,316 | (5,595) | 32,726 | 56,085 | 88,811 | 8,613 | 1956 | 2000 |

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| | | | | | | | | | | |
|--------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|----------------|-----|
| 1825 Connecticut Ave, NW Warehouses | - | 106,946 | 1,326 | (22,901) | 83,400 | 1,971 | 85,371 | 1,333 | | 200 |
| Commerce Executive 1235 S. Clark Street | - | 13,401 | 58,705 | 13,422 | 13,363 | 72,165 | 85,528 | 20,285 | 1985-1989 | 200 |
| Seven Skyline Place | 51,309 | 15,826 | 53,894 | 14,959 | 15,826 | 68,853 | 84,679 | 16,722 | 1981 | 200 |
| 1150 17th Street | 100,800 | 10,292 | 58,351 | (6,499) | 10,262 | 51,882 | 62,144 | 13,792 | 2001 | 200 |
| Crystal City Hotel | 28,728 | 23,359 | 24,876 | 14,551 | 24,723 | 38,063 | 62,786 | 12,237 | 1970 | 200 |
| 1750 Pennsylvania Avenue | - | 8,000 | 47,191 | 7,176 | 8,000 | 54,367 | 62,367 | 9,602 | 1968 | 200 |
| 1730 M Street | 44,330 | 20,020 | 30,032 | 256 | 21,170 | 29,138 | 50,308 | 7,656 | 1964 | 200 |
| Democracy Plaza One | 14,853 | 10,095 | 17,541 | 9,449 | 10,687 | 26,398 | 37,085 | 8,457 | 1963 | 200 |
| 1726 M Street | - | - | 33,628 | (1,366) | - | 32,262 | 32,262 | 12,459 | 1987 | 200 |
| Crystal Drive Retail | - | 9,450 | 22,062 | 2,539 | 9,455 | 24,596 | 34,051 | 3,391 | 1964 | 200 |
| 1109 South Capitol Street | - | - | 20,465 | 5,799 | - | 26,264 | 26,264 | 8,011 | 2004 | 200 |
| South Capitol H Street | - | 11,541 | 178 | 4 | 11,597 | 126 | 11,723 | 178 | | 200 |
| 1399 New York Avenue, NW | - | 4,009 | 6,273 | (2,753) | - | 7,529 | 7,529 | - | | 200 |
| Other | - | 1,763 | 641 | 41 | 1,763 | 682 | 2,445 | 108 | | 200 |
| Total Washington, DC | - | - | 51,767 | (42,015) | - | 9,752 | 9,752 | - | | 201 |
| New Jersey Paramus | 2,248,642 | 1,078,916 | 2,532,091 | 751,676 | 1,064,001 | 3,298,682 | 4,362,683 | 811,824 | | |
| California 555 California Street | - | - | - | 23,785 | 1,033 | 22,752 | 23,785 | 14,279 | 1967 | 198 |
| Total Office Buildings | 600,000 | 221,903 | 893,324 | 38,055 | 221,903 | 931,379 | 1,153,282 | 118,824 | 1922/1969/1970 | 200 |
| | 5,525,863 | 2,718,833 | 6,533,493 | 1,797,344 | 2,740,131 | 8,309,539 | 11,049,670 | 1,988,834 | | |

**VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | | COLUMN F | COLUMN G | COLUMN H | COLUMN I |
|---------------------------------------|--------------|-----------------------------|-------------------------------|-------------------------------------------------|--------------------------------------------------|---------------------|---------------------|-------------------------------------------|----------------------|---------------|-------------------------------------------------------------------|
| Description | Encumbrances | Land | Improvements | Acquisition | Land | Improvements | Total | amortization | Date of construction | Date acquired | Life of which depreciation is computed in latest income statement |
| | | Initial cost to company (1) | | Costs capitalized and subsequent to acquisition | Gross amount at which carried at close of period | | | Accumulated depreciation and amortization | | | |
| | | Building | and subsequent to acquisition | Buildings and Total | Buildings and Total | Buildings and Total | Buildings and Total | Buildings and Total | | | |
| Shopping Centers California | | | | | | | | | | | |
| Los Angeles (Beverly Connection) | 100,000 | 72,996 | 131,510 | 21,592 | 72,996 | 153,102 | 226,098 | 18,335 | 2008 | 2005 | (4) |
| San Jose | 112,476 | 42,836 | 104,262 | 329 | 42,836 | 104,591 | 147,427 | 3,584 | 2008 | 2010 | (4) |
| Walnut Creek (1149 S. Main St) | - | 2,699 | 19,930 | - | 2,699 | 19,930 | 22,629 | 3,066 | | 2006 | (4) |
| Pasadena | - | - | 18,337 | 747 | - | 19,084 | 19,084 | 2,361 | | 2007 | (4) |
| San Francisco (Geary Blvd) | - | 11,857 | 4,444 | 27 | 11,857 | 4,471 | 16,328 | 693 | | 2006 | (4) |
| Signal Hill | - | 9,652 | 2,940 | 1 | 9,652 | 2,941 | 12,593 | 386 | | 2006 | (4) |
| Walnut Creek (1556 Mount Diablo Blvd) | - | 5,909 | - | 1,057 | 5,908 | 1,058 | 6,966 | - | | 2007 | (4) |
| Redding | - | 2,900 | 2,857 | 483 | 2,900 | 3,340 | 6,240 | 420 | | 2006 | (4) |
| Merced | - | 1,725 | 1,907 | 215 | 1,725 | 2,122 | 3,847 | 368 | | 2006 | (4) |
| San Bernadino (1522 E. Highland Ave) | - | 1,651 | 1,810 | - | 1,651 | 1,810 | 3,461 | 336 | | 2004 | (4) |
| Corona | - | - | 3,073 | - | - | 3,073 | 3,073 | 570 | | 2004 | (4) |
| Vallejo | - | - | 2,945 | - | - | 2,945 | 2,945 | 384 | | 2006 | (4) |

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| | | | | | | | | | | | |
|-----------------------------------|---------|---------|---------|--------|---------|---------|---------|--------|------|------|-----|
| San Bernadino (648 W. 4th St) | - | 1,597 | 1,119 | - | 1,597 | 1,119 | 2,716 | 208 | | 2004 | (4) |
| Mojave | - | - | 2,250 | - | - | 2,250 | 2,250 | 417 | | 2004 | (4) |
| Barstow | - | 856 | 1,367 | - | 856 | 1,367 | 2,223 | 254 | | 2004 | (4) |
| Colton (1904 North Rancho Avenue) | - | 1,239 | 954 | - | 1,239 | 954 | 2,193 | 177 | | 2004 | (4) |
| Moreno Valley | - | 639 | 1,156 | - | 639 | 1,156 | 1,795 | 214 | | 2004 | (4) |
| Rialto | - | 434 | 1,173 | - | 434 | 1,173 | 1,607 | 217 | | 2004 | (4) |
| Desert Hot Springs | - | 197 | 1,355 | - | 197 | 1,355 | 1,552 | 251 | | 2004 | (4) |
| Yucaipa | - | 663 | 426 | - | 663 | 426 | 1,089 | 79 | | 2004 | (4) |
| Riverside (5571 Mission Blvd) | - | 209 | 704 | - | 209 | 704 | 913 | 131 | | 2004 | (4) |
| Total California | 212,476 | 158,059 | 304,519 | 24,451 | 158,058 | 328,971 | 487,029 | 32,451 | | | |
| Connecticut | | | | | | | | | | | |
| Waterbury | 14,501 | 667 | 4,504 | 4,852 | 667 | 9,356 | 10,023 | 5,669 | 1969 | 1969 | (4) |
| Newington | 11,657 | 2,421 | 1,200 | 951 | 2,421 | 2,151 | 4,572 | 732 | 1965 | 1965 | (4) |
| Total Connecticut | 26,158 | 3,088 | 5,704 | 5,803 | 3,088 | 11,507 | 14,595 | 6,401 | | | |
| Florida | | | | | | | | | | | |
| Tampa (Hyde Park Village) | 19,876 | 8,000 | 23,293 | 12,494 | 8,000 | 35,787 | 43,787 | 5,823 | | 2005 | (4) |
| Tampa (1702 North Dale Mabry) | - | 3,651 | 2,388 | 2,134 | 3,650 | 4,523 | 8,173 | 569 | | 2006 | (4) |
| Total Florida | 19,876 | 11,651 | 25,681 | 14,628 | 11,650 | 40,310 | 51,960 | 6,392 | | | |

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G | COLUMN H | COLUMN I | COLUMN J | | |
|----------------------|--------------|----------------|----------------|-------------|---------------------|--------------|----------|----------------------|----------------------|---------------|--------------|
| Description | Encumbrances | Land | Improvements | Acquisition | Land | Improvements | Total | amortization | Date of construction | Date acquired | is computed |
| | (1) | Capitalized | and subsequent | Costs | carried at close of | Buildings | Total | and | Date of construction | Date | depreciation |
| | (1) | and subsequent | to | period | and | Total | Total | Date of construction | Date | is computed | |
| Illinois | | | | | | | | | | | |
| Lansing | - | 2,135 | 1,064 | 71 | 2,135 | 1,135 | 3,270 | 145 | | 2006 | (4) |
| Iowa | | | | | | | | | | | |
| Dubuque | - | - | 1,479 | - | - | 1,479 | 1,479 | 193 | | 2006 | (4) |
| Maryland | | | | | | | | | | | |
| Rockville | - | 3,470 | 20,599 | 100 | 3,470 | 20,699 | 24,169 | 3,517 | | 2005 | (4) |
| Baltimore | | | | | | | | | | | |
| (Towson) | 16,207 | 581 | 3,227 | 8,682 | 581 | 11,909 | 12,490 | 4,390 | 1968 | 1968 | (4) |
| Annapolis | - | - | 9,652 | - | - | 9,652 | 9,652 | 2,203 | | 2005 | (4) |
| Wheaton | - | - | 5,367 | - | - | 5,367 | 5,367 | 704 | | 2006 | (4) |
| Glen Burnie | - | 462 | 2,571 | 586 | 462 | 3,157 | 3,619 | 2,703 | 1958 | 1958 | (4) |
| Total | | | | | | | | | | | |
| Maryland | 16,207 | 4,513 | 41,416 | 9,368 | 4,513 | 50,784 | 55,297 | 13,517 | | | |
| Massachusetts | | | | | | | | | | | |
| Dorchester | - | 12,844 | 3,794 | (3) | 12,841 | 3,794 | 16,635 | 498 | | 2006 | (4) |
| Springfield | 5,942 | 2,797 | 2,471 | 578 | 2,797 | 3,049 | 5,846 | 740 | 1993 | 1966 | (4) |
| Chicopee | 8,615 | 895 | - | - | 895 | - | 895 | - | 1969 | 1969 | (4) |
| Cambridge | - | - | - | 260 | - | 260 | 260 | 94 | | | |
| Total | | | | | | | | | | | |
| Massachusetts | 14,557 | 16,536 | 6,265 | 835 | 16,533 | 7,103 | 23,636 | 1,332 | | | |
| Michigan | | | | | | | | | | | |
| Roseville | - | 30 | 6,128 | 1,465 | 30 | 7,593 | 7,623 | 1,787 | | 2005 | (4) |
| Battle Creek | - | 1,264 | 2,144 | (2,443) | 264 | 701 | 965 | 92 | | 2006 | (4) |
| Midland | - | - | 133 | 86 | - | 219 | 219 | 72 | | 2006 | (4) |
| Total | | | | | | | | | | | |
| Michigan | - | 1,294 | 8,405 | (892) | 294 | 8,513 | 8,807 | 1,951 | | | |
| New Hampshire | | | | | | | | | | | |
| Salem | - | 6,083 | - | - | 6,083 | - | 6,083 | - | | 2006 | (4) |
| New Jersey | | | | | | | | | | | |

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| | | | | | | | | | | | |
|------------------------------------|---------|--------|--------|---------|--------|---------|---------|--------|-----------|-----------|-----|
| Paramus (Bergen Town Center) | 283,590 | 19,884 | 81,723 | 366,325 | 37,635 | 430,297 | 467,932 | 42,648 | 1957/2009 | 2003 | (4) |
| North Bergen (Tonnelle Ave) | 75,000 | 24,493 | - | 63,376 | 31,806 | 56,063 | 87,869 | 4,324 | 2009 | 2006 | (4) |
| Union (Springfield Avenue) | 29,570 | 19,700 | 45,090 | - | 19,700 | 45,090 | 64,790 | 5,166 | | 2007 | (4) |
| East Rutherford | 14,103 | - | 36,727 | (1) | - | 36,726 | 36,726 | 3,177 | 2007 | 2007 | (4) |
| East Hanover I and II | 44,412 | 2,232 | 18,241 | 10,376 | 2,671 | 28,178 | 30,849 | 13,166 | 1962 | 1962/1998 | (4) |
| Garfield | - | 45 | 8,068 | 20,798 | 45 | 28,866 | 28,911 | 2,513 | 2009 | 1998 | (4) |
| Lodi (Washington Street) | 9,422 | 7,606 | 13,125 | 275 | 7,606 | 13,400 | 21,006 | 2,351 | | 2004 | (4) |
| Englewood | 12,077 | 2,300 | 17,245 | 17 | 2,300 | 17,262 | 19,562 | 1,978 | | 2007 | (4) |
| Bricktown | 33,153 | 1,391 | 11,179 | 6,154 | 1,391 | 17,333 | 18,724 | 10,383 | 1968 | 1968 | (4) |
| Totowa | 25,703 | 1,102 | 11,994 | 4,617 | 1,099 | 16,614 | 17,713 | 11,445 | 1957/1999 | 1957 | (4) |
| Hazlet | - | 7,400 | 9,413 | - | 7,400 | 9,413 | 16,813 | 1,078 | | 2007 | (4) |
| Carlstadt | 7,304 | - | 16,457 | 12 | - | 16,469 | 16,469 | 1,720 | | 2007 | (4) |

**VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G | COLUMN H | COLUMN I | | | |
|-----------------------------------------|-----------|-----------------------------|----------------------------------------------|--------------------------------------------------|------------------------------|--------------------------|---------------|-----------------------------------------------------------------------|--------------------------|---------------|-------------|
| | | Initial cost to company (1) | Costs Building capitalized and subsequent to | Gross amount at which carried at close of period | Accumulated depreciation and | Date of construction (3) | Date acquired | Life on which depreciation in latest income statement is computed (4) | | | |
| Description | Embrances | Land | Improvements | Acquisition | Land | Improvements | Total (2) | amortization | Date of construction (3) | Date acquired | is computed |
| North Plainfield | - | 500 | 13,983 | 1,380 | 500 | 15,363 | 15,863 | 10,714 | 1955 | 1989 | (4) |
| East Brunswick II (339-341 Route 18 S.) | 12,226 | 2,098 | 10,949 | 2,826 | 2,098 | 13,775 | 15,873 | 8,138 | 1972 | 1972 | (4) |
| Manalapan | 21,836 | 725 | 7,189 | 7,791 | 1,046 | 14,659 | 15,705 | 10,027 | 1971 | 1971 | (4) |
| Marlton | 17,913 | 1,611 | 3,464 | 10,398 | 1,611 | 13,862 | 15,473 | 6,600 | 1973 | 1973 | (4) |
| Union (Route 22 and Morris Ave) | 33,551 | 3,025 | 7,470 | 1,813 | 3,025 | 9,283 | 12,308 | 4,492 | 1962 | 1962 | (4) |
| Hackensack | 12,082 | 692 | 10,219 | 1,250 | 692 | 11,469 | 12,161 | 8,713 | 1963 | 1963 | (4) |
| Wayne Towne Center | - | - | 26,137 | 2,782 | - | 28,919 | 28,919 | 785 | - | 2010 | (4) |
| Watchung | 15,638 | 4,178 | 5,463 | 1,545 | 4,441 | 6,745 | 11,186 | 3,396 | 1994 | 1959 | (4) |
| South Plainfield | 5,317 | - | 10,044 | 389 | - | 10,433 | 10,433 | 1,175 | | 2007 | (4) |
| Eatontown | - | 4,653 | 4,999 | 357 | 4,653 | 5,356 | 10,009 | 897 | | 2005 | (4) |
| Cherry Hill | 14,387 | 5,864 | 2,694 | 1,828 | 4,864 | 5,522 | 10,386 | 3,864 | 1964 | 1964 | (4) |
| Dover | 13,648 | 559 | 6,363 | 2,955 | 559 | 9,318 | 9,877 | 5,782 | 1964 | 1964 | (4) |
| Lodi (Route 17 N.) | 11,771 | 238 | 9,446 | - | 238 | 9,446 | 9,684 | 2,891 | 1999 | 1975 | (4) |
| | 25,817 | 319 | 6,220 | 2,764 | 319 | 8,984 | 9,303 | 8,556 | 1957 | 1957 | (4) |

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| | | | | | | | | | | | | |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|-----------|---------|------|------|-----|--|
| East Brunswick | | | | | | | | | | | | |
| I (325-333 Route 18 S.) Jersey City | 21,040 | 652 | 7,495 | 325 | 652 | 7,820 | 8,472 | 2,265 | 1965 | 1965 | (4) | |
| Morris Plains | 22,178 | 1,104 | 6,411 | 882 | 1,104 | 7,293 | 8,397 | 6,565 | 1961 | 1985 | (4) | |
| Middletown | 18,026 | 283 | 5,248 | 1,607 | 283 | 6,855 | 7,138 | 5,001 | 1963 | 1963 | (4) | |
| Woodbridge | 21,438 | 1,509 | 2,675 | 1,780 | 1,539 | 4,425 | 5,964 | 2,396 | 1959 | 1959 | (4) | |
| Delran | - | 756 | 4,468 | 734 | 756 | 5,202 | 5,958 | 5,026 | 1972 | 1972 | (4) | |
| Lawnside | 11,089 | 851 | 3,164 | 1,269 | 851 | 4,433 | 5,284 | 3,987 | 1969 | 1969 | (4) | |
| Kearny | - | 309 | 3,376 | 1,212 | 309 | 4,588 | 4,897 | 3,260 | 1938 | 1959 | (4) | |
| Bordentown | - | 498 | 3,176 | 1,141 | 717 | 4,098 | 4,815 | 4,018 | 1958 | 1958 | (4) | |
| Turnersville | - | 900 | 1,342 | 853 | 900 | 2,195 | 3,095 | 2,127 | 1974 | 1974 | (4) | |
| North Bergen (Kennedy Blvd) | 5,289 | 2,308 | 636 | 34 | 2,308 | 670 | 2,978 | 403 | 1993 | 1959 | (4) | |
| Montclair | 2,730 | 66 | 419 | 381 | 66 | 800 | 866 | 664 | 1972 | 1972 | (4) | |
| Total New Jersey | 850,310 | 119,851 | 432,312 | 520,245 | 145,184 | 927,224 | 1,072,408 | 211,691 | | | | |
| New York Valley Stream (Green Acres Mall) | 325,045 | 147,172 | 134,980 | 59,161 | 146,968 | 194,345 | 341,313 | 51,397 | 1956 | 1997 | (4) | |
| Bronx (Bruckner Blvd) | - | 66,100 | 259,503 | 336 | 66,100 | 259,839 | 325,939 | 32,467 | | 2007 | (4) | |
| Hicksville (Broadway Mall) | 87,750 | 126,324 | 48,904 | 7,216 | 126,324 | 56,120 | 182,444 | 8,327 | | 2005 | (4) | |
| Poughkeepsie | - | 12,733 | 12,026 | 37,119 | 12,780 | 49,098 | 61,878 | 4,852 | 2009 | 2005 | (4) | |
| Huntingtonl Mt. | 7,287 | 21,200 | 33,667 | 166 | 21,200 | 33,833 | 55,033 | 3,524 | | 2007 | (4) | |
| Kisco | 29,026 | 22,700 | 26,700 | 386 | 23,297 | 26,489 | 49,786 | 2,700 | | 2007 | (4) | |
| Bronx (1750-1780 Gun Hill Road) | - | 6,427 | 11,885 | 18,012 | 6,428 | 29,896 | 36,324 | 2,266 | 2009 | 2005 | (4) | |
| Staten Island | 17,237 | 11,446 | 21,262 | 300 | 11,446 | 21,562 | 33,008 | 4,341 | | 2004 | (4) | |
| Inwood | - | 12,419 | 19,097 | 521 | 12,419 | 19,618 | 32,037 | 3,400 | | 2004 | (4) | |
| | - | 7,839 | 20,392 | 2,104 | 7,839 | 22,496 | 30,335 | 4,291 | | 2004 | (4) | |

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| | | | | | | | | | | | |
|---------------------------------------------------------------------------------------------------------|--------|-------|-------|-------|-------|-------|--------|-------|------|------|-----|
| Queens (99-01 Queens Blvd) West Babylon Freeport (437 E. Sunrise Highway) | 22,178 | 1,231 | 4,747 | 1,421 | 1,231 | 6,168 | 7,399 | 4,882 | 1981 | 1981 | (4) |
| Dewitt Buffalo (Amherst) Oceanside | - | - | 7,116 | - | - | 7,116 | 7,116 | 925 | | 2006 | (4) |
| | - | 5,743 | 4,056 | 1,825 | 5,107 | 6,517 | 11,624 | 4,455 | 1968 | 1968 | (4) |
| | - | 2,710 | 2,306 | - | 2,710 | 2,306 | 5,016 | 264 | | 2007 | (4) |

185

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G | COLUMN H | COLUMN I | COLUMN J | | |
|-------------------------------------|----------|----------|--------------|-------------|----------|--------------|-----------|--------------|--------------------------|---------------|------------------------------------------------------------------|
| Description | Branches | Land | Improvements | Acquisition | Land | Improvements | Total (2) | Amortization | Date of construction (3) | Date acquired | Life on which depreciated in latest income statement is computed |
| Albany (Menands) | - | 460 | 2,091 | 2,356 | 460 | 4,447 | 4,907 | 3,395 | 1965 | 1965 | (4) |
| Rochester (Henrietta) | - | - | 2,647 | 1,205 | - | 3,852 | 3,852 | 3,512 | 1971 | 1971 | (4) |
| Rochester | 4,549 | 2,172 | - | - | 2,172 | - | 2,172 | - | 1966 | 1966 | (4) |
| Freeport (240 West Sunrise Highway) | - | - | - | 260 | - | 260 | 260 | 84 | | 2005 | (4) |
| Commack | - | - | 43 | 236 | - | 279 | 279 | 4 | | 2006 | (4) |
| New Hyde Park | - | - | 4 | - | - | 4 | 4 | 4 | 1970 | 1976 | (4) |
| Manhattan | | | | | | | | | | | |
| 1540 Broadway | - | 105,914 | 214,208 | 18,061 | 105,914 | 232,269 | 338,183 | 16,679 | | 2006 | (4) |
| Manhattan Mall 828-850 | 72,639 | 88,595 | 113,473 | 73,376 | 88,595 | 186,849 | 275,444 | 26,120 | 2009 | 2007 | (4) |
| Madison Avenue 4 | 80,000 | 107,937 | 28,261 | 10 | 107,937 | 28,271 | 136,208 | 4,711 | | 2005 | (4) |
| Union Square South 478-482 | 75,000 | 24,079 | 55,220 | 620 | 24,079 | 55,840 | 79,919 | 10,732 | 1965/2004 | 1993 | (4) |
| Broadway 510 | - | 20,000 | 13,375 | 27,574 | 20,000 | 40,949 | 60,949 | 3,370 | 2009 | 2007 | (4) |
| 5th | 31,732 | 34,602 | 18,728 | 10,516 | 34,602 | 29,244 | 63,846 | 687 | | 2010 | (4) |

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| | | | | | | | | | | | |
|----------------------------------------|---------|---------|-----------|---------|---------|-----------|-----------|---------|------|------|-----|
| Avenue 40 East 66th Street | - | 13,616 | 34,635 | 121 | 13,616 | 34,756 | 48,372 | 5,177 | | 2005 | (4) |
| 155 Spring Street | - | 13,700 | 30,544 | 2,153 | 13,700 | 32,697 | 46,397 | 3,881 | | 2007 | (4) |
| 334 Canal Street | - | 1,693 | 6,507 | - | 1,693 | 6,507 | 8,200 | - | | 2011 | (4) |
| 435 7th Avenue | 51,353 | 19,893 | 19,091 | 37 | 19,893 | 19,128 | 39,021 | 4,511 | 2002 | 1997 | (4) |
| 692 Broadway | - | 6,053 | 22,908 | 2,586 | 6,053 | 25,494 | 31,547 | 3,895 | | 2005 | (4) |
| 715 Lexington Avenue | - | - | 26,903 | - | - | 26,903 | 26,903 | 4,484 | 1923 | 2001 | (4) |
| 677-679 Madison Avenue | - | 13,070 | 9,640 | 361 | 13,070 | 10,001 | 23,071 | 1,378 | | 2006 | (4) |
| 431 7th Avenue | - | 16,700 | 2,751 | - | 16,700 | 2,751 | 19,451 | 327 | | 2007 | (4) |
| 484-486 Broadway | - | 10,000 | 6,688 | 4,079 | 10,000 | 10,767 | 20,767 | 853 | 2009 | 2007 | (4) |
| 1135 Third Avenue | - | 7,844 | 7,844 | - | 7,844 | 7,844 | 15,688 | 2,745 | | 1997 | (4) |
| 148 Spring Street | - | 3,200 | 8,112 | 112 | 3,200 | 8,224 | 11,424 | 737 | | 2008 | (4) |
| 150 Spring Street | - | 3,200 | 5,822 | 137 | 3,200 | 5,959 | 9,159 | 547 | | 2008 | (4) |
| 488 8th Avenue | - | 10,650 | 1,767 | (4,674) | 6,859 | 884 | 7,743 | 82 | | 2007 | (4) |
| 484 8th Avenue | - | 3,856 | 762 | - | 3,856 | 762 | 4,618 | 284 | | 1997 | (4) |
| 825 7th Avenue | - | 1,483 | 697 | 33 | 1,483 | 730 | 2,213 | 261 | | 1997 | (4) |
| Total New York | 813,796 | 959,481 | 1,253,148 | 267,796 | 955,495 | 1,524,930 | 2,480,425 | 228,209 | | | |
| Pennsylvania Wilkes-Barre | 20,475 | 6,053 | 26,646 | 371 | 6,053 | 27,017 | 33,070 | 2,738 | | 2007 | (4) |
| Philadelphia | - | 933 | 23,650 | 6,244 | 933 | 29,894 | 30,827 | 9,130 | 1977 | 1994 | (4) |

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| | | | | | | | | | | | |
|------------|--------|-------|--------|-------|-------|--------|--------|--------|-----------|------|-----|
| Allentown | 31,106 | 187 | 15,580 | 330 | 187 | 15,910 | 16,097 | 11,995 | 1957 | 1957 | (4) |
| Bensalem | 15,439 | 2,727 | 6,698 | 1,858 | 2,727 | 8,556 | 11,283 | 3,049 | 1972/1999 | 1972 | (4) |
| Bethlehem | 5,800 | 827 | 5,200 | 347 | 839 | 5,535 | 6,374 | 5,483 | 1966 | 1966 | (4) |
| Wyomissing | - | - | 2,646 | 2,393 | - | 5,039 | 5,039 | 2,492 | | 2005 | (4) |
| York | 5,402 | 409 | 2,568 | 1,811 | 409 | 4,379 | 4,788 | 3,713 | 1970 | 1970 | (4) |
| Broomall | 11,089 | 850 | 2,171 | 786 | 850 | 2,957 | 3,807 | 2,829 | 1966 | 1966 | (4) |

186

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN COLUMN AB | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G | COLUMN H | | | | |
|--------------------------------|-----------------------------|-------------------|-------------------------------------------------|--------------------------------------------------|---------------|-----------|------------------------------|--------------------------|---------------|------|
| Description | Encumbrances | Land improvements | Costs capitalized and subsequent to acquisition | Land improvements | Buildings and | Total (2) | Accumulated depreciation and | Date of construction (3) | Date acquired | |
| | Initial cost to company (1) | | | Gross amount at which carried at close of period | | | | | | |
| Lancaster Upper | 5,601 | 3,140 | 63 | 543 | 3,140 | 606 | 3,746 | 412 | 1966 | 1966 |
| Moreland | - | 683 | 1,868 | 900 | 683 | 2,768 | 3,451 | 2,661 | 1974 | 1974 |
| Glenolden | 7,108 | 850 | 1,820 | 826 | 850 | 2,646 | 3,496 | 1,869 | 1975 | 1975 |
| Levittown | - | 183 | 1,008 | 364 | 183 | 1,372 | 1,555 | 1,370 | 1964 | 1964 |
| Springfield | - | - | - | 123 | - | 123 | 123 | - | | 2005 |
| Total | | | | | | | | | | |
| Pennsylvania | 102,020 | 16,842 | 89,918 | 16,896 | 16,854 | 106,802 | 123,656 | 47,741 | | |
| South Carolina | | | | | | | | | | |
| Charleston | - | - | 3,634 | - | - | 3,634 | 3,634 | 477 | | 2006 |
| Tennessee | | | | | | | | | | |
| Antioch | - | 1,521 | 2,386 | - | 1,521 | 2,386 | 3,907 | 313 | | 2006 |
| Texas | | | | | | | | | | |
| Texarkana | - | - | 458 | 33 | - | 491 | 491 | 66 | | 2006 |
| Virginia | | | | | | | | | | |
| Springfield (Springfield Mall) | - | 49,516 | 265,964 | (42,815) | 49,516 | 223,149 | 272,665 | 33,751 | | 2006 |
| Norfolk | - | - | 3,927 | 15 | - | 3,942 | 3,942 | 2,284 | | 2005 |
| Total | | | | | | | | | | |
| Virginia | - | 49,516 | 269,891 | (42,800) | 49,516 | 227,091 | 276,607 | 36,035 | | |
| Washington | | | | | | | | | | |
| Bellingham | - | 1,831 | 2,136 | (1,670) | 922 | 1,375 | 2,297 | 126 | | 2005 |
| Washington, DC | | | | | | | | | | |
| 3040 M Street | - | 7,830 | 27,490 | 45 | 7,830 | 27,535 | 35,365 | 4,118 | | 2006 |
| Wisconsin | | | | | | | | | | |
| Fond Du Lac | - | - | 174 | 102 | - | 276 | 276 | 64 | | 2006 |

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Puerto Rico

| | | | | | | | | | | |
|-------------------------|-----------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|------|
| Las Catalinas | 55,912 | 15,280 | 64,370 | 8,091 | 15,280 | 72,461 | 87,741 | 24,511 | 1996 | 2002 |
| Montehiedra | 120,000 | 9,182 | 66,751 | 5,023 | 9,267 | 71,689 | 80,956 | 26,114 | 1996 | 1997 |
| Total Puerto Rico | 175,912 | 24,462 | 131,121 | 13,114 | 24,547 | 144,150 | 168,697 | 50,625 | | |
| Other | - | - | - | 5,364 | - | 5,364 | 5,364 | 101 | | |
| Total Retail Properties | 2,231,312 | 1,384,693 | 2,607,201 | 833,389 | 1,404,223 | 3,421,060 | 4,825,283 | 641,948 | | |

187

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | COLUMN F | |
|------------------------------------|----------------|--------------------------------|----------------|---------------------------------------------------------|-----------------------------------------------------|----------------|----------------------------------------------------|----------------|
| Description | Encumbrances | Initial cost to company (1) | | Costs capitalized subsequent to acquisition | Gross amount at which carried at close of period | | Accumulated depreciation and amortization | |
| | | Land | improvements | | Land | improvements | Total (2) | |
| Merchandise Mart Properties | | | | | | | | |
| Illinois | | | | | | | | |
| Merchandise Mart, Chicago | 550,000 | 64,528 | 319,146 | 166,115 | 64,535 | 485,254 | 549,789 | 158,615 |
| 527 W. Kinzie, Chicago | - | 5,166 | - | - | 5,166 | - | 5,166 | - |
| Total Illinois | 550,000 | 69,694 | 319,146 | 166,115 | 69,701 | 485,254 | 554,955 | 158,615 |
| Washington, DC | | | | | | | | |
| Washington Design Center | - | 12,274 | 40,662 | 12,888 | 12,274 | 53,550 | 65,824 | 17,579 |
| New York | | | | | | | | |
| 7 West 34th Street | - | 34,614 | 94,167 | 35,886 | 34,614 | 130,053 | 164,667 | 34,132 |
| MMPI Piers | - | - | - | 9,897 | - | 9,897 | 9,897 | 243 |
| Total New York | - | 34,614 | 94,167 | 45,783 | 34,614 | 139,950 | 174,564 | 34,375 |
| Massachusetts | | | | | | | | |
| Boston Design Center | 67,350 | - | 93,915 | (15,552) | - | 78,363 | 78,363 | 16,411 |
| California | | | | | | | | |
| L.A. Mart, Los Angeles | - | 10,141 | 43,422 | 17,217 | 10,141 | 60,639 | 70,780 | 17,135 |
| Total Merchandise Mart | 617,350 | 126,723 | 591,312 | 226,451 | 126,730 | 817,756 | 944,486 | 244,115 |
| Warehouse/Industrial | | | | | | | | |
| New Jersey | | | | | | | | |
| East Hanover | - | 576 | 7,752 | 7,879 | 691 | 15,516 | 16,207 | 13,755 |
| Edison | - | - | - | 4,903 | 704 | 4,199 | 4,903 | 4,179 |
| Total Warehouse/Industrial | - | 576 | 7,752 | 12,782 | 1,395 | 19,715 | 21,110 | 17,934 |
| Other Properties | | | | | | | | |
| Hotel Pennsylvania | - | 29,904 | 121,712 | 74,238 | 29,904 | 195,950 | 225,854 | 68,427 |

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| | | | | | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--|
| 220 Central Park | | | | | | | | | |
| South | 123,750 | 115,720 | 16,420 | 112,447 | 115,720 | 128,867 | 244,587 | 20,119 | |
| Wasserman | - | 28,052 | - | 34,927 | 40,237 | 22,742 | 62,979 | 11,818 | |
| 40 East 66th | | | | | | | | | |
| Residential | - | 29,199 | 85,798 | (77,583) | 14,540 | 22,874 | 37,414 | 3,184 | |
| 677-679 Madison | - | 1,462 | 1,058 | 1,294 | 2,212 | 1,602 | 3,814 | 205 | |
| Atlantic City, NJ | 60,000 | 83,089 | 7 | (3) | 83,089 | 4 | 83,093 | - | |
| Other | - | - | - | 70 | - | 70 | 70 | - | |
| Total Other Properties | 183,750 | 287,426 | 224,995 | 145,390 | 285,702 | 372,109 | 657,811 | 103,753 | |
| Leasehold | | | | | | | | | |
| Improvements | | | | | | | | | |
| Equipment and Other | - | - | - | 128,651 | - | 128,651 | 128,651 | 98,453 | |
| Total December 31, | | | | | | | | | |
| 2011 | \$ 8,558,275 | \$ 4,518,251 | \$ 9,964,753 | \$ 3,144,007 | \$ 4,558,181 | \$ 13,068,830 | \$ 17,627,011 | \$ 3,095,037 | |

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

Notes:

- (1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date see Column H.
- (2) The net basis of the Company's assets and liabilities for tax purposes is approximately \$3.6 billion lower than the amount reported for financial statement purposes.
- (3) Date of original construction — many properties have had substantial renovation or additional construction — see Column D.
- (4) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to forty years.

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation:

| | Year Ended December 31, | | |
|------------------------------------------|--------------------------------|---------------|---------------|
| | 2011 | 2010 | 2009 |
| Real Estate | | | |
| Balance at beginning of period | \$ 17,387,701 | \$ 17,293,970 | \$ 17,140,726 |
| Additions during the period: | | | |
| Land | 33,481 | 347,345 | - |
| Buildings & improvements | 315,762 | 324,114 | 601,136 |
| | 17,736,944 | 17,965,429 | 1,741,862 |
| Less: Assets sold and written-off | 109,933 | 577,728 | 447,892 |
| Balance at end of period | \$ 17,627,011 | \$ 17,387,701 | \$ 17,293,970 |
| Accumulated Depreciation | | | |
| Balance at beginning of period | \$ 2,715,046 | \$ 2,395,608 | \$ 2,068,357 |
| Additions charged to operating expenses | 452,793 | 428,788 | 433,785 |
| | 3,167,839 | 2,824,396 | 2,502,142 |
| Less: Accumulated depreciation on assets | | | |
| sold and written-off | 72,802 | 109,350 | 106,534 |
| Balance at end of period | \$ 3,095,037 | \$ 2,715,046 | \$ 2,395,608 |

EXHIBIT INDEX

| Exhibit No. | | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 3.1 | - Articles of Restatement of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on July 30, 2007 - Incorporated by reference to Exhibit 3.75 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-11954), filed on July 31, 2007 | * |
| 3.2 | - Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 | * |
| 3.3 | - Articles Supplementary, 6.875% Series J Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 of Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on April 20, 2011 | * |
| 3.4 | - Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 | * |
| 3.5 | - Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 | * |
| 3.6 | - Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 | * |
| 3.7 | - Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on | * |

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- 3.8 - Form 8-K (File No. 001-11954), filed on November 30, 1998

Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - *

Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999
- 3.9 - Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by *

reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999
- 3.10 - Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated *

by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999
- 3.11 - Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated *

by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999
- 3.12 - Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated *

by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999
- 3.13 - Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - *

Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999

*

Incorporated by reference.

- 3.14 - Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - *
 Incorporated by reference to exhibit 3,4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999
- 3.15 - Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - *
 Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999
- 3.16 - Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated *
 by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000
- 3.17 - Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - *
 Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000
- 3.18 - Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - *
 Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000
- 3.19 - Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - *
 Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001
- 3.20 - Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - *
 Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001 11954), filed on October 12, 2001
- 3.21 - Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - *
 Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8 K (File No. 001-11954), filed on October 12, 2001
- 3.22 - Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - *
 Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002
- 3.23 - Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - *
 Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002
- 3.24 - Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by *

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- reference to Exhibit 3.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003
- 3.25 - Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - *
Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003
- 3.26 - Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 - *
Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004
- 3.27 - Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 - Incorporated *
by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004

*

Incorporated by reference.

- 3.28 - Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 – *
 Incorporated by reference to Exhibit 3.57 to Vornado Realty
 Trust and Vornado Realty
 L.P.’s Registration Statement on Form S-3 (File No.
 333-122306), filed on
 January 26, 2005
- 3.29 - Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 – *
 Incorporated by reference to Exhibit 3.58 to Vornado Realty
 Trust and Vornado Realty
 L.P.’s Registration Statement on Form S-3 (File No.
 333-122306), filed on
 January 26, 2005
- 3.30 - Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 – *
 Incorporated by reference to Exhibit 3.1 to Vornado Realty
 L.P.’s Current Report on
 Form 8-K (File No. 000-22685), filed on December 21, 2004
- 3.31 - Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 – *
 Incorporated by reference to Exhibit 3.2 to Vornado Realty
 L.P.’s Current Report on
 Form 8-K (File No. 000-22685), filed on December 21, 2004
- 3.32 - Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - *
 Incorporated by reference to Exhibit 3.1 to Vornado Realty
 L.P.’s Current Report on
 Form 8-K (File No. 000-22685), filed on January 4, 2005
- 3.33 - Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - *
 Incorporated
 by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current
 Report on Form 8-K
 (File No. 000-22685), filed on June 21, 2005
- 3.34 - Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated *
 by
 reference to Exhibit 3.1 to Vornado Realty L.P.’s Current
 Report on Form 8-K
 (File No. 000-22685), filed on September 1, 2005
- 3.35 - Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - *
 Incorporated by reference to Exhibit 3.1 to Vornado Realty
 L.P.’s Current Report on
 Form 8-K (File No. 000-22685), filed on September 14, 2005
- 3.36 - Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of *
 December 19, 2005 – Incorporated by reference to Exhibit 3.59
 to Vornado Realty L.P.’s
 Quarterly Report on Form 10-Q for the quarter ended March
 31, 2006
 (File No. 000-22685), filed on May 8, 2006
- 3.37 - Thirty-Third Amendment to Second Amended and Restated Agreement of Limited *
 Partnership

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- Partnership, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006
- 3.38 - Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006 *
- 3.39 - Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Form 8-K (File No. 000-22685), filed on August 23, 2006 *
- 3.40 - Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Form 8-K (File No. 000-22685), filed on January 22, 2007 *

*

Incorporated by reference.

- 3.41 - Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.42 - Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.43 - Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.44 - Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.45 - Forty-First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008 – Incorporated by reference to Exhibit 3.44 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-11954), filed on May 6, 2008 *
- 3.46 - Forty-Second Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of December 17, 2010 – Incorporated by reference to Exhibit 99.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2010 *
- 3.47 - Forty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 20, 2011 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on April 21, 2011 *
- 4.1 - Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty *

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- Trust's Quarterly Report on Form 10-Q for the quarter ended
June 30, 2005
(File No. 001-11954), filed on April 28, 2005
- 4.2 - Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer,
- Vornado *
Realty L.P., as Guarantor and The Bank of New York, as
Trustee – Incorporated by
reference to Exhibit 4.1 to Vornado Realty Trust's Current
Report on Form 8-K
(File No. 001-11954), filed on November 27, 2006
*Certain instruments defining the rights of holders of long-term debt securities of Vornado
Realty Trust and its subsidiaries are omitted pursuant to Item
601(b)(4)(iii) of Regulation
S-K. Vornado Realty Trust hereby undertakes to furnish to the
Securities and Exchange
Commission, upon request, copies of any such instruments.*
- 10.1 - Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc.
- dated *
- as of May 1, 1992 - Incorporated by reference to Vornado,
Inc.'s Quarterly Report on
Form 10-Q for the quarter ended March 31, 1992 (File No.
001-11954), filed May 8, 1992
- 10.2 - Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December
- 29, *
- 1992 - Incorporated by reference to Vornado Realty Trust's
Annual Report on Form 10-K
for the year ended December 31, 1992 (File No. 001-11954),
filed February 16, 1993
- *

Incorporated by reference.

- 10.3 ** - Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 *
 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993
- 10.4 ** - Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 *
 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993
- 10.5 ** - Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - *
 - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997
- 10.6 ** - Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust *
 - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000
- 10.7 - Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - *
 - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002
- 10.8 - Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 *
- 10.9 - Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated *

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- March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002
- 10.10 - First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 *
- 10.11 ** - Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.12 ** - 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.13 - Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- * Incorporated by reference.
- ** Management contract or compensatory agreement.

- 10.14 - Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002 *
- 10.15 ** - Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002 *
- 10.16 ** - Form of Stock Option Agreement between the Company and certain employees - Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.17 ** - Form of Restricted Stock Agreement between the Company and certain employees - Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.18 ** - Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan - Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006 *
- 10.19 ** - Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 - Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006 *
- 10.20 ** - Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement - Incorporated by reference to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006 *
- 10.21 ** - Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan - Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006 *
- 10.22 ** - Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph *

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- Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006
- 10.23 ** - Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006 *
- 10.24 ** - Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander’s Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007 *

*

Incorporated by reference.

**

Management contract or compensatory agreement.

- 10.25 ** - Amendment to 59th Street Real Estate Retention Agreement, dated January 1, 2007, by and *
among Vornado Realty L.P., 731 Retail One LLC, 731
Restaurant LLC, 731 Office One
LLC and 731 Office Two LLC. – Incorporated by reference to
Exhibit 10.56 to
Vornado Realty Trust’s Annual Report on Form 10-K for the
year ended
December 31, 2006 (File No. 001-11954), filed on February
27, 2007
- 10.26 ** - Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April *
19,
2007 – Incorporated by reference to Exhibit 10.46 to Vornado
Realty Trust’s Quarterly
Report on Form 10-Q for the quarter ended March 31, 2007
(File No. 001-11954),
filed on May 1, 2007
- 10.27 ** - Form of Vornado Realty Trust 2002 Omnibus Share Plan Non-Employee Trustee *
Restricted
LTIP Unit Agreement – Incorporated by reference to Exhibit
10.45 to Vornado Realty
Trust’s Annual Report on Form 10-K for the year ended
December 31, 2007 (File No.
001-11954) filed on February 26, 2008
- 10.28 ** - Form of Vornado Realty Trust 2008 Out-Performance Plan Award Agreement – *
Incorporated
by reference to Exhibit 10.46 to Vornado Realty Trust’s
Quarterly Report on Form 10-Q
for the quarter ended March 31, 2008 (File No. 001-11954)
filed on May 6, 2008
- 10.29 ** - Amendment to Employment Agreement between Vornado Realty Trust and Michael D. *
Fascitelli, dated December 29, 2008. Incorporated by reference
to Exhibit 10.47 to
Vornado Realty Trust’s Annual Report on Form 10-K for the
year ended December 31,
2008 (File No. 001-11954) filed on February 24, 2009
- 10.30 ** - Amendment to Employment Agreement between Vornado Realty Trust and Joseph *
Macnow,
dated December 29, 2008. Incorporated by reference to Exhibit
10.48 to Vornado Realty
Trust’s Annual Report on Form 10-K for the year ended
December 31, 2008 (File No.
001-11954) filed on February 24, 2009
- 10.31 ** - Amendment to Employment Agreement between Vornado Realty Trust and David R. *

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Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009

10.32 ** - Amendment to Indemnification Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *

10.33 ** - Amendment to Employment Agreement between Vornado Realty Trust and Mitchell N. Schear, dated December 29, 2008. Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *

10.34 ** - Vornado Realty Trust's 2010 Omnibus Share Plan. Incorporated by reference to Exhibit 10.41 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-11954) filed on August 3, 2010 *

*

Incorporated by reference.

**

Management contract or compensatory agreement.

- 10.35 ** - Employment Agreement between Vornado Realty Trust and Michael J. Franco, dated September 24, 2010. Incorporated by reference to Exhibit 10.42 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 001-11954) filed on November 2, 2010 *
- 10.36 ** - Form of Vornado Realty Trust 2010 Omnibus Share Plan Stock Agreement. Incorporated by reference to Exhibit 10.42 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11954) filed on February 23, 2011 *
- 10.37 ** - Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted LTIP Unit Agreement Incorporated by reference to Exhibit 10.43 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11954) filed on February 23, 2011 *
- 10.38 ** - Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted Stock Agreement Incorporated by reference to Exhibit 10.44 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11954) filed on February 23, 2011 *
- 10.39 ** - Letter Agreement between Vornado Realty Trust and Michelle Felman, dated December 21, 2010. Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11954) filed on February 23, 2011 *
- 10.40 ** - Waiver and Release between Vornado Realty Trust and Michelle Felman, dated December 21, 2010. Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11954) filed on February 23, 2011 *
- 10.41 ** - Revolving Credit Agreement dated as of June 8, 2011, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and J.P. Morgan Chase Bank N.A., as Administrative Agent for the Banks. Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (File No. 001-11954) filed on August 1, 2011 *

- 10.42 ** - Letter Agreement between Vornado Realty Trust and Christopher G. Kennedy, dated August 5, 2011. Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (File No. 001-11954) filed on November 3, 2011 *
- 10.43 ** - Waiver and Release between Vornado Realty Trust and Christopher G. Kennedy, dated August 5, 2011. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (File No. 001-11954) filed on November 3, 2011 *
- 10.44 - Revolving Credit Agreement dated on November 7, 2011, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and JP Morgan Chase Bank N.A., as administrative agent for the Banks. Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on November 11, 2011 *
- * Incorporated by reference.
** Management contract or compensatory agreement.

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|---------|----|-------------------------------------------------------------------------------------|
| 10.45 | ** | - Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2011 |
| 12 | | - Computation of Ratios |
| 21 | | - Subsidiaries of the Registrant |
| 23 | | - Consent of Independent Registered Public Accounting Firm |
| 31.1 | | - Rule 13a-14 (a) Certification of the Chief Executive Officer |
| 31.2 | | - Rule 13a-14 (a) Certification of the Chief Financial Officer |
| 32.1 | | - Section 1350 Certification of the Chief Executive Officer |
| 32.2 | | - Section 1350 Certification of the Chief Financial Officer |
| 101.INS | | - XBRL Instance Document |
| 101.SCH | | - XBRL Taxonomy Extension Schema |
| 101.CAL | | - XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | | - XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | | - XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | | - XBRL Taxonomy Extension Presentation Linkbase |

* Incorporated by reference.

** Management contract or compensation agreement.

