

VORNADO REALTY TRUST  
Form 10-K  
February 24, 2014

**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, 2013**

**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**  
(State or other jurisdiction of incorporation or  
organization)

**22 1657560**  
(I.R.S. Employer Identification Number)

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**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:

| <b>Title of Each Class</b>  | <b>Name of Each Exchange on Which Registered</b> |
|---|--|
| Common Shares of beneficial interest,<br>\$.04 par value per share              | New York Stock Exchange                          |
| Cumulative Redeemable Preferred Shares of beneficial<br>interest, no par value: |  |
| 6.625% Series G   | New York Stock Exchange                          |
| 6.625% Series I   | New York Stock Exchange                          |
| 6.875% Series J   | New York Stock Exchange                          |
| 5.70% Series K  | New York Stock Exchange                          |
| 5.40% Series L  | New York Stock Exchange                          |

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

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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

Accelerated Filer

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

Smaller Reporting Company

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

YES  NO

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 \$14,071,641,000 at June 30, 2013.

As of December 31, 2013, there were 187,284,688 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 22, 2014.

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 soon as practicable following the availability of such financial statements.

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(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, 2013, 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 future 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,” “would,” “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 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2013. 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, 2013, we own all or portions of:

### New York:

- 19.8 million square feet of Manhattan office space in 31 properties and four residential properties containing 1,653 units;
- 2.4 million square feet of Manhattan street retail space in 55 properties;
- The 1,700 room Hotel Pennsylvania located on Seventh Avenue at 33<sup>rd</sup> Street in the heart of the Penn Plaza district;
- A 32.4% interest in Alexander’s, Inc. (NYSE: ALX), which owns six properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg, L.P. headquarters building;

**Washington, DC:**

- 16.2 million square feet of office space in 59 properties and seven residential properties containing 2,405 units;

**Retail Properties:**

- 14.9 million square feet of retail space in 106 strip shopping centers and single tenant retail assets, primarily in the northeast states and California;
- 5.3 million square feet of retail space in six regional malls, located in the northeast / mid-Atlantic states and Puerto Rico;

**Other Real Estate and Related Investments:**

- The 3.6 million square foot Merchandise Mart in Chicago, whose largest tenant is Motorola Mobility, owned by Google, which leases 608,000 square feet;
- A 70% controlling interest in 555 California Street, a three-building office complex in San Francisco's financial district aggregating 1.8 million square feet, known as the Bank of America Center;
- A 25.0% interest in Vornado Capital Partners, our real estate fund. We are the general partner and investment manager of the fund;
- A 32.6% interest in Toys "R" Us, Inc.; and
- Other real estate and related investments and mortgage and mezzanine loans on real estate.





## 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 execute 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.

## ACQUISITIONS

Since January 1, 2013, we have completed the following acquisitions:

- A 20.1% interest in 650 Madison Avenue, a 27-story, 594,000 square foot Class A office and retail tower located on Madison Avenue between 59th and 60th Street, for \$260 million (\$1.295 billion at 100%).
- A 92.5% interest in 655 Fifth Avenue, a 57,500 square foot retail and office property located at the northeast corner of Fifth Avenue and 52nd Street in Manhattan, for \$277.5 million (\$300 million at 100%).

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- Land and air rights for 137,000 zoning square feet thereby completing the assemblage for our 220 Central Park South development site in Manhattan, for \$194 million.
- Three other Manhattan street retail properties, in separate transactions, for an aggregate of \$65.3 million.

Additional details about our Acquisitions are provided in the “Overview” of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

## DISPOSITIONS

Since January 1, 2013, we have sold 20 assets and marketable securities, including J.C. Penney, for an aggregate of \$1.8 billion, with net proceeds of approximately \$1.3 billion. Below is a summary of these sales.

- Green Acres Mall in Valley Stream, New York, for \$500 million.
- The Plant, a power strip shopping center in San Jose, California, for \$203 million.
- 866 United Nations Plaza, a 360,000 square foot office building in Manhattan, for \$200 million.
- A retail property in Philadelphia, which is a part of the Gallery at Market Street, for \$60 million.
- A parcel of land known as Harlem Park located at 1800 Park Avenue (at 125<sup>th</sup> Street) in New York City, for \$66 million.
- A retail property in Tampa, Florida for \$45 million, of which our 75% share was \$33.8 million.
- 12 other properties, in separate transactions, for an aggregate of \$82.3 million.
- Marketable securities, principally J.C. Penney, for an aggregate of \$378.7 million.
- Our 26.2% interest in LNR for net proceeds of \$240.5 million.
- Our 50% interest in the Downtown Crossing site in Boston for net proceeds of \$45 million.

Additional details about our Dispositions are provided in the “Overview” of Management’s Discussion and Analysis of Financial Condition and Results of Operations.



## FINANCINGS

Since January 1, 2013, we have executed the following capital market transactions:

- A \$600 million loan secured by our 220 Central Park South development site.
- The restructuring of the \$678 million (face amount) Skyline properties mortgage loan.
- Extended one of our two \$1.25 billion revolving credit facilities from June 2015 to June 2017, with two six-month extension options.
- Five additional financings secured by real estate aggregating \$1.707 billion at a weighted average interest rate of 3.63% and a weighted average term of 7.5 years. One of these financings was to support a recently acquired asset and the other four yielded approximately \$351 million of net proceeds.
- Issued \$300 million of 5.4% Series L Preferred Shares and redeemed all of the outstanding Series F and H Preferred Shares and the Series D-15 Preferred Units, which had a weighted average rate of 6.77%, for \$299.4 million.

Additional details about our Financings are provided in the “Overview” of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

## SEGMENT DATA

We operate in the following business segments: New York, Washington, DC, Retail Properties, and Toys “R” Us (“Toys”). As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer meets the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets have been reclassified to “Other.” We have also reclassified the prior period segment financial results to conform to the current year presentation. Financial information related to these business segments for the years ended December 31, 2013, 2012 and 2011 is set forth in Note 26 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K.

## 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 and substantially all of Toys' net income is generated in its fourth quarter, which we record on a one-quarter lag basis in our first quarter. The New York and Washington, DC segments have historically experienced higher utility costs in the first and third quarters of the year. 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, 2013, 2012 and 2011.

## **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 our portfolio may be sold when 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, 2013, we have approximately 4,369 employees, of which 339 are corporate staff. The New York segment has 3,244 employees, including 2,564 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York and Washington, DC properties and 516 employees at the Hotel Pennsylvania. The Washington, DC and Retail Properties segments have 448 and 107 employees, respectively and the Merchandise Mart properties have 231 employees. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, of which we own 32.6% 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**

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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](http://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;
- inflation or deflation;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;

### SEASONALITY

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

The rents or sales proceeds 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, sales proceeds 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 liquidity, financial condition and results of operations as well as 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. Demand for office and retail space may decline nationwide, as it did in 2008 and 2009 due to the economic downturn, bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. 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, including our results of operations, 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.***

We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition include rents charged, sales prices, 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 malls and strip 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 to pay our indebtedness or make distributions to shareholders.

***We may incur significant costs to comply with environmental laws and environmental contamination may impair our ability to lease and/or sell real estate.***

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) 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. Our predecessor companies may be subject to similar liabilities for activities of those companies in the past. 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 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. To date, these environmental assessments have not revealed 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, human exposure to contamination or changes in clean-up or compliance requirements could result in significant costs to us.

***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 cyber security, 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.

***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, 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. We maintain coverage for terrorism acts with limits of \$4.0 billion per occurrence and in the aggregate, and \$2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. 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. For NBCR acts,

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 incurred 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 the future.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes 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.

***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 and/or legal fees to their counsel. 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.

**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 2013, approximately 96% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City 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. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

- financial performance and productivity of the media, 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 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.

***Natural Disasters could have a concentrated impact on the areas where we operate and could adversely impact our results.***

Our investments are concentrated in the New York, Washington, DC, Chicago and San Francisco metropolitan areas. Natural disasters, including earthquakes, storms and hurricanes, could impact our properties in these and other areas in which we operate. Potentially adverse consequences of “global warming” could similarly have an impact on our properties. As a result, we could become subject to significant losses and/or repair costs that may or may not be fully covered by insurance and to the risk of business interruption. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.



**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 may acquire, develop or redevelop real estate and acquire related companies and this may create risks.*

We may acquire, develop or redevelop properties or acquire real estate related companies when we believe doing so is consistent with our business strategy. We may not succeed in (i) developing, redeveloping or acquiring real estate and real estate related companies; (ii) completing these activities on time or within budget; and (iii) leasing or selling developed, redeveloped or acquired properties at amounts sufficient to cover our costs. Competition in these activities could also significantly increase our costs. 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. Furthermore, we may be exposed to the liabilities of properties or companies acquired, some of which we may not be aware of at the time of acquisition.

*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.

*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. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn similar returns.*

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. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn returns similar to those generated by the assets that were sold.

*From time to time we have made, and in the future we may seek to make, investments in companies over which we do not have sole control. Some of these companies operate in industries with different risks than investing and operating real estate.*

From time to time we have made, and in the future we may seek to make, investments in companies that we may not control, including, but not limited to, Alexander's, Inc. ("Alexander's"), Toys "R" Us ("Toys"), Lexington Realty Trust ("Lexington"), 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 investing and operating real estate, including operating or managing toy stores. Consequently, we are subject to operating and financial risks of those industries and to the risks associated with lack of control, such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing directly or indirectly with these partners or entities. 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 Toys. 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 retailer 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 and substantially all of Toys net income is generated in its fourth quarter. 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, 2013 include Toys' financial results for its first, second and third quarters ended November 2, 2013, as well as Toys' fourth quarter results of 2012. 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 marketable equity securities. 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 companies, such as Lexington Realty Trust. As of December 31, 2013, our marketable securities have an aggregate carrying amount of \$191,917,000, at market. Significant declines in the value of these investments due to, among other reasons, 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, 2013, there were three series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of \$56,139,000.

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.***

We rely on both secured and unsecured, variable rate and non-variable rate debt to finance acquisitions and development activities and for working capital. If we are unable to obtain debt financing or refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. In addition, the cost of our existing debt may increase, especially in the case of a rising interest rate environment, and we may not be able to refinance our existing debt in sufficient amounts or on acceptable terms. If the cost or amount of our indebtedness increases or we cannot refinance our debt in sufficient amounts or on acceptable terms, we are at risk of credit ratings downgrades and default on our obligations that could adversely affect our financial condition and results of operations.

***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 indebtedness and debt that we may obtain in the future 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 or give possession of a secured property to the lender. Under those circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

***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 so qualified. Qualifications are governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations and depend 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 relevant tax laws and/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.

***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 and Chief Executive Officer of Vornado. While we believe that we could find a replacement for him 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 (the "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 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.

***The Maryland General Corporation Law (the "MGCL") contains provisions that may reduce the likelihood of certain takeover transactions.***

The MGCL imposes conditions and restrictions on certain "business combinations" (including, among other transactions, a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance of equity securities) between a Maryland REIT and certain persons who beneficially own at least 10% of the

corporation's stock (an "interested shareholder"). Unless approved in advance by the board of trustees of the trust, or otherwise exempted by the statute, such a business combination is prohibited for a period of five years after the most recent date on which the interested shareholder became an interested shareholder. After such five-year period, a business combination with an interested shareholder must be: (a) recommended by the board of trustees of the trust, and (b) approved by the affirmative vote of at least (i) 80% of the trust's outstanding shares entitled to vote and (ii) two-thirds of the trust's outstanding shares entitled to vote which are not held by the interested shareholder with whom the business combination is to be effected, unless, among other things, the trust's common shareholders receive a "fair price" (as defined by the statute) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for his or her shares.

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.

*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.

*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, 2013, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 6.6% of the common shares of Vornado and 26.3% of the common stock of Alexander's Inc. (NYSE: ALX) ("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 and Chief Executive Officer 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. See the related party disclosures in the notes to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

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

As of December 31, 2013, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has six properties, which are located in the greater New York metropolitan area. In addition to the 2.1% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 26.3% of the outstanding common stock of Alexander's as of December 31, 2013. Mr. Roth is the Chairman of the Board and Chief Executive Office 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. Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President – Finance and Chief Administrative Officer, is the Executive Vice President and Chief Financial Officer of Alexander's.

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. See the related party disclosures in the notes to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

**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;
- fluctuations in interest rates;
- 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 REITs;
- 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 REITs 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, 2013, we had authorized but unissued, 62,715,312 common shares of beneficial interest, \$.04 par value and 57,266,023 preferred shares of beneficial interest, no par value; of which 20,356,425 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 11,200,000 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.

In addition, under Maryland law, the Board has the authority to increase the number of authorized shares without shareholder approval.

**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 four business segments: New York, Washington, DC, Retail Properties and Toys “R” Us. The following pages provide details of our real estate properties.

| Property  | %<br>Ownership | Type                 | %<br>Occupancy | In<br>Service | Square Feet<br>Under<br>Development<br>or Not<br>Available<br>for Lease | Total<br>Property |
|---|----------------|----------------------|----------------|---------------|---|-------------------|
| <b>NEW YORK:</b>                                  |                |                      |                |               |   |                   |
| One Penn Plaza (ground leased through 2098)       | 100.0%         | Office / Retail      | 97.0%          | 2,509,000     | -   | 2,509,000         |
| 1290 Avenue of the Americas                       | 70.0%          | Office / Retail      | 94.4%          | 2,113,000     | -   | 2,113,000         |
| Two Penn Plaza                                    | 100.0%         | Office / Retail      | 95.5%          | 1,619,000     | -   | 1,619,000         |
| 666 Fifth Avenue Office Condominium               | 49.5%          | Office               | 87.0%          | 1,418,000     | -   | 1,418,000         |
| 909 Third Avenue (ground leased through 2063)     | 100.0%         | Office               | 100.0%         | 1,343,000     | -   | 1,343,000         |
| Independence Plaza, Tribeca (1,328 units)         | 50.1%          | Residential / Retail | 95.4%          | 1,240,000     | -   | 1,240,000         |
| 280 Park Avenue                                   | 49.5%          | Office / Retail      | 100.0%         | 741,000       | 488,000   | 1,229,000         |
| Eleven Penn Plaza                                 | 100.0%         | Office / Retail      | 99.1%          | 1,148,000     | -   | 1,148,000         |
| 770 Broadway                                      | 100.0%         | Office / Retail      | 100.0%         | 1,126,000     | -   | 1,126,000         |
| One Park Avenue <sup>(2)</sup>                    | 30.3%          | Office / Retail      | 96.7%          | 944,000       | -   | 944,000           |
| 90 Park Avenue                                    | 100.0%         | Office / Retail      | 96.5%          | 918,000       | -   | 918,000           |
| 888 Seventh Avenue (ground leased through 2067)   | 100.0%         | Office / Retail      | 93.4%          | 877,000       | -   | 877,000           |
| 100 West 33rd Street                              | 100.0%         | Office               | 99.2%          | 848,000       | -   | 848,000           |
| 330 Madison Avenue                                | 25.0%          | Office / Retail      | 94.2%          | 832,000       | -   | 832,000           |
| 330 West 34th Street (ground leased through 2148) | 100.0%         | Office / Retail      | 100.0%         | 95,000        | 540,000   | 635,000           |
| 1740 Broadway                                     | 100.0%         | Office / Retail      | 100.0%         | 601,000       | -   | 601,000           |
| 650 Madison Avenue                                | 20.1%          | Office / Retail      | 91.3%          | 595,000       | -   | 595,000           |
| 350 Park Avenue                                   | 100.0%         | Retail               | 99.0%          | 569,000       | -   | 569,000           |

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|   |        |                    |        |         |        |  |         |
|---|--------|--------------------|--------|---------|--------|--|---------|
|   |        | Office /<br>Retail |        |         |        |  |         |
| 150 East 58th Street  | 100.0% | Office /<br>Retail | 95.8%  | 538,000 | -      |  | 538,000 |
| 20 Broad Street (ground<br>leased through 2081)                                     | 100.0% | Office             | 99.3%  | 472,000 | -      |  | 472,000 |
| 640 Fifth Avenue  | 100.0% | Office /<br>Retail | 96.0%  | 324,000 | -      |  | 324,000 |
| 595 Madison Avenue  | 100.0% | Office /<br>Retail | 100.0% | 322,000 | -      |  | 322,000 |
| 50-70 W 93rd Street (325<br>units)  | 49.9%  | Residential        | 93.2%  | 283,000 | -      |  | 283,000 |
| Manhattan Mall  | 100.0% | Retail             | 96.1%  | 256,000 | -      |  | 256,000 |
| 40 Fulton Street  | 100.0% | Office /<br>Retail | 99.0%  | 249,000 | -      |  | 249,000 |
| 4 Union Square South  | 100.0% | Retail             | 100.0% | 206,000 | -      |  | 206,000 |
| 57th Street (5 buildings)   | 50.0%  | Office /<br>Retail | 82.6%  | 188,000 | -      |  | 188,000 |
| 825 Seventh Avenue  | 51.2%  | Office /<br>Retail | 100.0% | 169,000 | -      |  | 169,000 |
| 1540 Broadway   | 100.0% | Retail             | 100.0% | 160,000 | -      |  | 160,000 |
| Paramus   | 100.0% | Office             | 97.6%  | 129,000 | -      |  | 129,000 |
| 608 Fifth Avenue (ground<br>leased through 2026)                                    | 100.0% | Office /<br>Retail | 91.4%  | 126,000 | -      |  | 126,000 |
| 666 Fifth Avenue Retail<br>Condominium  | 100.0% | Retail             | 100.0% | 113,000 | -      |  | 113,000 |
| 689 Fifth Avenue  | 100.0% | Office /<br>Retail | 68.2%  | 92,000  | -      |  | 92,000  |
| 478-486 Broadway (2<br>buildings)   | 100.0% | Retail             | 100.0% | 85,000  | -      |  | 85,000  |
| 510 Fifth Avenue  | 100.0% | Retail             | 90.6%  | 64,000  | -      |  | 64,000  |
| 1535 Broadway (Marriott<br>Marquis)<br>(ground and building<br>leased through 2032) | 100.0% | Retail             | n/a    | -       | 64,000 |  | 64,000  |
| 655 Fifth Avenue  | 92.5%  | Retail             | 100.0% | 57,000  | -      |  | 57,000  |
| 155 Spring Street   | 100.0% | Retail             | 100.0% | 49,000  | -      |  | 49,000  |
| 435 Seventh Avenue  | 100.0% | Retail             | 100.0% | 43,000  | -      |  | 43,000  |
| 3040 M Street   | 100.0% | Retail             | 100.0% | 42,000  | -      |  | 42,000  |
| 692 Broadway  | 100.0% | Retail             | 100.0% | 35,000  | -      |  | 35,000  |
| 715 Lexington (ground leased<br>through 2041)                                       | 100.0% | Retail             | 100.0% | 23,000  | -      |  | 23,000  |
| 1131 Third Avenue   | 100.0% | Retail             | 100.0% | 11,000  | 11,000 |  | 22,000  |
| 7 West 34th Street  | 100.0% | Retail             | 100.0% | 21,000  | -      |  | 21,000  |
| 828-850 Madison Avenue  | 100.0% | Retail             | 100.0% | 18,000  | -      |  | 18,000  |
| 484 Eighth Avenue   | 100.0% | Retail             | 80.6%  | 16,000  | -      |  | 16,000  |
| 443 Broadway  | 100.0% | Retail             | 100.0% | 16,000  | -      |  | 16,000  |
| 334 Canal Street  | 100.0% | Retail             | n/a    | -       | 15,000 |  | 15,000  |
| 40 East 66th Street   | 100.0% | Retail             | 100.0% | 11,000  | -      |  | 11,000  |
| 431 Seventh Avenue  | 100.0% | Retail             | 100.0% | 10,000  | -      |  | 10,000  |
| 677-679 Madison Avenue  | 100.0% | Retail             | 100.0% | 8,000   | -      |  | 8,000   |

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|                   |        |        |        |       |   |       |
|-------------------|--------|--------|--------|-------|---|-------|
| 148 Spring Street | 100.0% | Retail | 100.0% | 7,000 | - | 7,000 |
| 150 Spring Street | 100.0% | Retail | 100.0% | 7,000 | - | 7,000 |

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## Item 2. Properties - continued

| Property   | %<br>Ownership | Type     | %<br>Occupancy | In Service        | Square Feet<br>Under<br>Development<br>or Not<br>Available<br>for Lease | Total<br>Property |
|--|----------------|----------|----------------|-------------------|---|-------------------|
| <b>NEW YORK - continued:</b>   |                |          |                |                   |   |                   |
| 966 Third Avenue   | 100.0%         | Retail   | 100.0%         | 7,000             | -   | 7,000             |
| 488 Eighth Avenue  | 100.0%         | Retail   | 100.0%         | 6,000             | -   | 6,000             |
| 968 Third Avenue   | 50.0%          | Retail   | 100.0%         | 6,000             | -   | 6,000             |
| 267 West 34th Street   | 100.0%         | Retail   | 100.0%         | 6,000             | -   | 6,000             |
| <b>Hotel Pennsylvania<br/>Alexander's, Inc.:</b>                             | 100.0%         | Hotel    | n/a            | 1,400,000         | -   | 1,400,000         |
|  |                | Office / |                |                   |   |                   |
| 731 Lexington Avenue   | 32.4%          | Retail   | 100.0%         | 1,059,000         | -   | 1,059,000         |
| Rego Park II, Queens   | 32.4%          | Retail   | 97.8%          | 609,000           | -   | 609,000           |
| Rego Park I, Queens  | 32.4%          | Retail   | 100.0%         | 343,000           | -   | 343,000           |
| Flushing, Queens   | 32.4%          | Retail   | 100.0%         | 167,000           | -   | 167,000           |
| Paramus, New Jersey (30.3 acres<br>ground leased<br>through 2041)            | 32.4%          | Retail   | 100.0%         | -                 | -   | -                 |
| Rego Park II Apartment<br>Tower, Queens                                      | 32.4%          | Retail   | n/a            | -                 | 250,000   | 250,000           |
| Rego Park III, Queens (3.2<br>acres)   | 32.4%          | Retail   | n/a            | -                 | -   | -                 |
| <b>Total New York<br/>Vornado's Ownership<br/>Interest</b>                   |                |          | <b>96.4%</b>   | <b>27,289,000</b> | <b>1,368,000</b>  | <b>28,657,000</b> |
|  |                |          | <b>96.8%</b>   | <b>21,392,000</b> | <b>952,000</b>  | <b>22,344,000</b> |
| <b>WASHINGTON, DC:</b>   |                |          |                |                   |   |                   |
| Skyline Properties (8<br>buildings)  | 100.0%         | Office   | 60.8%          | 2,652,000         | -   | 2,652,000         |
| 2011-2451 Crystal Drive (5<br>buildings)                                     | 100.0%         | Office   | 84.5%          | 2,316,000         | -   | 2,316,000         |
| S. Clark Street / 12th Street<br>(5 buildings)                               | 100.0%         | Office   | 71.9%          | 1,528,000         | -   | 1,528,000         |
| 1550-1750 Crystal Drive /<br>241-251 18th Street<br>(4 buildings)            | 100.0%         | Office   | 75.9%          | 1,486,000         | -   | 1,486,000         |
| Waterfront Station<br>1800, 1851 and 1901 South Bell<br>Street (3 buildings) | 2.5%           | Office   | n/a            | -                 | 1,058,000   | 1,058,000         |
| Fashion Centre Mall  | 100.0%         | Office   | 96.9%          | 506,000           | 363,000   | 869,000           |
| Rosslyn Plaza (4 buildings)  | 7.5%           | Office   | 99.4%          | 822,000           | -   | 822,000           |
| 1825-1875 Connecticut<br>Avenue, NW  | 46.2%          | Office   | 72.3%          | 575,000           | 159,000   | 734,000           |

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|  |        |        |        |         |         |         |
|--|--------|--------|--------|---------|---------|---------|
| (Universal Buildings ) (2 buildings)   | 100.0% | Office | 95.5%  | 679,000 | -       | 679,000 |
| 2200 / 2300 Clarendon Blvd (Courthouse Plaza) (ground leased through 2062) (2 buildings) | 100.0% | Office | 94.0%  | 636,000 | -       | 636,000 |
| 1299 Pennsylvania Avenue, NW (Warner Building)   | 55.0%  | Office | 75.8%  | 614,000 | -       | 614,000 |
| Fairfax Square (3 buildings)   | 20.0%  | Office | 89.0%  | 558,000 | -       | 558,000 |
| 2100 / 2200 Crystal Drive (2 buildings)  | 100.0% | Office | 99.2%  | 529,000 | -       | 529,000 |
| Commerce Executive (3 buildings)   | 100.0% | Office | 93.8%  | 400,000 | 19,000  | 419,000 |
| 1501 K Street, NW  | 5.0%   | Office | 98.0%  | 398,000 | -       | 398,000 |
| 2101 L Street, NW  | 100.0% | Office | 99.0%  | 380,000 | -       | 380,000 |
| 223 23rd Street / 2221 South Clark Street (2 buildings)                                  | 100.0% | Office | 100.0% | 84,000  | 225,000 | 309,000 |
| 1750 Pennsylvania Avenue, NW   | 100.0% | Office | 88.2%  | 279,000 | -       | 279,000 |
| 1150 17th Street, NW   | 100.0% | Office | 89.2%  | 241,000 | -       | 241,000 |
| 875 15th Street, NW (Bowen Building)   | 100.0% | Office | 96.7%  | 231,000 | -       | 231,000 |
| Democracy Plaza One (ground leased through 2084)   | 100.0% | Office | 89.4%  | 216,000 | -       | 216,000 |
| 1101 17th Street, NW   | 55.0%  | Office | 89.1%  | 213,000 | -       | 213,000 |
| 1730 M Street, NW  | 100.0% | Office | 89.9%  | 202,000 | -       | 202,000 |
| Washington Tower   | 7.5%   | Office | 100.0% | 170,000 | -       | 170,000 |
| 2001 Jefferson Davis Highway   | 100.0% | Office | 64.3%  | 162,000 | -       | 162,000 |
| 1399 New York Avenue, NW   | 100.0% | Office | 84.1%  | 128,000 | -       | 128,000 |
| 1726 M Street, NW  | 100.0% | Office | 100.0% | 91,000  | -       | 91,000  |
| Crystal City Shops at 2100 Crystal Drive Retail  | 100.0% | Office | 99.0%  | 80,000  | -       | 80,000  |
|  | 100.0% | Office | 100.0% | 57,000  | -       | 57,000  |

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**Item 2. Properties - continued**

| <b>Property</b>  | <b>%<br/>Ownership</b> | <b>Type</b> | <b>%<br/>Occupancy</b> | <b>In Service</b> | <b>Square Feet<br/>Under<br/>Development<br/>or Not<br/>Available<br/>for Lease</b> | <b>Total<br/>Property</b> |
|--|------------------------|-------------|------------------------|-------------------|---|---------------------------|
| <b>WASHINGTON, DC -<br/>continued:</b>                           |                        |             |                        |                   |   |                           |
| Riverhouse (1,661 units)<br>(3 buildings)                        | 100.0%                 | Residential | 96.6%                  | 1,793,000         | -   | 1,793,000                 |
| West End 25 (283 units)  | 100.0%                 | Residential | 94.7%                  | 273,000           | -   | 273,000                   |
| 220 20th Street (265 units)                                      | 100.0%                 | Residential | 96.6%                  | 269,000           | -   | 269,000                   |
| Crystal City Hotel   | 100.0%                 | Hotel       | n/a                    | 266,000           | -   | 266,000                   |
| Rosslyn Plaza (196 units)<br>(2 buildings)                       | 43.7%                  | Residential | 95.4%                  | 253,000           | -   | 253,000                   |
| Met Park / Warehouses  | 100.0%                 | Warehouse   | 100.0%                 | 104,000           | 127,000   | 231,000                   |
| Other (3 buildings)  | 100.0%                 | Other       | 100.0%                 | 9,000             | 2,000   | 11,000                    |
| <b>Total Washington, DC<br/>Vornado's Ownership<br/>Interest</b> |                        |             | <b>83.5%</b>           | <b>19,200,000</b> | <b>1,953,000</b>  | <b>21,153,000</b>         |
|  |                        |             | <b>83.4%</b>           | <b>16,628,000</b> | <b>842,000</b>  | <b>17,470,000</b>         |

**RETAIL PROPERTIES:**

|   |        |       |        |         |         |         |
|---|--------|-------|--------|---------|---------|---------|
| Wayne Town Center, Wayne, NJ<br>(ground leased through<br>2064) | 100.0% | Strip | 100.0% | 316,000 | 347,000 | 663,000 |
| Allentown, PA   | 100.0% | Strip | 90.3%  | 627,000 | -       | 627,000 |
| Poughkeepsie, NY  | 100.0% | Strip | 85.9%  | 517,000 | -       | 517,000 |
| Bronx (Bruckner Boulevard), NY                                  | 100.0% | Strip | 91.3%  | 501,000 | -       | 501,000 |
| North Bergen (Tonnelles Avenue), NJ                             | 100.0% | Strip | 100.0% | 410,000 | -       | 410,000 |
| Beverly Connection, Los Angeles CA                              | 100.0% | Strip | 91.5%  | 335,000 | -       | 335,000 |
| Wilkes-Barre, PA  | 100.0% | Strip | 83.2%  | 329,000 | -       | 329,000 |
| Buffalo (Amherst), NY   | 100.0% | Strip | 100.0% | 311,000 | -       | 311,000 |
| Bricktown, NJ   | 100.0% | Strip | 94.7%  | 279,000 | -       | 279,000 |
| Union (Route 22 and Morris Avenue),<br>NJ                       | 100.0% | Strip | 99.4%  | 276,000 | -       | 276,000 |
| Hackensack, NJ  | 100.0% | Strip | 75.4%  | 275,000 | -       | 275,000 |
| Totowa, NJ  | 100.0% | Strip | 100.0% | 271,000 | -       | 271,000 |
| East Hanover (240 Route 10 West), NJ                            | 100.0% | Strip | 95.9%  | 267,000 | -       | 267,000 |
| Cherry Hill, NJ   | 100.0% | Strip | 98.6%  | 263,000 | -       | 263,000 |
| Jersey City, NJ   | 100.0% | Strip | 100.0% | 236,000 | -       | 236,000 |
| East Brunswick (325 - 333 Route 18<br>South), NJ                | 100.0% | Strip | 100.0% | 232,000 | -       | 232,000 |
| Union (2445 Springfield Avenue), NJ                             | 100.0% | Strip | 100.0% | 232,000 | -       | 232,000 |

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|   |        |       |        |         |        |         |
|---|--------|-------|--------|---------|--------|---------|
| Middletown, NJ  | 100.0% | Strip | 96.3%  | 231,000 | -      | 231,000 |
| Lancaster, PA   | 100.0% | Strip | 82.1%  | 228,000 | -      | 228,000 |
| Woodbridge NJ   | 100.0% | Strip | 84.1%  | 226,000 | -      | 226,000 |
| Chicopee, MA  | 100.0% | Strip | 100.0% | 224,000 | -      | 224,000 |
| Marlton, NJ   | 100.0% | Strip | 100.0% | 213,000 | -      | 213,000 |
| North Plainfield, NJ<br>(ground leased through<br>2060) | 100.0% | Strip | 85.0%  | 212,000 | -      | 212,000 |
| Bergen Town Center - East, Paramus, NJ                  | 100.0% | Strip | 93.6%  | 211,000 | -      | 211,000 |
| Huntington, NY  | 100.0% | Strip | 97.9%  | 209,000 | -      | 209,000 |
| Manalapan, NJ   | 100.0% | Strip | 99.3%  | 208,000 | -      | 208,000 |
| Rochester, NY   | 100.0% | Strip | 100.0% | 205,000 | -      | 205,000 |
| East Rutherford, NJ                                     | 100.0% | Strip | 100.0% | 197,000 | -      | 197,000 |
| East Brunswick (339-341 Route 18<br>South), NJ          | 100.0% | Strip | 100.0% | 196,000 | -      | 196,000 |
| Garfield, NJ  | 100.0% | Strip | 100.0% | 195,000 | -      | 195,000 |
| Mt. Kisco, NY   | 100.0% | Strip | 100.0% | 189,000 | -      | 189,000 |
| Newington, CT   | 100.0% | Strip | 100.0% | 188,000 | -      | 188,000 |
| Bensalem, PA  | 100.0% | Strip | 98.9%  | 185,000 | -      | 185,000 |
| Springfield, MA   | 100.0% | Strip | 97.8%  | 182,000 | -      | 182,000 |
| Bordentown, NJ  | 100.0% | Strip | 80.4%  | 83,000  | 96,000 | 179,000 |
| Morris Plains, NJ                                       | 100.0% | Strip | 95.9%  | 177,000 | -      | 177,000 |

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## Item 2. Properties - continued

| Property  | %<br>Ownership | Type  | %<br>Occupancy | In<br>Service | Square Feet<br>Under<br>Development<br>or Not<br>Available<br>for Lease | Total<br>Property |
|---|----------------|-------|----------------|---------------|---|-------------------|
| <b>RETAIL PROPERTIES - continued:</b>                           |                |       |                |               |   |                   |
| Dover, NJ   | 100.0%         | Strip | 96.3%          | 173,000       | -   | 173,000           |
| Freeport (437 East Sunrise Highway), NY                         | 100.0%         | Strip | 100.0%         | 173,000       | -   | 173,000           |
| Delran, NJ  | 100.0%         | Strip | 7.2%           | 43,000        | 128,000   | 171,000           |
| Lodi (Route 17 North), NJ                                       | 100.0%         | Strip | 100.0%         | 171,000       | -   | 171,000           |
| Watchung, NJ  | 100.0%         | Strip | 96.6%          | 170,000       | -   | 170,000           |
| Broomall, PA  | 100.0%         | Strip | 100.0%         | 169,000       | -   | 169,000           |
| Bethlehem, PA   | 100.0%         | Strip | 95.3%          | 167,000       | -   | 167,000           |
| Rochester (Henrietta), NY<br>(ground leased through 2056)       | 100.0%         | Strip | 96.2%          | 165,000       | -   | 165,000           |
| Staten Island, NY   | 100.0%         | Strip | 96.3%          | 165,000       | -   | 165,000           |
| Baltimore (Towson), MD  | 100.0%         | Strip | 100.0%         | 155,000       | -   | 155,000           |
| Waterbury, CT   | 100.0%         | Strip | 97.6%          | 148,000       | -   | 148,000           |
| Lawnside, NJ  | 100.0%         | Strip | 100.0%         | 145,000       | -   | 145,000           |
| Albany (Menands), NY  | 100.0%         | Strip | 74.0%          | 140,000       | -   | 140,000           |
| Annapolis, MD<br>(ground and building leased through 2042)      | 100.0%         | Strip | 100.0%         | 128,000       | -   | 128,000           |
| Hazlet, NJ  | 100.0%         | Strip | 100.0%         | 123,000       | -   | 123,000           |
| Glen Burnie, MD   | 100.0%         | Strip | 90.5%          | 121,000       | -   | 121,000           |
| Roseville, MI   | 100.0%         | Strip | 100.0%         | 119,000       | -   | 119,000           |
| Norfolk, VA<br>(ground and building leased through 2069)        | 100.0%         | Strip | 100.0%         | 114,000       | -   | 114,000           |
| York, PA  | 100.0%         | Strip | 100.0%         | 110,000       | -   | 110,000           |
| Kearny, NJ  | 100.0%         | Strip | 43.5%          | 104,000       | -   | 104,000           |
| Glenolden, PA   | 100.0%         | Strip | 100.0%         | 102,000       | -   | 102,000           |
| New Hyde Park, NY<br>(ground and building leased through 2029)  | 100.0%         | Strip | 100.0%         | 101,000       | -   | 101,000           |
| Inwood, NY  | 100.0%         | Strip | 88.8%          | 100,000       | -   | 100,000           |
| North Syracuse, NY<br>(ground and building leased through 2014) | 100.0%         | Strip | 100.0%         | 98,000        | -   | 98,000            |

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|  |        |       |        |        |        |        |
|--|--------|-------|--------|--------|--------|--------|
| Turnersville, NJ   | 100.0% | Strip | 100.0% | 96,000 | -      | 96,000 |
| Rockville, MD  | 100.0% | Strip | 100.0% | 94,000 | -      | 94,000 |
| Lodi (Washington Street), NJ   | 100.0% | Strip | 92.1%  | 85,000 | -      | 85,000 |
| Milford, MA<br>(ground and building<br>leased through 2019)                              | 100.0% | Strip | 100.0% | 83,000 | -      | 83,000 |
| Wilkes-Barre, PA<br>(ground and building<br>leased through 2014)                         | 100.0% | Strip | 100.0% | 41,000 | 40,000 | 81,000 |
| West Babylon, NY   | 100.0% | Strip | 83.4%  | 79,000 | -      | 79,000 |
| Carlstadt, NJ (ground leased<br>through 2050)  | 100.0% | Strip | 95.2%  | 78,000 | -      | 78,000 |
| Bronx (1750-1780 Gun Hill<br>Road), NY   | 100.0% | Strip | 90.7%  | 77,000 | -      | 77,000 |
| East Hanover (200 Route 10<br>West), NJ  | 100.0% | Strip | 89.5%  | 76,000 | -      | 76,000 |
| Wyomissing, PA<br>(ground and building<br>leased through 2065)                           | 100.0% | Strip | 93.2%  | 76,000 | -      | 76,000 |
| Colton (1904 North Rancho<br>Avenue), CA   | 100.0% | Strip | 100.0% | 73,000 | -      | 73,000 |
| Wheaton, MD<br>(ground leased<br>through 2060)   | 100.0% | Strip | 100.0% | 66,000 | -      | 66,000 |
| Paramus, NJ (ground leased<br>through 2033)  | 100.0% | Strip | 100.0% | 63,000 | -      | 63,000 |
| North Bergen (Kennedy<br>Boulevard), NJ  | 100.0% | Strip | 100.0% | 62,000 | -      | 62,000 |
| Queens, NY   | 100.0% | Strip | 100.0% | 56,000 | -      | 56,000 |
| South Plainfield, NJ<br>(ground leased<br>through 2039)                                  | 100.0% | Strip | 85.9%  | 56,000 | -      | 56,000 |
| San Francisco (2675 Geary<br>Street), CA<br>(ground and building<br>leased through 2043) | 100.0% | Strip | 100.0% | 55,000 | -      | 55,000 |

**Item 2. Properties - continued**

| <b>Property</b>  | <b>%</b>    |                  | <b>%</b>       | <b>In</b>        | <b>Square Feet</b> |               | <b>Total</b>    |
|--|-------------|------------------|----------------|------------------|--------------------|---------------|-----------------|
| <b>Ownership</b>   | <b>Type</b> | <b>Occupancy</b> | <b>Service</b> | <b>Under</b>     | <b>Development</b> | <b>or Not</b> | <b>Property</b> |
|  |             |                  |                | <b>Available</b> | <b>for Lease</b>   |               |                 |
| <b>RETAIL PROPERTIES - continued:</b>  |             |                  |                |                  |                    |               |                 |
| Cambridge, MA<br>(ground and building<br>leased through 2033)                              | 100.0%      | Strip            | 100.0%         | 48,000           | -                  |               | 48,000          |
| Battle Creek, MI<br>Commack, NY<br>(ground and building<br>leased through 2021)            | 100.0%      | Strip            | -              | 47,000           | -                  |               | 47,000          |
| Lansing, IL<br>Springdale, OH<br>(ground and building<br>leased through 2046)              | 100.0%      | Strip            | 100.0%         | 47,000           | -                  |               | 47,000          |
| Arlington Heights, IL<br>(ground and building<br>leased through 2043)                      | 100.0%      | Strip            | 100.0%         | 47,000           | -                  |               | 47,000          |
| Dewitt, NY<br>(ground leased<br>through 2041)  | 100.0%      | Strip            | -              | 47,000           | -                  |               | 47,000          |
| Antioch, TN<br>Charleston, SC<br>(ground leased<br>through 2063)                           | 100.0%      | Strip            | 100.0%         | 46,000           | -                  |               | 46,000          |
| Signal Hill, CA<br>Vallejo, CA<br>(ground leased<br>through 2043)                          | 100.0%      | Strip            | 100.0%         | 45,000           | -                  |               | 45,000          |
| Freeport (240 West Sunrise<br>Highway), NY<br>(ground and building<br>leased through 2040) | 100.0%      | Strip            | 100.0%         | 45,000           | -                  |               | 45,000          |
| Fond Du Lac, WI<br>(ground leased<br>through 2073)   | 100.0%      | Strip            | 100.0%         | 44,000           | -                  |               | 44,000          |
| San Antonio, TX<br>(ground and building<br>leased through 2041)                            | 100.0%      | Strip            | 100.0%         | 43,000           | -                  |               | 43,000          |

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|  |        |       |        |        |   |        |
|--|--------|-------|--------|--------|---|--------|
| Chicago, IL<br>(ground and building<br>leased through 2051)        | 100.0% | Strip | 100.0% | 41,000 | - | 41,000 |
| Englewood, NJ  | 100.0% | Strip | 79.7%  | 41,000 | - | 41,000 |
| Springfield, PA<br>(ground and building<br>leased through 2025)    | 100.0% | Strip | 100.0% | 41,000 | - | 41,000 |
| Riverside (5571 Mission<br>Boulevard), CA                          | 100.0% | Strip | 100.0% | 39,000 | - | 39,000 |
| Tyson's Corner, VA<br>(ground and building<br>leased through 2035) | 100.0% | Strip | 100.0% | 38,000 | - | 38,000 |
| Salem, NH<br>(ground leased<br>through 2102)                       | 100.0% | Strip | 100.0% | 37,000 | - | 37,000 |
| Owensboro, KY<br>(ground and building<br>leased through 2046)      | 100.0% | Strip | 100.0% | 32,000 | - | 32,000 |
| Dubuque, IA<br>(ground leased<br>through 2043)                     | 100.0% | Strip | 100.0% | 31,000 | - | 31,000 |
| Midland, MI<br>(ground leased<br>through 2043)                     | 100.0% | Strip | 83.6%  | 31,000 | - | 31,000 |
| Eatontown, NJ  | 100.0% | Strip | 100.0% | 30,000 | - | 30,000 |
| Walnut Creek (1149 South Main<br>Street), CA                       | 100.0% | Strip | 100.0% | 29,000 | - | 29,000 |
| East Hanover (280 Route 10<br>West), NJ                            | 100.0% | Strip | 94.0%  | 26,000 | - | 26,000 |
| Montclair, NJ  | 100.0% | Strip | 100.0% | 18,000 | - | 18,000 |
| Oceanside, NY  | 100.0% | Strip | 100.0% | 16,000 | - | 16,000 |
| Walnut Creek (Mt. Diablo), CA                                      | 95.0%  | Strip | 100.0% | 7,000  | - | 7,000  |

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## Item 2. Properties - continued

| Property  | %<br>Ownership | Type                             | %<br>Occupancy | In Service        | Square Feet<br>Under<br>Development<br>or Not<br>Available<br>for Lease | Total<br>Property |
|---|----------------|----------------------------------|----------------|-------------------|---|-------------------|
| <b>RETAIL PROPERTIES - continued:</b>                           |                |                                  |                |                   |   |                   |
| Monmouth Mall, Eatontown, NJ                                    | 50.0%          | Mall                             | 93.9%          | 1,464,000         | -   | 1,464,000         |
| Springfield Mall, Springfield, VA                               | 100.0%         | Mall                             | 100.0%         | 684,000           | 690,000   | 1,374,000         |
| Broadway Mall, Hicksville, NY                                   | 100.0%         | Mall                             | 90.1%          | 1,138,000         | -   | 1,138,000         |
| Bergen Town Center - West, Paramus, NJ                          | 100.0%         | Mall                             | 99.5%          | 951,000           | -   | 951,000           |
| Montehiedra, Puerto Rico  | 100.0%         | Mall                             | 91.0%          | 542,000           | -   | 542,000           |
| Las Catalinas, Puerto Rico                                      | 100.0%         | Mall                             | 93.1%          | 494,000           | -   | 494,000           |
| <b>Total Retail Properties Vornado's Ownership Interest</b>     |                |                                  | <b>94.3%</b>   | <b>20,224,000</b> | <b>1,301,000</b>  | <b>21,525,000</b> |
|   |                |                                  | <b>94.3%</b>   | <b>18,215,000</b> | <b>1,301,000</b>  | <b>19,516,000</b> |
| <b>OTHER (Merchandise Mart):</b>                                |                |                                  |                |                   |   |                   |
| Merchandise Mart, Chicago                                       | 100.0%         | Office /<br>Retail /<br>Showroom | 96.4%          | 3,559,000         | -   | 3,559,000         |
| Other   | 50.0%          | Retail                           | 100.0%         | 19,000            | -   | 19,000            |
| 7 West 34th Street  | 100.0%         | Office /<br>Showroom             | 90.9%          | 125,000           | 295,000   | 420,000           |
| <b>Total Merchandise Mart Vornado's Ownership Interest</b>      |                |                                  | <b>96.3%</b>   | <b>3,703,000</b>  | <b>295,000</b>  | <b>3,998,000</b>  |
|   |                |                                  | <b>96.3%</b>   | <b>3,694,000</b>  | <b>295,000</b>  | <b>3,989,000</b>  |
| <b>OTHER (555 California Street):</b>                           |                |                                  |                |                   |   |                   |
| 555 California Street   | 70.0%          | Office                           | 94.3%          | 1,503,000         | -   | 1,503,000         |
| 315 Montgomery Street   | 70.0%          | Office /<br>Retail               | 94.1%          | 228,000           | -   | 228,000           |
| 345 Montgomery Street   | 70.0%          | Office /<br>Retail               | 100.0%         | 64,000            | -   | 64,000            |
| <b>Total 555 California Street Vornado's Ownership Interest</b> |                |                                  | <b>94.5%</b>   | <b>1,795,000</b>  | -   | <b>1,795,000</b>  |
|   |                |                                  | <b>94.5%</b>   | <b>1,257,000</b>  | -   | <b>1,257,000</b>  |
| <b>OTHER (Warehouses):</b>                                      |                |                                  |                |                   |   |                   |
| East Hanover (5 buildings)                                      | 100.0%         | Warehouse                        | 45.6%          | 942,000           | -   | 942,000           |
| <b>Total Warehouses</b>   |                |                                  | <b>45.6%</b>   | <b>942,000</b>    | -   | <b>942,000</b>    |

SEASONALITY



|   |        |                         |              |                  |               |                  |
|---|--------|-------------------------|--------------|------------------|---------------|------------------|
| <b>Vornado's Ownership Interest</b>                                       |        |                         | <b>45.6%</b> | <b>942,000</b>   | <b>-</b>      | <b>942,000</b>   |
| <b>OTHER (Vornado Capital Partners Real Estate Fund) <sup>(1)</sup> :</b> |        |                         |              |                  |               |                  |
| One Park Avenue, NY <sup>(2)</sup>  | 64.7%  | Office / Retail         | 96.7%        | 944,000          | -             | 944,000          |
| Georgetown Park Retail Shopping Center, DC                                | 50.0%  | Office / Retail         | 100.0%       | 223,000          | 90,000        | 313,000          |
| 800 Corporate Pointe, Culver City, CA (2 buildings)                       | 100.0% | Office                  | 57.0%        | 243,000          | -             | 243,000          |
| Crowne Plaza Times Square, NY   | 38.2%  | Office / Retail / Hotel | 100.0%       | 226,000          | -             | 226,000          |
| Lucida, 86th Street and Lexington Avenue, NY                              | 100.0% | Retail / Residential    | 100.0%       | 146,000          | -             | 146,000          |
| 1100 Lincoln Road, Miami, FL  | 100.0% | Retail                  | 99.6%        | 127,000          | -             | 127,000          |
| 520 Broadway, Santa Monica, CA  | 100.0% | Office                  | 81.6%        | 112,000          | -             | 112,000          |
| 11 East 68th Street Retail, NY  | 100.0% | Retail                  | 100.0%       | 9,000            | -             | 9,000            |
| 501 Broadway, NY  | 100.0% | Retail                  | 100.0%       | 9,000            | -             | 9,000            |
| <b>Total Real Estate Fund Properties</b>                                  |        |                         | <b>89.3%</b> | <b>2,039,000</b> | <b>90,000</b> | <b>2,129,000</b> |
| <b>Vornado's Ownership Interest</b>                                       |        |                         | <b>89.3%</b> | <b>364,000</b>   | <b>11,000</b> | <b>375,000</b>   |

(1) We own a 25% interest in the Fund. The ownership percentage in this section represents the Fund's ownership in the underlying asset.

(2) Our combined ownership interest in this asset, including our direct ownership and our indirect ownership through the Fund, is 46.5%.

## New York

As of December 31, 2013, our New York segment consisted of 27.3 million square feet in 71 properties. The 27.3 million square feet is comprised of 19.8 million square feet of office space in 31 properties, 2.4 million square feet of retail space in 55 properties, four residential properties containing 1,653 units, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, Inc. ("Alexander's"), which owns six properties in the greater New York metropolitan area. The New York segment also includes 10 garages totaling 1.7 million square feet (4,909 spaces) which are managed by, or leased to, third parties.

New York lease terms generally range from five to seven years for smaller tenants to as long as 20 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.

As of December 31, 2013, the occupancy rate for our New York segment, in which we own 21.4 million square feet (of a total of 27.3 million square feet), was 96.8%. The statistics provided in the following sections include information for our share of the office, retail and residential space.

### *Occupancy and weighted average annual rent per square foot:*

#### **Office:**

|                               | <b>Rentable</b>    | <b>Occupancy</b> | <b>Weighted<br/>Average Annual<br/>Rent Per</b> |
|-------------------------------|--------------------|------------------|---|
| <b>As of<br/>December 31,</b> | <b>Square Feet</b> | <b>Rate</b>      | <b>Square Foot</b>                              |
| 2013                          | 16,358,000         | 96.6 %           | \$ 62.03  |
| 2012                          | 16,397,000         | 95.8 %           | 60.33   |
| 2011                          | 16,241,000         | 96.2 %           | 58.84   |
| 2010                          | 14,991,000         | 96.1 %           | 56.29   |
| 2009                          | 14,974,000         | 97.1 %           | 55.68   |

#### **Retail:**

|                               | <b>Rentable</b>    | <b>Occupancy</b> | <b>Weighted<br/>Average Annual<br/>Rent Per</b> |
|-------------------------------|--------------------|------------------|---|
| <b>As of<br/>December 31,</b> | <b>Square Feet</b> | <b>Rate</b>      | <b>Square Foot</b>                              |
| 2013                          | 2,166,000          | 97.4 %           | \$ 162.39                                       |

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|      |           |        |        |
|------|-----------|--------|--------|
| 2012 | 2,051,000 | 96.8 % | 147.50 |
| 2011 | 1,994,000 | 95.6 % | 110.17 |
| 2010 | 1,918,000 | 96.4 % | 106.52 |
| 2009 | 1,814,000 | 97.0 % | 101.53 |

**Residential:**

|                       | <b>Number of</b> | <b>Occupancy</b> | <b>Average</b>       |
|-----------------------|------------------|------------------|----------------------|
| <b>As of December</b> | <b>Units</b>     | <b>Rate</b>      | <b>Monthly</b>       |
| <b>31,</b>            |                  |                  | <b>Rent Per Unit</b> |
| 2013                  | 1,653            | 94.8 %           | \$ 2,864             |
| 2012                  | 1,651            | 96.5 %           | 2,672                |

**NEW YORK – CONTINUED***Tenants accounting for 2% or more of revenues:*

| <b>Tenant</b>                   | <b>Square Feet<br/>Leased</b> | <b>2013<br/>Revenues</b> | <b>Percentage<br/>of<br/>New York<br/>Revenues</b> | <b>Percentage<br/>of Total<br/>Revenues</b> |
|---------------------------------|-------------------------------|--------------------------|--|---|
| AXA Equitable Life<br>Insurance | 423,000                       | \$ 36,329,000            | 2.7 %  | 1.3 %                                       |
| Macy's                          | 646,000                       | 34,630,000               | 2.6 %  | 1.3 %                                       |
| Limited Brands                  | 504,000                       | 29,704,000               | 2.2 %  | 1.1 %                                       |
| McGraw-Hill Companies,<br>Inc.  | 480,000                       | 26,395,000               | 2.0 %  | 1.0 %                                       |
| Draftfcb                        | 744,000                       | 26,276,000               | 2.0 %  | 1.0 %                                       |

*2013 rental revenue by tenants' industry:*

| <b>Industry</b>                       | <b>Percentage</b> |
|---------------------------------------|-------------------|
| <b>Office:</b>                        |                   |
| Financial Services                    | 15 %              |
| Legal Services                        | 7 %               |
| Communications                        | 7 %               |
| Family Apparel                        | 7 %               |
| Real Estate                           | 6 %               |
| Insurance                             | 4 %               |
| Publishing                            | 4 %               |
| Technology                            | 3 %               |
| Pharmaceutical                        | 2 %               |
| Government                            | 2 %               |
| Home Entertainment &<br>Electronics   | 2 %               |
| Banking                               | 2 %               |
| Advertising / Marketing               | 2 %               |
| Engineering, Architect &<br>Surveying | 2 %               |
| Health Services                       | 1 %               |
| Other                                 | 9 %               |
|                                       | 75 %              |
| <b>Retail:</b>                        |                   |
| Family Apparel                        | 8 %               |
| Department Stores                     | 3 %               |
| Women's Apparel                       | 3 %               |
| Restaurants                           | 2 %               |
| Luxury Retail                         | 2 %               |
| Banking                               | 2 %               |
| Discount Stores                       | 1 %               |
| Other                                 | 4 %               |
|                                       | 25 %              |

**Total**

100 %

25

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**NEW YORK – CONTINUED**

Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:

| Year           | Number<br>of<br>Expiring<br>Leases | Square<br>Feet of<br>Expiring<br>Leases | Percentage of           | Weighted Average Annual |   |
|----------------|------------------------------------|---|-------------------------|-------------------------|---|
|                |                                    |   | New York<br>Square Feet | Total                   | Rent of Expiring Leases<br>Per Square<br>Foot |
| <b>Office:</b> |                                    |   |                         |                         |   |
| Month to month | 16                                 | 36,000                                  | 0.2 %                   | \$ 1,620,000            | \$ 45.00                                      |
| 2014           | 142                                | 798,000 <sup>(1)</sup>                  | 5.2 %                   | 52,488,000              | 65.77 <sup>(1)</sup>                          |
| 2015           | 138                                | 1,579,000                               | 10.3 %                  | 87,965,000              | 55.71   |
| 2016           | 148                                | 1,204,000                               | 7.8 %                   | 72,933,000              | 60.58   |
| 2017           | 105                                | 1,184,000                               | 7.7 %                   | 70,550,000              | 59.59   |
| 2018           | 94                                 | 1,006,000 <sup>(2)</sup>                | 6.5 %                   | 72,236,000              | 71.81   |
| 2019           | 80                                 | 953,000                                 | 6.2 %                   | 59,502,000              | 62.44   |
| 2020           | 94                                 | 1,270,000                               | 8.2 %                   | 74,114,000              | 58.36   |
| 2021           | 61                                 | 1,118,000                               | 7.3 %                   | 69,518,000              | 62.18   |
| 2022           | 60                                 | 1,197,000                               | 7.8 %                   | 74,878,000              | 62.55   |
| 2023           | 45                                 | 1,582,000                               | 10.3 %                  | 107,319,000             | 67.84   |
| <b>Retail:</b> |                                    |   |                         |                         |   |
| Month to month | 12                                 | 41,000                                  | 3.3 %                   | \$ 7,191,000            | \$ 175.39                                     |
| 2014           | 24                                 | 67,000 <sup>(3)</sup>                   | 5.3 %                   | 9,591,000               | 143.15 <sup>(3)</sup>                         |
| 2015           | 40                                 | 142,000                                 | 11.3 %                  | 30,637,000              | 215.75  |
| 2016           | 20                                 | 222,000                                 | 17.7 %                  | 21,173,000              | 95.37   |
| 2017           | 9                                  | 166,000                                 | 13.2 %                  | 9,094,000               | 54.78   |
| 2018           | 38                                 | 220,000                                 | 17.5 %                  | 41,672,000              | 189.42  |
| 2019           | 23                                 | 106,000                                 | 8.4 %                   | 23,907,000              | 225.54  |
| 2020           | 20                                 | 93,000                                  | 7.4 %                   | 10,683,000              | 114.87  |
| 2021           | 11                                 | 38,000                                  | 3.0 %                   | 7,184,000               | 189.05  |
| 2022           | 8                                  | 23,000                                  | 1.8 %                   | 3,569,000               | 155.17  |
| 2023           | 14                                 | 137,000                                 | 10.9 %                  | 31,395,000              | 229.16  |

(1) Based on current market conditions, we expect to release this space at weighted average rents ranging from \$65 to \$75 per square foot.

(2) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including four 5-year renewal options) for which the annual escalated rent is \$9.81 per square foot.

(3) Based on current market conditions, we expect to release this space at weighted average rents ranging from \$150 to \$200 per square foot.

**Alexander's**

As of December 31, 2013, we own 32.4% of the outstanding common stock of Alexander's, which owns six properties in the greater New York metropolitan area aggregating 2.2 million square feet, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg L.P. headquarters building. Alexander's had \$1.05 billion of outstanding debt at December 31, 2013, of which our pro rata share was \$340 million, none of which is recourse to us.

**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.

|  | <b>Year Ended December 31,</b> |             |             |             |             |
|--|--------------------------------|-------------|-------------|-------------|-------------|
|  | <b>2013</b>                    | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
| <b>Hotel:</b>                                |                                |             |             |             |             |
| Average occupancy rate                       | 93.4 %                         | 89.1 %      | 89.1 %      | 83.2 %      | 71.5 %      |
| Average daily rate                           | \$ 158.01                      | \$ 152.79   | \$ 152.53   | \$ 144.21   | \$ 133.87   |
| Revenue per available room                   | \$ 147.63                      | \$ 136.21   | \$ 135.87   | \$ 120.00   | \$ 95.67    |
| <b>Commercial:</b>                           |                                |             |             |             |             |
| <b>Office space:</b>                         |                                |             |             |             |             |
| Average occupancy rate                       | 33.4 %                         | 33.4 %      | 33.4 %      | 33.4 %      | 30.4 %      |
| Weighted average annual rent per square foot | \$ 17.81                       | \$ 17.32    | \$ 13.49    | \$ 7.52     | \$ 20.54    |
| <b>Retail space:</b>                         |                                |             |             |             |             |
| Average occupancy rate                       | 62.5 %                         | 64.3 %      | 63.0 %      | 62.3 %      | 70.7 %      |
| Weighted average annual rent per square foot | \$ 30.59                       | \$ 27.19    | \$ 29.01    | \$ 31.42    | \$ 35.05    |

**Washington, DC**

As of December 31, 2013, our Washington, DC segment consisted of 71 properties aggregating 19.2 million square feet. The 19.2 million square feet is comprised of 16.2 million square feet of office space in 59 properties, seven residential properties containing 2,405 units, a hotel property, and 20.8 acres of undeveloped land. The Washington, DC segment also includes 56 garages totaling approximately 8.9 million square feet (29,611 spaces) which are managed by, or leased to, third parties.

Washington, DC office 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 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.

As of December 31, 2013, the occupancy rate for our Washington DC segment, in which we own 16.6 million square feet (of a total of 19.2 million square feet), was 83.4%, and 29.0% of the occupied space was leased to various agencies of the U.S. Government. The statistics provided in the following sections include information for our share of the office and residential space.

*Occupancy and weighted average annual rent per square foot:*

**Office:**

|                     | <b>Rentable</b>    | <b>Occupancy</b> | <b>Weighted<br/>Average Annual<br/>Rent Per</b> |
|---------------------|--------------------|------------------|---|
| <b>As of</b>        | <b>Square Feet</b> | <b>Rate</b>      | <b>Square Foot</b>                              |
| <b>December 31,</b> |                    |                  |   |
| 2013                | 13,803,000         | 80.7 %           | \$ 42.44  |
| 2012                | 13,637,000         | 81.2 %           | 41.57   |
| 2011                | 14,162,000         | 89.3 %           | 40.80   |
| 2010                | 14,035,000         | 94.8 %           | 39.65   |
| 2009                | 14,035,000         | 94.9 %           | 38.46   |

**Residential:**

|                     | <b>Number of</b> | <b>Occupancy</b> | <b>Average<br/>Monthly</b> |
|---------------------|------------------|------------------|----------------------------|
| <b>As of</b>        | <b>Units</b>     | <b>Rate</b>      | <b>Rent Per Unit</b>       |
| <b>December 31,</b> |                  |                  |                            |
| 2013                | 2,405            | 96.3 %           | \$ 2,083                   |
| 2012                | 2,414            | 97.9 %           | 2,104                      |



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|      |       |        |       |
|------|-------|--------|-------|
| 2011 | 2,414 | 96.6 % | 2,056 |
| 2010 | 2,414 | 95.5 % | 1,925 |
| 2009 | 2,414 | 84.0 % | 1,622 |

*Tenants accounting for 2% or more of revenues:*

| <b>Tenant</b>                  | <b>Square Feet<br/>Leased</b> | <b>2013<br/>Revenues</b> | <b>Percentage<br/>of<br/>Washington,<br/>DC<br/>Revenues</b> | <b>Percentage<br/>of Total<br/>Revenues</b> |
|--------------------------------|-------------------------------|--------------------------|--|---|
| U.S. Government                | 3,667,000                     | \$ 143,870,000           | 26.6 %   | 5.2 %                                       |
| Family Health<br>International | 618,000                       | 19,188,000               | 3.6 %  | 0.7 %                                       |
| Boeing                         | 377,000                       | 16,317,000               | 3.0 %  | 0.6 %                                       |
| Lockheed Martin                | 325,000                       | 14,114,000               | 2.6 %  | 0.5 %                                       |

**WASHINGTON, DC – CONTINUED**

2013 rental revenue by tenants' industry:

| <b>Industry</b>                | <b>Percentage</b> |
|--------------------------------|-------------------|
| U.S. Government                | 29%               |
| Government Contractors         | 17%               |
| Membership Organizations       | 10%               |
| Legal Services                 | 5%                |
| Manufacturing                  | 3%                |
| Business Services              | 3%                |
| Management Consulting Services | 3%                |
| State and Local Government     | 2%                |
| Real Estate                    | 2%                |
| Food                           | 2%                |
| Health Services                | 2%                |
| Computer and Data Processing   | 2%                |
| Communication                  | 2%                |
| Education                      | 1%                |
| Television Broadcasting        | 1%                |
| Other                          | 16%               |
|                                | 100%              |

Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:

| <b>Year</b>    | <b>Number of Expiring Leases</b> | <b>Square Feet of Expiring Leases</b> | <b>Percentage of Washington, DC</b> |          | <b>Weighted Average Annual Rent of Expiring Leases</b> |                        |
|----------------|----------------------------------|---------------------------------------|-------------------------------------|----------|--|------------------------|
|                |                                  |                                       | <b>Square Feet</b>                  | <b>%</b> | <b>Total</b>   | <b>Per Square Foot</b> |
| Month to month | 33                               | 115,000                               | 1.1 %                               |          | \$ 4,564,000   | \$ 39.82               |
| 2014           | 171                              | 1,340,000 <sup>(1)</sup>              | 12.9 %                              |          | 52,762,000   | 39.38 <sup>(1)</sup>   |
| 2015           | 173                              | 1,690,000                             | 16.2 %                              |          | 69,763,000   | 41.29                  |
| 2016           | 118                              | 1,160,000                             | 11.1 %                              |          | 50,018,000   | 43.12                  |
| 2017           | 75                               | 647,000                               | 6.2 %                               |          | 26,009,000   | 40.19                  |
| 2018           | 92                               | 1,040,000                             | 10.0 %                              |          | 44,659,000   | 42.94                  |
| 2019           | 60                               | 1,289,000                             | 12.4 %                              |          | 54,658,000   | 42.39                  |
| 2020           | 44                               | 636,000                               | 6.1 %                               |          | 32,330,000   | 50.82                  |
| 2021           | 14                               | 549,000                               | 5.3 %                               |          | 24,632,000   | 44.84                  |
| 2022           | 24                               | 866,000                               | 8.3 %                               |          | 38,161,000   | 44.08                  |
| 2023           | 12                               | 172,000                               | 1.6 %                               |          | 7,612,000  | 44.32                  |

(1) Based on current market conditions, we expect to release this space at weighted average rents ranging from \$35 to \$40 per square foot.

**Base Realignment and Closure (“BRAC”)**

Our Washington, DC segment was impacted by the BRAC statute, which required the Department of Defense (“DOD”) to relocate from 2,395,000 square feet in our buildings in the Northern Virginia area to government owned military bases. See page 46 for the status of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area, and its impact on 2013 EBITDA and the estimated impact on 2014 EBITDA.

**RETAIL PROPERTIES**

As of December 31, 2013, our Retail Properties segment consisted of 112 retail properties aggregating 20.2 million square feet. Of the 112 retail properties, 106 are strip shopping centers and single tenant retail assets located primarily in the Northeast and California, and six are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico. 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. Our strip shopping centers are substantially (approximately 78%) leased to large stores (over 20,000 square feet).

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 2013.

As of December 31, 2013, the occupancy rate for the Retail Properties segment, in which we own 18.2 million square feet (of a total of 20.2 million square feet), was 94.3%. The statistics provided in the following sections includes information for our share of the Strip Shopping Centers and Regional Malls.

*Occupancy and weighted average annual rent per square foot:*

**Strip Shopping Centers:**

| <b>As of December 31,</b> | <b>Rentable Square Feet</b> | <b>Occupancy Rate</b> | <b>Weighted Average Annual Net Rent Per Square Foot</b> |
|---------------------------|-----------------------------|-----------------------|---|
| 2013                      | 14,572,000                  | 94.3 %                | \$ 16.97  |
| 2012                      | 14,350,000                  | 94.0 %                | 16.59   |
| 2011                      | 14,370,000                  | 93.9 %                | 16.28   |
| 2010                      | 14,492,000                  | 93.0 %                | 15.44   |
| 2009                      | 14,019,000                  | 93.3 %                | 15.16   |

**Regional Malls:**

**Weighted Average Annual Net Rent Per Square Foot**

|                                   | <b>Rentable</b>        | <b>Occupancy</b> | <b>Mall</b>    | <b>Mall and<br/>Anchor</b> |
|-----------------------------------|------------------------|------------------|----------------|----------------------------|
| <b>As of<br/>December<br/>31,</b> | <b>Square<br/>Feet</b> | <b>Rate</b>      | <b>Tenants</b> | <b>Tenants</b>             |
| 2013                              | 3,643,000              | 94.3 %           | \$ 40.21       | \$ 22.37                   |
| 2012                              | 3,608,000              | 92.7 %           | 41.86          | 22.46                      |
| 2011                              | 3,800,000              | 92.7 %           | 37.68          | 21.98                      |
| 2010                              | 3,653,000              | 92.8 %           | 38.08          | 22.77                      |
| 2009                              | 3,607,000              | 92.9 %           | 38.11          | 21.72                      |

*Tenants accounting for 2% or more of revenues:*

| <b>Tenant</b>                         | <b>Square Feet<br/>Leased</b> | <b>2013<br/>Revenues</b> | <b>Percentage of<br/>Retail Properties<br/>Revenues</b> | <b>Percentage<br/>of<br/>Total<br/>Revenues</b> |
|---------------------------------------|-------------------------------|--------------------------|---|---|
| The Home Depot                        | 994,000                       | \$ 19,146,000            | 4.5 %   | 0.7 %   |
| Wal-Mart                              | 1,439,000                     | 15,811,000               | 3.7 %   | 0.6 %   |
| Best Buy                              | 530,000                       | 12,739,000               | 3.0 %   | 0.5 %   |
| Lowe's                                | 976,000                       | 12,728,000               | 3.0 %   | 0.5 %   |
| The TJX Companies, Inc.               | 552,000                       | 10,815,000               | 2.5 %   | 0.4 %   |
| Stop & Shop / Koninklijke Ahold<br>NV | 633,000                       | 10,307,000 (1)           | 2.4 %(1)  | 0.4 %(1)  |
| Kohl's                                | 716,000                       | 9,186,000                | 2.2 %   | 0.3 %   |
| Shop Rite                             | 471,000                       | 9,098,000                | 2.1 %   | 0.3 %   |

(1) Excludes \$59,599,000 of income pursuant to a settlement agreement with Stop & Shop.

**RETAIL PROPERTIES – CONTINUED***2013 rental revenue by type of retailer:*

| <b>Industry</b>                       | <b>Percentage</b> |
|---------------------------------------|-------------------|
| Discount Stores                       | 20 %              |
| Home Improvement                      | 10 %              |
| Supermarkets                          | 10 %              |
| Family Apparel                        | 9 %               |
| Home Entertainment and<br>Electronics | 7 %               |
| Restaurants                           | 7 %               |
| Banking and Other                     |                   |
| Business Services                     | 4 %               |
| Home Furnishings                      | 4 %               |
| Personal Services                     | 4 %               |
| Sporting Goods, Toys<br>and Hobbies   | 3 %               |
| Women's Apparel                       | 3 %               |
| Membership Warehouse<br>Clubs         | 2 %               |
| Other                                 | 17 %              |
|                                       | 100 %             |

*Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:*

| <b>Year</b>                        | <b>Number<br/>of<br/>Expiring<br/>Leases</b> | <b>Square<br/>Feet of<br/>Expiring<br/>Leases</b> | <b>Percentage of<br/>Retail<br/>Properties<br/>Square Feet</b> | <b>Weighted Average Annual<br/>Net Rent of Expiring Leases</b> |                            |
|------------------------------------|--|---|--|--|----------------------------|
|                                    |  |   |  | <b>Total</b>   | <b>Per Square<br/>Foot</b> |
| <b>Strip Shopping<br/>Centers:</b> |  |   |  |  |                            |
| Month to month                     | 8  | 53,000  | 0.3 %  | \$ 1,088,000   | \$ 20.55                   |
| 2014                               | 56   | 631,000 <sup>(1)</sup>                            | 3.8 %  | 10,325,000   | 16.37 <sup>(1)</sup>       |
| 2015                               | 61   | 581,000   | 3.5 %  | 11,504,000   | 19.81                      |
| 2016                               | 65   | 785,000   | 4.8 %  | 11,928,000   | 15.19                      |
| 2017                               | 60   | 528,000   | 3.2 %  | 8,222,000  | 15.58                      |
| 2018                               | 68   | 1,601,000   | 9.7 %  | 22,455,000   | 14.02                      |
| 2019                               | 67   | 1,384,000   | 8.4 %  | 20,211,000   | 14.60                      |
| 2020                               | 29   | 899,000   | 5.4 %  | 11,573,000   | 12.87                      |
| 2021                               | 36   | 660,000   | 4.0 %  | 11,096,000   | 16.80                      |
| 2022                               | 46   | 996,000   | 6.0 %  | 12,387,000   | 12.43                      |
| 2023                               | 46   | 1,195,000   | 7.2 %  | 19,785,000   | 16.56                      |
| <b>Regional Malls:</b>             |  |   |  |  |                            |
| Month to month                     | 9  | 39,000  | 0.2 %  | \$ 710,000   | \$ 18.00                   |
| 2014                               | 48   | 134,000 <sup>(2)</sup>                            | 0.8 %  | 4,518,000  | 33.82 <sup>(2)</sup>       |
| 2015                               | 42   | 140,000   | 0.8 %  | 5,192,000  | 37.17                      |
| 2016                               | 45   | 131,000   | 0.8 %  | 5,053,000  | 38.65                      |

SEASONALITY

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|      |    |         |       |           |       |
|------|----|---------|-------|-----------|-------|
| 2017 | 27 | 350,000 | 2.1 % | 3,178,000 | 9.07  |
| 2018 | 33 | 88,000  | 0.5 % | 4,353,000 | 49.74 |
| 2019 | 27 | 149,000 | 0.9 % | 5,793,000 | 38.84 |
| 2020 | 22 | 168,000 | 1.0 % | 5,600,000 | 33.27 |
| 2021 | 18 | 414,000 | 2.5 % | 5,514,000 | 13.32 |
| 2022 | 9  | 43,000  | 0.3 % | 1,672,000 | 38.91 |
| 2023 | 14 | 55,000  | 0.3 % | 1,991,000 | 36.04 |

(1) Based on current market conditions, we expect to release this space at weighted average rents ranging from \$17 to \$19 per square foot.

(2) Based on current market conditions, we expect to release this space at weighted average rents ranging from \$34 to \$38 per square foot.

**TOYS “R” US, INC. (“TOYS”)**

As of December 31, 2013 we own a 32.6% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had \$5.7 billion of outstanding debt at November 2, 2013, of which our pro rata share was \$1.9 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, 2013:

|   | <b>Total</b> | <b>Owned</b> | <b>Building<br/>Owned<br/>on<br/>Leased<br/>Ground</b> | <b>Leased</b> |
|---|--------------|--------------|--|---------------|
| Domestic                                    | 879          | 287          | 222  | 370           |
| International                               | 700          | 78           | 26   | 596           |
| Total Owned and Leased<br>Franchised Stores | 1,579        | 365          | 248  | 966           |
| Total                                       | 1,756        |              |  |               |

**OTHER INVESTMENTS****Merchandise Mart**

As of December 31, 2013, we own the 3.6 million square foot Merchandise Mart in Chicago, whose largest tenant is Motorola Mobility, owned by Google, which leases 608,000 square feet. The Merchandise Mart is encumbered by a \$550,000,000 mortgage loan that bears interest at a fixed rate of 5.57% and matures in December 2016. As of December 31, 2013 the Merchandise Mart had an occupancy rate of 96.4% and a weighted average annual rent per square foot of \$33.18.

**555 California Street**

As of December 31, 2013, 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”). 555 California Street is encumbered by a \$600,000,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2013 555 California Street had an occupancy rate of 94.5% and a weighted average annual rent per square foot of \$58.22.

**SEASONALITY**



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

As of December 31, 2013, we own a 25.0% interest in the Fund. We are the general partner and investment manager of the Fund. At December 31, 2013, the Fund had nine investments with an aggregate fair value of \$667,710,000, or \$153,413,000 in excess of cost, and had remaining unfunded commitments of \$149,186,000, of which our share was \$37,297,000.

**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 is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**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 common share for the years ended December 31, 2013 and 2012 were as follows:

| Quarter | Year Ended<br>December 31, 2013 |          |           | Year Ended<br>December 31, 2012 |          |                     |
|---------|---------------------------------|----------|-----------|---------------------------------|----------|---------------------|
|         | High                            | Low      | Dividends | High                            | Low      | Dividends           |
| 1st     | \$ 85.94                        | \$ 79.43 | \$ 0.73   | \$ 86.21                        | \$ 75.17 | \$ 0.69             |
| 2nd     | 88.73                           | 76.19    | 0.73      | 88.50                           | 78.56    | 0.69                |
| 3rd     | 89.35                           | 79.56    | 0.73      | 86.56                           | 79.50    | 0.69                |
| 4th     | 91.91                           | 82.73    | 0.73      | 82.50                           | 72.64    | 1.69 <sup>(1)</sup> |

(1) Comprised of a regular quarterly dividend of \$0.69 per share and a special long-term capital gain dividend of \$1.00 per share.

As of February 1, 2014, there were 1,029 holders of record of our common shares.

*Recent Sales of Unregistered Securities*

During the fourth quarter of 2013, we issued 11,249 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*

None

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, a peer group index. The graph assumes that \$100 was invested on December 31, 2008 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.

|                             | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Vornado Realty Trust        | \$ 100      | \$ 123      | \$ 152      | \$ 145      | \$ 158      | \$ 182      |
| S&P 500 Index               | 100         | 126         | 146         | 149         | 172         | 228         |
| The NAREIT All Equity Index | 100         | 128         | 164         | 177         | 212         | 218         |

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**ITEM 6. SELECTED  
FINANCIAL DATA**

|  | <b>Year Ended December 31,</b> |              |              |              |              |
|--|--------------------------------|--------------|--------------|--------------|--------------|
| (Amounts in thousands,<br>except per share amounts)                | <b>2013</b>                    | <b>2012</b>  | <b>2011</b>  | <b>2010</b>  | <b>2009</b>  |
| <b>Operating Data:</b>   |                                |              |              |              |              |
| Revenues:  |                                |              |              |              |              |
| Property rentals   | \$ 2,155,963                   | \$ 2,062,061 | \$ 2,091,488 | \$ 2,081,028 | \$ 1,998,425 |
| Tenant expense reimbursements                                      | 317,345                        | 294,584      | 307,609      | 312,550      | 309,509      |
| Cleveland Medical Mart development project                         | 36,369                         | 235,234      | 154,080      | -            | -            |
| Fee and other income   | 251,232                        | 144,353      | 149,631      | 146,812      | 154,462      |
| Total revenues   | 2,760,909                      | 2,736,232    | 2,702,808    | 2,540,390    | 2,462,396    |
| Expenses:  |                                |              |              |              |              |
| Operating  | 1,054,897                      | 1,017,331    | 984,707      | 980,974      | 955,038      |
| Depreciation and amortization                                      | 531,212                        | 510,383      | 516,222      | 491,129      | 489,259      |
| General and administrative   | 211,100                        | 202,444      | 208,530      | 212,233      | 228,650      |
| Cleveland Medical Mart development project                         | 32,210                         | 226,619      | 145,824      | -            | -            |
| Impairment losses, acquisition related costs and tenant buy-outs   | 57,300                         | 114,886      | 35,299       | 101,458      | 71,863       |
| Total expenses   | 1,886,719                      | 2,071,663    | 1,890,582    | 1,785,794    | 1,744,810    |
| Operating income   | 874,190                        | 664,569      | 812,226      | 754,596      | 717,586      |
| (Loss) income applicable to Toys "R" Us                            | (362,377)                      | 14,859       | 48,540       | 71,624       | 92,300       |
| Income (loss) from partially owned entities                        | 23,592                         | 408,267      | 70,072       | 20,869       | (21,471)     |
| Income (loss) from Real Estate Fund                                | 102,898                        | 63,936       | 22,886       | (303)        | -            |
| Interest and other investment (loss) income, net                   | (24,699)                       | (260,945)    | 148,783      | 235,266      | (116,436)    |
| Interest and debt expense  | (483,190)                      | (493,713)    | (519,157)    | (536,363)    | (595,800)    |
| Net gain (loss) on extinguishment of debt                          | -                              | -            | -            | 94,789       | (25,915)     |
| Net gain on disposition of wholly owned and partially owned assets | 3,407                          | 13,347       | 15,134       | 81,432       | 5,641        |
| Income before income taxes   | 133,821                        | 410,320      | 598,484      | 721,910      | 55,905       |
| Income tax benefit (expense)                                       | 6,406                          | (8,132)      | (23,925)     | (22,137)     | (20,134)     |
|  | 140,227                        | 402,188      | 574,559      | 699,773      | 35,771       |

**SEASONALITY**

|   |              |                     |              |              |              |
|---|--------------|---------------------|--------------|--------------|--------------|
| Income from continuing operations                                   |              |                     |              |              |              |
| Income from discontinued operations                                 | 424,513      | 292,353             | 165,441      | 8,258        | 92,679       |
| Net income  | 564,740      | 694,541             | 740,000      | 708,031      | 128,450      |
| Less net (income) loss attributable to noncontrolling interests in: |              |                     |              |              |              |
| Consolidated subsidiaries   | (63,952)     | (32,018)            | (21,786)     | (4,920)      | 2,839        |
| Operating Partnership Preferred unit distributions of the           | (23,659)     | (35,327)            | (41,059)     | (44,033)     | (5,834)      |
| Operating Partnership   | (1,158)      | (9,936)             | (14,853)     | (11,195)     | (19,286)     |
| Net income attributable to Vornado                                  | 475,971      | 617,260             | 662,302      | 647,883      | 106,169      |
| Preferred share dividends   | (82,807)     | (76,937)            | (65,531)     | (55,534)     | (57,076)     |
| Preferred unit and share redemptions                                | (1,130)      | 8,948               | 5,000        | 4,382        | -            |
| Net income attributable to common shareholders                      | \$ 392,034   | \$ 549,271          | \$ 601,771   | \$ 596,731   | \$ 49,093    |
| <b>Per Share Data:</b>  |              |                     |              |              |              |
| (Loss) income from continuing operations, net - basic               | \$ (0.03)    | \$ 1.46             | \$ 2.42      | \$ 3.23      | \$ (0.20)    |
| (Loss) income from continuing operations, net - diluted             | (0.03)       | 1.46                | 2.40         | 3.20         | (0.20)       |
| Net income per common share - basic                                 | 2.10         | 2.95                | 3.26         | 3.27         | 0.28         |
| Net income per common share - diluted                               | 2.09         | 2.94                | 3.23         | 3.24         | 0.28         |
| Dividends per common share  | 2.92         | 3.76 <sup>(1)</sup> | 2.76         | 2.60         | 3.20         |
| <b>Balance Sheet Data:</b>  |              |                     |              |              |              |
| Total assets  | \$20,097,224 | \$22,065,049        | \$20,446,487 | \$20,517,471 | \$20,185,472 |
| Real estate, at cost  | 18,354,626   | 18,238,218          | 16,421,701   | 16,139,344   | 16,203,842   |
| Accumulated depreciation  | (3,410,933)  | (3,072,269)         | (2,874,529)  | (2,513,658)  | (2,214,796)  |
| Debt  | 9,978,718    | 11,127,230          | 9,899,277    | 10,161,754   | 10,035,691   |
| Total equity  | 7,594,744    | 7,904,144           | 7,508,447    | 6,830,405    | 6,649,406    |

(1) Includes a special long-term capital gain dividend of \$1.00 per share.

| (Amounts in thousands)  | Year Ended December 31, |            |              |              |            |
|---|-------------------------|------------|--------------|--------------|------------|
|   | 2013                    | 2012       | 2011         | 2010         | 2009       |
| <b>Other Data:</b>  |                         |            |              |              |            |
| Funds From Operations ("FFO") <sup>(1)</sup> :  |                         |            |              |              |            |
| Net income attributable to Vornado  | \$ 475,971              | \$ 617,260 | \$ 662,302   | \$ 647,883   | \$ 106,169 |
| Depreciation and amortization of real property  | 501,753                 | 504,407    | 530,113      | 505,806      | 508,572    |
| Net gains on sale of real estate  | (411,593)               | (245,799)  | (51,623)     | (57,248)     | (45,282)   |
| Real estate impairment losses   | 37,170                  | 129,964    | 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  | 69,741                  | 68,483     | 70,883       | 70,174       | 65,358     |
| Net gains on sale of real estate  | -                       | -          | (491)        | -            | (164)      |
| Real estate impairment losses   | 6,552                   | 9,824      | -            | -            | -          |
| Income tax effect of above adjustments  | (26,703)                | (27,493)   | (24,634)     | (24,561)     | (22,819)   |
| 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  | 87,529                  | 86,197     | 99,992       | 78,151       | 75,200     |
| Net gains on sale of real estate  | (465)                   | (241,602)  | (9,276)      | (5,784)      | (1,188)    |
| Real estate impairment losses   | -                       | 1,849      | -            | 11,481       | -          |
| Noncontrolling interests' share of above adjustments  | (15,089)                | (16,649)   | (40,957)     | (46,794)     | (47,022)   |
| FFO   | 724,866                 | 886,441    | 1,265,108    | 1,276,608    | 662,027    |
| Preferred share dividends   | (82,807)                | (76,937)   | (65,531)     | (55,534)     | (57,076)   |
| Preferred unit and share redemptions  | (1,130)                 | 8,948      | 5,000        | 4,382        | -          |
| FFO attributable to common shareholders   | 640,929                 | 818,452    | 1,204,577    | 1,225,456    | 604,951    |
| Convertible preferred share dividends   | 108                     | 113        | 124          | 160          | 170        |
| Interest on 3.88% exchangeable senior debentures  | -                       | -          | 26,272       | 25,917       | -          |
| FFO attributable to common shareholders plus assumed conversions <sup>(1)</sup>   | \$ 641,037              | \$ 818,565 | \$ 1,230,973 | \$ 1,251,533 | \$ 605,121 |

(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”). 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 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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## 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 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2013. 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 and retail properties (our “core” operations) with large concentrations in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. In addition, we have a 32.4% interest in Alexander’s, Inc. (NYSE: ALX) (“Alexander’s”), which owns six properties in the greater New York metropolitan area, a 32.6% interest in Toys “R” Us, Inc. (“Toys”) 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 FTSE NAREIT Office Index (“Office REIT”) and the Morgan Stanley REIT Index (“RMS”) for the following periods ended December 31, 2013:

|              | <b>Total Return<sup>(1)</sup></b> |                        |            |
|--------------|-----------------------------------|------------------------|------------|
|              | <b>Vornado</b>                    | <b>Office<br/>REIT</b> | <b>RMS</b> |
| Three-months | 6.5%                              | 0.6%                   | (0.1%)     |
| One-year     | 14.7%                             | 5.6%                   | 2.5%       |
| Three-year   | 19.4%                             | 19.6%                  | 31.2%      |
| Five-year    | 82.4%                             | 92.0%                  | 116.7%     |
| Ten-year     | 148.3%                            | 85.7%                  | 124.1%     |

(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 execute 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 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, sales prices, attractiveness of location, the quality of the property and the breadth and the quality of services provided. See “Risk Factors” in Item 1A for additional information regarding these factors.

## Overview - continued

**Year Ended December 31, 2013 Financial Results Summary**

Net income attributable to common shareholders for the year ended December 31, 2013 was \$392,034,000, or \$2.09 per diluted share, compared to \$549,271,000, or \$2.94 per diluted share for the year ended December 31, 2012. Net income for the years ended December 31, 2013 and 2012 includes \$412,058,000 and \$487,401,000, respectively, of net gains on sale of real estate, and \$43,722,000 and \$141,637,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2013 and 2012 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, decreased net income attributable to common shareholders for the year ended December 31, 2013 by \$3,302,000, or \$0.02 per diluted share and increased net income attributable to common shareholders for the year ended December 31, 2012 by \$287,099,000, or \$1.54 per diluted share.

Funds from operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2013 was \$641,037,000, or \$3.41 per diluted share, compared to \$818,565,000, or \$4.39 per diluted share for the prior year. FFO for the years ended December 31, 2013 and 2012 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, decreased FFO by \$300,434,000, or \$1.60 per diluted share for the year ended December 31, 2013, and increased FFO by \$40,090,000, or \$0.21 per diluted share for the year ended December 31, 2012.

| (Amounts in thousands)   | <b>For the Year Ended December 31,</b> |             |
|--|--|-------------|
|  | <b>2013</b>                            | <b>2012</b> |
| <b>Items that affect comparability income (expense):</b>   |  |             |
| Toys "R" Us (Negative FFO) FFO (including impairment losses of \$240,757 and \$40,000, respectively)           | \$ (312,788)                           | \$ 65,673   |
| Loss on sale of J.C. Penney common shares  | (54,914)                               | -           |
| Non-cash impairment loss on J.C. Penney common shares  | (39,487)                               | (224,937)   |
| Loss from the mark-to-market of J.C. Penney derivative position  | (33,487)                               | (75,815)    |
| Acquisition related costs  | (24,857)                               | (11,248)    |
| Preferred unit and share redemptions   | (1,130)                                | 8,948       |
| Stop & Shop litigation settlement income   | 59,599                                 | -           |
| Net gain on sale of marketable securities, land parcels and residential condominiums                           | 58,245                                 | 13,347      |
| FFO attributable to discontinued operations, including LNR, and discontinued operations of Alexander's in 2012 | 33,928                                 | 153,179     |
| Accelerated amortization of discount on investment in  | -                                      | 60,396      |

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|   |              |           |
|---|--------------|-----------|
| subordinated debt of Independence Plaza                               |              |           |
| After-tax net gain on sale of Canadian Trade Shows                    | -            | 19,657    |
| Net gain resulting from Lexington Realty Trust's stock issuance       | -            | 14,116    |
| 1290 Avenue of the Americas and 555 California Street priority return | -            | 13,222    |
| Other, net  | (3,890)      | 6,196     |
|   | (318,781)    | 42,734    |
| Noncontrolling interests' share of above adjustments                  | 18,347       | (2,644)   |
| Items that affect comparability, net                                  | \$ (300,434) | \$ 40,090 |

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, 2013 over the year ended December 31, 2012 is summarized below.

| <b>Same Store EBITDA:</b>               | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| December 31, 2013 vs. December 31, 2012 |                 |                           |                              |
| GAAP basis                              | 5.5%            | (2.8%)                    | 2.8%                         |
| Cash basis                              | 7.7%            | (3.8%)                    | 3.7%                         |

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**Overview - continued**Quarter Ended December 31, 2013 Financial Results Summary

Net loss attributable to common shareholders for the quarter ended December 31, 2013 was \$68,887,000, or \$0.37 per diluted share, compared to net income of \$62,633,000, or \$0.33 per diluted share for the quarter ended December 31, 2012. Net loss for the quarter ended December 31, 2013 and net income for the quarter ended December 31, 2012 include \$127,512,000 and \$281,549,000, respectively, of net gains on sale of real estate, and \$32,899,000 and \$117,883,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2013 and 2012 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 loss attributable to common shareholders for the quarter ended December 31, 2013 by \$176,464,000, or \$0.94 per diluted share and decreased net income attributable to common shareholders for the quarter ended December 31, 2012 by \$14,761,000, or \$0.08 per diluted share.

FFO for the quarter ended December 31, 2013 was a negative \$6,784,000, or \$0.04 per diluted share, compared to a positive \$55,890,000, or \$0.30 per diluted share for the prior year's quarter. FFO for the quarters ended December 31, 2013 and 2012 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, decreased FFO for the quarter ended December 31, 2013 by \$255,479,000, or \$1.37 per diluted share and \$151,361,000, or \$0.81 per diluted share for the quarter ended December 31, 2012.

| (Amounts in thousands)  | <b>For the Three Months Ended<br/>December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>  | <b>2012</b> |
| <b>Items that affect comparability income (expense):</b>  |  |             |
| Toys "R" Us Negative FFO (including impairment losses of \$162,215 and \$40,000, respectively)                | \$ (282,041)                                       | \$ (61,358) |
| Acquisition related costs   | (18,088)   | (6,934)     |
| Non-cash impairment loss on J.C. Penney common shares   | -  | (224,937)   |
| Loss from the mark-to-market of J.C. Penney derivative position   | -  | (22,472)    |
| Net gain on sale of land parcels and residential condominiums   | 23,988   | -           |
| FFO attributable to discontinued operations, including LNR and discontinued operations of Alexander's in 2012 | 1,671  | 46,365      |
| Accelerated amortization of discount on investment in subordinated debt of Independence Plaza                 | -  | 60,396      |
| 1290 Avenue of the Americas and 555 California Street priority return and income tax benefit                  | -  | 25,260      |
| Net gain resulting from Lexington Realty Trust's stock issuance   | -  | 14,116      |
| Other, net  | 3,436  | 8,425       |

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|  |              |              |
|--|--------------|--------------|
|  | (271,034)    | (161,139)    |
| Noncontrolling interests' share of above adjustments | 15,555       | 9,778        |
| Items that affect comparability, net                 | \$ (255,479) | \$ (151,361) |

The percentage increase (decrease) in GAAP basis and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2013 over the quarter ended December 31, 2012 and the trailing quarter ended September 30, 2013 are summarized below.

| <b>Same Store EBITDA:</b>                | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|--|-----------------|---------------------------|------------------------------|
| December 31, 2013 vs. December 31, 2012  |                 |                           |                              |
| GAAP basis                               | 6.7%            | 4.1%                      | 3.1%                         |
| Cash basis                               | 4.4%            | 2.8%                      | 5.1%                         |
| December 31, 2013 vs. September 30, 2013 |                 |                           |                              |
| GAAP basis                               | 3.9%            | (3.1%)                    | 3.2%                         |
| Cash basis                               | 1.9%            | (3.6%)                    | 3.7%                         |

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

### 2013 Acquisitions

On September 30, 2013, a joint venture, in which we have a 20.1% interest, acquired 650 Madison Avenue, a 27-story, 594,000 square foot Class A office and retail tower located on Madison Avenue between 59th and 60th Street, for \$1.295 billion. The property contains 523,000 square feet of office space and 71,000 square feet of retail space. The purchase price was funded with cash and a new \$800,000,000 seven-year 4.39% interest-only loan.

On October 4, 2013, we acquired a 92.5% interest in 655 Fifth Avenue, a 57,500 square foot retail and office property located at the northeast corner of Fifth Avenue and 52nd Street in Manhattan, for \$277,500,000 in cash.

On October 15, 2013, we acquired, for \$194,000,000 in cash, land and air rights for 137,000 zoning square feet thereby completing the assemblage for our 220 Central Park South development site in Manhattan.

In addition to the above, during 2013, we acquired three Manhattan street retail properties, in separate transactions, for an aggregate of \$65,300,000.

### 2013 Dispositions

During 2013, we sold an aggregate of \$1.430 billion in assets resulting in net proceeds of approximately \$940,000,000 and net gains aggregating \$435,000,000. Below are the details of these sales.

#### *Retail Properties*

On January 24, 2013, we sold the Green Acres Mall located in Valley Stream, New York, for \$500,000,000. The sale resulted in net proceeds of \$185,000,000, after repaying the existing loan and closing costs, and a net gain of \$202,275,000.



On April 15, 2013, we sold The Plant, a power strip shopping center in San Jose, California, for \$203,000,000. The sale resulted in net proceeds of \$98,000,000, after repaying the existing loan and closing costs, and a net gain of \$32,169,000.

On April 15, 2013, we sold a retail property in Philadelphia, which is a part of the Gallery at Market Street, for \$60,000,000. The sale resulted in net proceeds of \$58,000,000, and a net gain of \$33,058,000.

On September 23, 2013, we sold a retail property in Tampa, Florida for \$45,000,000, of which our 75% share was \$33,750,000. Our share of the net proceeds after repaying the existing loan and closing costs were \$20,810,000, and our share of the net gain was \$8,728,000.

In addition to the above, during 2013, we sold 12 other properties, in separate transactions, for an aggregate of \$82,300,000, in cash, which resulted in a net gain aggregating \$7,851,000.

*New York*

On December 17, 2013, we sold 866 United Nations Plaza, a 360,000 square foot office building in Manhattan for \$200,000,000. The sale resulted in net proceeds of \$146,439,000 after repaying the existing loan and closing costs, and a net gain of \$127,512,000.

*Other*

On January 23, 2013, we and the other equity holders of LNR entered into a definitive agreement to sell LNR for \$1.053 billion, of which our 26.2% share was \$275,900,000. The definitive agreement provided that LNR would not (i) make any cash distributions to the equity holders, including us, through the completion of the sale, which occurred on April 19, 2013, and (ii) take any of the following actions (among others) without the purchaser's approval, the lending or advancing of any money, the acquisition of assets in excess of specified amounts, or the issuance of equity interests. The sale was the result of a competitive bidding process that we believe resulted in a sale price that represented the fair value of our investment in LNR. The sale was consummated on April 19, 2013, and we received net proceeds after transaction and closing costs of \$240,474,000. Notwithstanding the terms of the definitive agreement, in accordance with GAAP, we recorded our pro rata share of LNR's earnings on a one-quarter lag basis through the date of sale, which increased our investment in LNR above our share of the net sales proceeds and resulted in us recognizing an other than temporary impairment loss on our investment of \$27,231,000 in the three months ended March 31, 2013. LNR's net loss for the period from January 1, 2013 through April 19, 2013 was \$80,654,000, including a \$66,241,000 non-cash impairment loss. Our share of the net loss was \$21,131,000, including

\$17,355,000 for our share of the non-cash impairment loss. In the three months ended June 30, 2013, we recorded our share of the net loss but did not record our share of the non-cash impairment loss, as it was effectively considered in our assessment of “other-than-temporary” impairment loss when we recorded the \$27,231,000 impairment loss in the three months ended March 31, 2013. As a result of recording our share of the net loss of \$3,776,000 for the three months ended June 30, 2013, the carrying amount of our investment decreased below our share of the net sales proceeds; accordingly, we recorded an offsetting gain on the sale of our investment.

## Overview – continued

### 2013 Dispositions – continued

#### *Other - continued*

On April 24, 2013, a site located in the Downtown Crossing district of Boston was sold by a joint venture, of which we owned a 50% interest. Our share of the net proceeds were approximately \$45,000,000, which resulted in a \$2,335,000 impairment loss that was recognized in the first quarter.

On October 1, 2013, we sold a parcel of land known as Harlem Park located at 1800 Park Avenue (at 125<sup>th</sup> Street) in New York City, for \$66,000,000. The sale resulted in net proceeds of \$63,000,000 and a net gain of \$23,507,000.

### 2013 Financings

#### *Secured Debt*

On February 20, 2013, we completed a \$390,000,000 financing of the retail condominium located at 666 Fifth Avenue at 53<sup>rd</sup> Street, which we had acquired December 2012. The 10-year fixed-rate interest only loan bears interest at 3.61%. This property was previously unencumbered. The net proceeds from this financing were approximately \$387,000,000.

On March 25, 2013, we completed a \$300,000,000 financing of the Outlets at Bergen Town Center, a 948,000 square foot shopping center located in Paramus, New Jersey. The 10-year fixed-rate interest only loan bears interest at 3.56%. The property was previously encumbered by a \$282,312,000 floating-rate loan.

On June 7, 2013, we completed a \$550,000,000 refinancing of Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan. The five-year fixed-rate interest only mortgage loan

bears interest at 3.48%. The property was previously encumbered by a \$323,000,000 floating-rate loan. The net proceeds of \$219,000,000, after repaying the existing loan and closing costs, were distributed to the partners, of which our share was \$137,000,000.

On October 30, 2013, we completed the restructuring of the \$678,000,000 (face amount) 5.74% Skyline properties mortgage loan. The loan was separated into two tranches; a senior \$350,000,000 position and a junior \$328,000,000 position. The maturity date has been extended from February 2017 to February 2022, with a one-year extension option. The effective interest rate is 2.965%. Amounts expended to re-lease the property are senior to the \$328,000,000 junior position.

On November 27, 2013, we completed a \$450,000,000 refinancing of Eleven Penn Plaza, a 1.1 million square foot Manhattan office building. The seven-year fixed-rate interest only loan bears interest at 3.95%. The net proceeds from this refinancing were approximately \$107,000,000 after repaying the existing loan and closing costs.

#### *Unsecured Revolving Credit Facility*

On March 28, 2013, we extended one of our two \$1.25 billion revolving credit facilities from June 2015 to June 2017, with two six-month extension options. The interest on the extended facility was reduced from LIBOR plus 135 basis points to LIBOR plus 115 basis points. In addition, the facility fee was reduced from 30 basis points to 20 basis points.

#### *Preferred Securities*

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of \$25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of \$290,306,000, after underwriters' discounts and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares).

On February 19, 2013, we redeemed all of the outstanding 6.75% Series F Cumulative Redeemable Preferred Shares and 6.75% Series H Cumulative Redeemable Preferred Shares at par, for an aggregate of \$262,500,000 in cash, plus accrued and unpaid dividends through the date of redemption.

On May 9, 2013, we redeemed all of the outstanding 6.875% Series D-15 Cumulative Redeemable Preferred Units with an aggregate face amount of \$45,000,000 for \$36,900,000 in cash, plus accrued and unpaid distributions through

the date of redemption.

**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. Second generation relet space represents square footage that has not been vacant for more than nine months. The leasing activity for the New York segment excludes Alexander's, the Hotel Pennsylvania and residential.

| (Square feet in thousands)          | New York |           | Washington,<br>DC | Retail Properties |          |
|-------------------------------------|----------|-----------|-------------------|-------------------|----------|
| Quarter Ended December 31,<br>2013: | Office   | Retail    | Office            | Strips            | Malls    |
| Total square feet leased            | 559      | 63        | 312               | 200               | 137      |
| Our share of square feet leased     | 425      | 52        | 276               | 200               | 135      |
| Initial rent <sup>(1)</sup>         | \$ 59.45 | \$ 276.62 | \$ 40.03          | \$ 23.27          | \$ 25.19 |
| Weighted average lease term (years) | 9.4      | 9.5       | 5.3               | 8.4               | 4.6      |
| Second generation relet space:      |          |           |                   |                   |          |
| Square feet                         | 298      | 50        | 179               | 129               | 88       |
| Cash basis:                         |          |           |                   |                   |          |
| Initial rent <sup>(1)</sup>         | \$ 59.92 | \$ 283.31 | \$ 38.95          | \$ 18.78          | \$ 21.30 |
| Prior escalated rent                | \$ 54.39 | \$ 135.08 | \$ 39.96          | \$ 16.96          | \$ 20.94 |
| Percentage increase (decrease)      | 10.2%    | 109.7%    | (2.5%)            | 10.7%             | 1.7%     |
| GAAP basis:                         |          |           |                   |                   |          |
| Straight-line rent <sup>(2)</sup>   | \$ 58.79 | \$ 312.27 | \$ 38.53          | \$ 19.19          | \$ 21.57 |
| Prior straight-line rent            | \$ 51.87 | \$ 217.85 | \$ 37.26          | \$ 16.34          | \$ 19.79 |
| Percentage increase                 | 13.3%    | 43.3%     | 3.4%              | 17.4%             | 9.0%     |

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|  |          |           |          |          |          |  |
|--|----------|-----------|----------|----------|----------|--|
| Tenant improvements and leasing commissions: |          |           |          |          |          |  |
| Per square foot                              | \$ 67.95 | \$ 81.80  | \$ 26.84 | \$ 7.20  | \$ 4.77  |  |
| Per square foot per annum:                   | \$ 7.23  | \$ 8.61   | \$ 5.06  | \$ 0.86  | \$ 1.04  |  |
| Percentage of initial rent                   | 12.2%    | 3.1%      | 12.6%    | 3.7%     | 4.1%     |  |
| <b>Year Ended December 31, 2013:</b>         |          |           |          |          |          |  |
| Total square feet leased                     | 2,410    | 138       | 1,836    | 1,388    | 674      |  |
| Our share of square feet leased              | 2,024    | 121       | 1,392    | 1,388    | 600      |  |
| Initial rent <sup>(1)</sup>                  | \$ 60.78 | \$ 268.52 | \$ 39.91 | \$ 17.27 | \$ 26.39 |  |
| Weighted average lease term (years)          | 11.0     | 8.6       | 7.0      | 6.2      | 8.1      |  |
| Second generation relet space:               |          |           |          |          |          |  |
| Square feet                                  | 1,716    | 103       | 910      | 959      | 205      |  |
| Cash basis:                                  |          |           |          |          |          |  |
| Initial rent <sup>(1)</sup>                  | \$ 60.04 | \$ 262.67 | \$ 40.91 | \$ 16.57 | \$ 23.59 |  |
| Prior escalated rent                         | \$ 56.84 | \$ 117.45 | \$ 41.16 | \$ 15.18 | \$ 22.76 |  |
| Percentage increase (decrease)               | 5.6%     | 123.7%    | (0.6%)   | 9.2%     | 3.6%     |  |
| GAAP basis:                                  |          |           |          |          |          |  |
| Straight-line rent <sup>(2)</sup>            | \$ 59.98 | \$ 293.45 | \$ 40.87 | \$ 16.91 | \$ 24.04 |  |
| Prior straight-line rent                     | \$ 52.61 | \$ 152.34 | \$ 39.36 | \$ 14.76 | \$ 21.87 |  |
| Percentage increase                          | 14.0%    | 92.6%     | 3.8%     | 14.6%    | 9.9%     |  |
| Tenant improvements and leasing commissions: |          |           |          |          |          |  |
| Per square foot                              | \$ 61.78 | \$ 100.93 | \$ 33.24 | \$ 3.96  | \$ 20.69 |  |
| Per square foot per annum:                   | \$ 5.61  | \$ 11.64  | \$ 4.75  | \$ 0.64  | \$ 2.55  |  |
| Percentage of initial rent                   | 9.2%     | 4.3%      | 11.9%    | 3.7%     | 9.7%     |  |

See notes on the following page.

**Overview - continued**  
**Leasing Activity - continued**

| (Square feet in thousands)<br>Year Ended December 31,<br>2012: | New York |           | Washington,  | Retail Properties |          |
|--|----------|-----------|--------------|-------------------|----------|
|  | Office   | Retail    | DC<br>Office | Strips            | Malls    |
| Total square feet leased                                       | 1,950    | 192       | 2,111        | 1,276             | 146      |
| Our share of square feet leased:                               | 1,754    | 185       | 1,901        | 1,276             | 101      |
| Initial rent <sup>(1)</sup>                                    | \$ 57.15 | \$ 110.71 | \$ 40.55     | \$ 18.65          | \$ 38.45 |
| Weighted average lease term (years)                            | 9.3      | 11.9      | 7.3          | 8.2               | 5.3      |
| Second generation relet space:                                 |          |           |              |                   |          |
| Square feet  | 1,405    | 154       | 1,613        | 941               | 17       |
| Cash basis:  |          |           |              |                   |          |
| Initial rent <sup>(1)</sup>                                    | \$ 57.88 | \$ 110.21 | \$ 39.27     | \$ 15.98          | \$ 64.85 |
| Prior escalated rent   | \$ 55.31 | \$ 88.47  | \$ 39.13     | \$ 14.58          | \$ 60.78 |
| Percentage increase  | 4.6%     | 24.6%     | 0.4%         | 9.6%              | 6.7%     |
| GAAP basis:  |          |           |              |                   |          |
| Straight-line rent <sup>(2)</sup>                              | \$ 57.34 | \$ 115.97 | \$ 38.96     | \$ 16.49          | \$ 66.24 |
| Prior straight-line rent                                       | \$ 54.64 | \$ 89.52  | \$ 37.67     | \$ 13.69          | \$ 58.61 |
| Percentage increase  | 4.9%     | 29.5%     | 3.4%         | 20.5%             | 13.0%    |
| Tenant improvements and leasing commissions:                   |          |           |              |                   |          |
| Per square foot  | \$ 54.45 | \$ 32.52  | \$ 35.49     | \$ 7.48           | \$ 18.66 |
| Per square foot per annum:                                     | \$ 5.85  | \$ 2.73   | \$ 4.86      | \$ 0.91           | \$ 3.52  |
| Percentage of initial rent                                     | 10.2%    | 2.5%      | 12.0%        | 4.9%              | 9.2%     |

(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.





**Overview - continued****Square footage (in service) and Occupancy as of December 31, 2013:**

| (Square feet in thousands)               | Number of properties | Square Feet (in service) |           | Occupancy % |
|--|----------------------|--------------------------|-----------|-------------|
|  |                      | Total Portfolio          | Our Share |             |
| New York:                                |                      |                          |           |             |
| Office                                   | 31                   | 19,799                   | 16,358    | 96.6%       |
| Retail                                   | 55                   | 2,389                    | 2,166     | 97.4%       |
| Alexander's                              | 6                    | 2,178                    | 706       | 99.4%       |
| Hotel Pennsylvania                       | 1                    | 1,400                    | 1,400     |             |
| Residential - 1,653 units                | 4                    | 1,523                    | 762       | 94.8%       |
|  |                      | 27,289                   | 21,392    | 96.8%       |
| Washington, DC:                          |                      |                          |           |             |
| Office, excluding the Skyline Properties | 51                   | 13,581                   | 11,151    | 85.4%       |
| Skyline Properties                       | 8                    | 2,652                    | 2,652     | 60.8%       |
| Total Office                             | 59                   | 16,233                   | 13,803    | 80.7%       |
| Residential - 2,405 units                | 7                    | 2,588                    | 2,446     | 96.3%       |
| Other                                    | 5                    | 379                      | 379       | 100.0%      |
|  |                      | 19,200                   | 16,628    | 83.4%       |
| Retail Properties:                       |                      |                          |           |             |
| Strip Shopping Centers                   | 106                  | 14,951                   | 14,572    | 94.3%       |
| Regional Malls                           | 6                    | 5,273                    | 3,643     | 94.3%       |
|  |                      | 20,224                   | 18,215    | 94.3%       |
| Other:                                   |                      |                          |           |             |
| Merchandise Mart                         | 2                    | 3,703                    | 3,694     | 96.3%       |
| 555 California Street                    | 3                    | 1,795                    | 1,257     | 94.5%       |
| Primarily Warehouses                     | 5                    | 971                      | 971       | 45.6%       |
|  |                      | 6,469                    | 5,922     |             |
| Total square feet at December 31, 2013   |                      | 73,182                   | 62,157    |             |

**Overview - continued****Square footage (in service) and Occupancy as of December 31, 2012:**

| (Square feet in thousands)               | Number of properties | Square Feet (in service) |           | Occupancy % |
|--|----------------------|--------------------------|-----------|-------------|
|  |                      | Total Portfolio          | Our Share |             |
| New York:                                |                      |                          |           |             |
| Office                                   | 30                   | 19,375                   | 16,397    | 95.8%       |
| Retail                                   | 49                   | 2,211                    | 2,051     | 96.8%       |
| Alexander's                              | 6                    | 2,179                    | 706       | 99.1%       |
| Hotel Pennsylvania                       | 1                    | 1,400                    | 1,400     |             |
| Residential - 1,651 units                | 4                    | 1,528                    | 873       | 96.5%       |
|  |                      | 26,693                   | 21,427    | 96.1%       |
| Washington, DC:                          |                      |                          |           |             |
| Office, excluding the Skyline Properties | 51                   | 13,463                   | 10,994    | 86.3%       |
| Skyline Properties                       | 8                    | 2,643                    | 2,643     | 60.0%       |
| Total Office                             | 59                   | 16,106                   | 13,637    | 81.2%       |
| Residential - 2,414 units                | 7                    | 2,599                    | 2,457     | 97.9%       |
| Other                                    | 7                    | 435                      | 435       | 100.0%      |
|  |                      | 19,140                   | 16,529    | 84.1%       |
| Retail Properties:                       |                      |                          |           |             |
| Strip Shopping Centers                   | 107                  | 14,729                   | 14,350    | 94.0%       |
| Regional Malls                           | 6                    | 5,244                    | 3,608     | 92.7%       |
|  |                      | 19,973                   | 17,958    | 93.7%       |
| Other:                                   |                      |                          |           |             |
| Merchandise Mart                         | 2                    | 3,905                    | 3,896     | 94.6%       |
| 555 California Street                    | 3                    | 1,795                    | 1,257     | 93.1%       |
| Primarily Warehouses                     | 5                    | 971                      | 971       | 55.9%       |
|  |                      | 6,671                    | 6,124     |             |
| Total square feet at December 31, 2012   |                      | 72,477                   | 62,038    |             |

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

Of the 2,395,000 square feet subject to the effects of the Base Realignment and Closure (“BRAC”) statute, 348,000 square feet has been taken out of service for redevelopment and 763,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of December 31, 2013.

|  | Rent Per    |           | Square Feet  |         |         |
|--|-------------|-----------|--------------|---------|---------|
|  | Square Foot | Total     | Crystal City | Skyline | Rosslyn |
| Resolved:                              |             |           |              |         |         |
| Relet as of December 31, 2013          | \$ 37.76    | 724,000   | 392,000      | 268,000 | 64,000  |
| Leases pending                         | 45.16       | 39,000    | 39,000       | -       | -       |
| Taken out of service for redevelopment |             | 348,000   | 348,000      | -       | -       |
|  |             | 1,111,000 | 779,000      | 268,000 | 64,000  |
| To Be Resolved:                        |             |           |              |         |         |
| Vacated as of December 31, 2013        | 37.58       | 922,000   | 504,000      | 336,000 | 82,000  |
| Expiring in:                           |             |           |              |         |         |
| 2014                                   | 32.29       | 292,000   | 91,000       | 201,000 | -       |
| 2015                                   | 43.54       | 70,000    | 65,000       | 5,000   | -       |
|  |             | 1,284,000 | 660,000      | 542,000 | 82,000  |
| Total square feet subject to BRAC      |             | 2,395,000 | 1,439,000    | 810,000 | 146,000 |

Due to the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area, EBITDA from continuing operations for the year ended December 31, 2012 was lower than 2011 by \$54,857,000 and EBITDA from continuing operations for the year ended December 31, 2013 was lower than 2012 by \$14,254,000. We estimate that 2014 EBITDA will be between \$10,000,000 and \$15,000,000 lower than 2013 EBITDA.

## 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. 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. 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.

As of December 31, 2013 and 2012, the carrying amounts of real estate, net of accumulated depreciation, were \$14.9 billion and \$15.2 billion, respectively. As of December 31, 2013 and 2012, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were \$323,322,000 and \$415,330,000, respectively, and the carrying amounts of identified intangible liabilities, a component of “deferred revenue” on our consolidated balance sheets, were \$510,485,000 and \$560,989,000,

respectively.

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**

### *Partially Owned Entities*

We consolidate entities in which we have a controlling financial interest. In determining whether we have a controlling financial 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 (“VIE”) and we are the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. When the requirements for consolidation are not met, we account for investments under the equity method of accounting if we have the ability to exercise significant influence over the entity. 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 the equity method 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.

As of December 31, 2013 and 2012, the carrying amounts of investments in partially owned entities, including Toys “R” Us, was \$1.2 billion and \$1.7 billion, respectively.

### *Mortgage and Mezzanine Loans Receivable*

We invest in mortgage and mezzanine loans of entities that have significant real estate assets. These investments are either secured by the real property or 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 collectability 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.

As of December 31, 2013 and 2012, the carrying amounts of mortgage and mezzanine loans receivable, net of a \$5,845,000 allowance in 2013, were \$170,972,000 and \$225,359,000, respectively.



## 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 (\$21,869,000 and \$37,674,000 as of December 31, 2013 and 2012) 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 (\$4,355,000 and \$3,165,000 as of December 31, 2013 and 2012, 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 was recognized as the related services were performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements*.

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, 2013, 2012 and 2011**

As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer met the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets were reclassified to "Other." We have also reclassified the prior period segment financial results to conform to the current year presentation. Below is a summary of net income and a reconciliation of net income to EBITDA<sup>(1)</sup> by segment for the years ended December 31, 2013, 2012 and 2011.

(Amounts in thousands)

|  | <b>For the Year Ended December 31, 2013</b> |                 |                           |                   |             |              |
|--|---|-----------------|---------------------------|-------------------|-------------|--------------|
|  | <b>Retail</b>                               |                 |                           |                   |             |              |
|  | <b>Total</b>                                | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Toys</b> | <b>Other</b> |
| Total revenues   | \$ 2,760,909                                | \$ 1,509,266    | \$ 541,161                | \$ 425,716        | \$ -        | \$ 284,766   |
| Total expenses   | 1,886,719                                   | 926,963         | 347,686                   | 251,516           | -           | 360,554      |
| Operating income (loss)  | 874,190                                     | 582,303         | 193,475                   | 174,200           | -           | (75,788)     |
| (Loss) income from partially owned entities, including Toys        | (338,785)                                   | 15,527          | (6,968)                   | 2,097             | (362,377)   | 12,936       |
| Income from Real Estate Fund                                       | 102,898                                     | -               | -                         | -                 | -           | 102,898      |
| Interest and other investment (loss) income, net                   | (24,699)                                    | 5,532           | 129                       | 13                | -           | (30,373)     |
| Interest and debt expense  | (483,190)                                   | (181,966)       | (102,277)                 | (44,203)          | -           | (154,744)    |
| Net gain on disposition of wholly owned and partially owned assets | 3,407                                       | -               | -                         | 1,377             | -           | 2,030        |
|  | 133,821                                     | 421,396         | 84,359                    | 133,484           | (362,377)   | (143,041)    |

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|  |              |                             |                           |                           |             |                          |
|--|--------------|-----------------------------|---------------------------|---------------------------|-------------|--------------------------|
| Income (loss) before income taxes                          |              |                             |                           |                           |             |                          |
| Income tax benefit (expense)                               | 6,406        | (2,794)                     | 14,031                    | (2,311)                   | -           | (2,520)                  |
| Income (loss) from continuing operations                   | 140,227      | 418,602                     | 98,390                    | 131,173                   | (362,377)   | (145,561)                |
| Income (loss) from discontinued operations                 | 424,513      | 138,245                     | -                         | 287,536                   | -           | (1,268)                  |
| Net income (loss)  | 564,740      | 556,847                     | 98,390                    | 418,709                   | (362,377)   | (146,829)                |
| Less net (income) attributable to noncontrolling interests | (88,769)     | (10,786)                    | -                         | (3,065)                   | -           | (74,918)                 |
| Net income (loss) attributable to Vornado                  | 475,971      | 546,061                     | 98,390                    | 415,644                   | (362,377)   | (221,747)                |
| Interest and debt expense <sup>(2)</sup>                   | 758,781      | 236,645                     | 116,131                   | 50,901                    | 181,586     | 173,518                  |
| Depreciation and amortization <sup>(2)</sup>               | 732,757      | 293,974                     | 142,409                   | 72,161                    | 135,178     | 89,035                   |
| Income tax expense (benefit) <sup>(2)</sup>                | 26,371       | 3,002                       | (15,707)                  | 2,311                     | 33,532      | 3,233                    |
| EBITDA <sup>(1)</sup>                                      | \$ 1,993,880 | \$ 1,079,682 <sup>(3)</sup> | \$ 341,223 <sup>(4)</sup> | \$ 541,017 <sup>(5)</sup> | \$ (12,081) | \$ 44,039 <sup>(6)</sup> |

See notes on page 52.

**Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued**

(Amounts in thousands)

|  | <b>For the Year Ended December 31, 2012</b> |                 |                           |                              |             |              |
|--|---|-----------------|---------------------------|------------------------------|-------------|--------------|
|  | <b>Total</b>                                | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Toys</b> | <b>Other</b> |
| Total revenues   | \$ 2,736,232                                | \$ 1,354,874    | \$ 554,028                | \$ 370,177                   | \$ -        | \$ 457,153   |
| Total expenses   | 2,071,663                                   | 851,512         | 360,056                   | 324,096                      | -           | 535,999      |
| Operating income (loss)  | 664,569                                     | 503,362         | 193,972                   | 46,081                       | -           | (78,846)     |
| Income (loss) from partially owned entities, including Toys        | 423,126                                     | 207,773         | (5,612)                   | 1,458                        | 14,859      | 204,648      |
| Income from Real Estate Fund                                       | 63,936                                      | -               | -                         | -                            | -           | 63,936       |
| Interest and other investment (loss) income, net                   | (260,945)                                   | 4,230           | 126                       | 27                           | -           | (265,328)    |
| Interest and debt expense  | (493,713)                                   | (146,350)       | (115,574)                 | (57,057)                     | -           | (174,732)    |
| Net gain on disposition of wholly owned and partially owned assets | 13,347                                      | -               | -                         | 8,491                        | -           | 4,856        |
| Income (loss) before income taxes                                  | 410,320                                     | 569,015         | 72,912                    | (1,000)                      | 14,859      | (245,466)    |
| Income tax expense   | (8,132)                                     | (3,491)         | (1,650)                   | -                            | -           | (2,991)      |
| Income (loss) from continuing operations                           | 402,188                                     | 565,524         | 71,262                    | (1,000)                      | 14,859      | (248,457)    |
| Income from discontinued operations                                | 292,353                                     | 10,610          | 167,766                   | 39,357                       | -           | 74,620       |
| Net income (loss)  | 694,541                                     | 576,134         | 239,028                   | 38,357                       | 14,859      | (173,837)    |
| Less net (income) loss   |   |                 |                           |                              |             |              |

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|  |              |                             |                           |                           |            |                          |
|--|--------------|-----------------------------|---------------------------|---------------------------|------------|--------------------------|
| attributable to<br>noncontrolling<br>interests     | (77,281)     | (2,138)                     | -                         | 1,812                     | -          | (76,955)                 |
| Net income<br>(loss)                               |              |                             |                           |                           |            |                          |
| attributable to<br>Vornado                         | 617,260      | 573,996                     | 239,028                   | 40,169                    | 14,859     | (250,792)                |
| Interest and debt<br>expense <sup>(2)</sup>        | 760,523      | 187,855                     | 133,625                   | 73,828                    | 147,880    | 217,335                  |
| Depreciation<br>and<br>amortization <sup>(2)</sup> | 735,293      | 252,257                     | 157,816                   | 86,529                    | 135,179    | 103,512                  |
| Income tax<br>expense<br>(benefit) <sup>(2)</sup>  | 7,026        | 3,751                       | 1,943                     | -                         | (16,629)   | 17,961                   |
| EBITDA <sup>(1)</sup>                              | \$ 2,120,102 | \$ 1,017,859 <sup>(3)</sup> | \$ 532,412 <sup>(4)</sup> | \$ 200,526 <sup>(5)</sup> | \$ 281,289 | \$ 88,016 <sup>(6)</sup> |

See notes on the following page.

(Amounts in  
thousands)

**For the Year Ended December 31, 2011**  
**Retail**

|   | <b>Total</b> | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Toys</b> | <b>Other</b> |
|---|--------------|-----------------|---------------------------|-------------------|-------------|--------------|
| Total revenues  | \$ 2,702,808 | \$ 1,333,280    | \$ 603,317                | \$ 374,482        | \$ -        | \$ 391,729   |
| Total expenses  | 1,890,582    | 841,863         | 369,255                   | 215,075           | -           | 464,389      |
| Operating<br>income (loss)  | 812,226      | 491,417         | 234,062                   | 159,407           | -           | (72,660)     |
| Income (loss)<br>from partially<br>owned<br>entities,<br>including<br>Toys        | 118,612      | 12,062          | (6,381)                   | 2,700             | 48,540      | 61,691       |
| Income from<br>Real Estate<br>Fund  | 22,886       | -               | -                         | -                 | -           | 22,886       |
| Interest and<br>other investment<br>income<br>(loss), net                         | 148,783      | 4,245           | 199                       | (33)              | -           | 144,372      |
| Interest and debt<br>expense  | (519,157)    | (151,728)       | (115,456)                 | (64,592)          | -           | (187,381)    |
| Net gain on<br>disposition of<br>wholly<br>owned and<br>partially<br>owned assets | 15,134       | -               | -                         | 4,278             | -           | 10,856       |
|   | 598,484      | 355,996         | 112,424                   | 101,760           | 48,540      | (20,236)     |

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|   |              |                           |                           |                           |            |                           |
|---|--------------|---------------------------|---------------------------|---------------------------|------------|---------------------------|
| Income (loss) before income taxes                               |              |                           |                           |                           |            |                           |
| Income tax expense  | (23,925)     | (2,084)                   | (2,690)                   | (34)                      | -          | (19,117)                  |
| Income (loss) from continuing operations                        | 574,559      | 353,912                   | 109,734                   | 101,726                   | 48,540     | (39,353)                  |
| Income from discontinued operations                             | 165,441      | 11,155                    | 52,390                    | 27,557                    | -          | 74,339                    |
| Net income  | 740,000      | 365,067                   | 162,124                   | 129,283                   | 48,540     | 34,986                    |
| Less net (income) loss attributable to noncontrolling interests | (77,698)     | (10,042)                  | -                         | 237                       | -          | (67,893)                  |
| Net income (loss) attributable to Vornado                       | 662,302      | 355,025                   | 162,124                   | 129,520                   | 48,540     | (32,907)                  |
| Interest and debt expense <sup>(2)</sup>                        | 797,920      | 181,740                   | 134,270                   | 82,608                    | 157,135    | 242,167                   |
| Depreciation and amortization <sup>(2)</sup>                    | 777,421      | 247,630                   | 181,560                   | 91,040                    | 134,967    | 122,224                   |
| Income tax expense (benefit) <sup>(2)</sup>                     | 4,812        | 2,170                     | 3,123                     | 34                        | (1,132)    | 617                       |
| EBITDA <sup>(1)</sup>   | \$ 2,242,455 | \$ 786,565 <sup>(3)</sup> | \$ 481,077 <sup>(4)</sup> | \$ 303,202 <sup>(5)</sup> | \$ 339,510 | \$ 332,101 <sup>(6)</sup> |

See notes on the following page.

**Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - 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 (benefit) in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The elements of "New York" EBITDA are summarized below.

| (Amounts in thousands)     | <b>For the Year Ended December 31,</b> |              |             |
|----------------------------|--|--------------|-------------|
|                            | <b>2013</b>                            | <b>2012</b>  | <b>2011</b> |
| Office <sup>(a)</sup>      | \$ 759,941                             | \$ 568,518   | \$ 539,734  |
| Retail                     | 246,808                                | 189,484      | 163,033     |
| Alexander's <sup>(b)</sup> | 42,210                                 | 231,402      | 53,663      |
| Hotel Pennsylvania         | 30,723                                 | 28,455       | 30,135      |
| Total New York             | \$ 1,079,682                           | \$ 1,017,859 | \$ 786,565  |

- (a) 2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$136,427, \$16,245 and \$9,635, respectively. Excluding these items, EBITDA was \$623,514, \$552,273 and \$530,099, respectively.
- (b) 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$191,040 and \$14,204, respectively. Excluding these items, EBITDA was \$40,362 and \$39,459, respectively.
- (4) The elements of "Washington, DC" EBITDA are summarized below.

| (Amounts in thousands)                   | <b>For the Year Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2013</b>                            | <b>2012</b> | <b>2011</b> |
| Office, excluding the Skyline Properties |  |             |             |
| (a)                                      | \$ 268,373                             | \$ 449,448  | \$ 385,285  |
| Skyline properties                       | 29,499                                 | 40,037      | 56,148      |
| Total Office                             | 297,872                                | 489,485     | 441,433     |
| Residential                              | 43,351                                 | 42,927      | 39,644      |
| Total Washington, DC                     | \$ 341,223                             | \$ 532,412  | \$ 481,077  |

- (a) 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$176,935 and \$70,743, respectively. Excluding these items, EBITDA was \$272,513 and \$314,542, respectively.
- (5) The elements of "Retail Properties" EBITDA are summarized below.

| (Amounts in thousands)                | <b>For the Year Ended December 31,</b> |             |             |
|---------------------------------------|--|-------------|-------------|
|                                       | <b>2013</b>                            | <b>2012</b> | <b>2011</b> |
| Strip shopping centers <sup>(a)</sup> | \$ 285,612                             | \$ 172,708  | \$ 210,022  |
| Regional malls <sup>(b)</sup>         | 255,405                                | 27,818      | 93,180      |
| Total Retail properties               | \$ 541,017                             | \$ 200,526  | \$ 303,202  |

- (a) 2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$128,343, \$20,480 and \$59,922, respectively. Excluding these items, EBITDA was \$157,269, \$152,228 and \$150,100, respectively.
- (b)



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2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$189,708, (\$36,390) and \$28,285, respectively. Excluding these items, EBITDA was \$65,697, \$64,208 and \$64,895, respectively.

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**Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued****Notes to preceding tabular information:**

(6) The elements of "other" EBITDA are summarized below.

(Amounts in thousands)

|  | <b>For the Year Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2013</b>                            | <b>2012</b> | <b>2011</b> |
| Our share of Real Estate Fund:   |  |             |             |
| Income before net realized/unrealized gains                                      | \$ 1,676                               | \$ 4,926    | \$ 4,205    |
| Net unrealized gains   | 21,443                                 | 13,840      | 2,999       |
| Net realized gains   | 2,046                                  | -           | 1,348       |
| Carried interest   | 24,306                                 | 5,838       | 736         |
| Total  | 49,471                                 | 24,604      | 9,288       |
| Merchandise Mart Building, 7 West 34th Street and trade shows                    | 74,270                                 | 62,470      | 50,406      |
| 555 California Street  | 42,667                                 | 46,167      | 44,724      |
| India real estate ventures   | 5,841                                  | 3,654       | 7,037       |
| LNR <sup>(a)</sup>   | 20,443                                 | 75,202      | 47,614      |
| Lexington <sup>(b)</sup>   | 6,931                                  | 32,595      | 34,779      |
| Other investments  | 18,981                                 | 25,612      | 26,092      |
|  | 218,604                                | 270,304     | 219,940     |
| Corporate general and administrative expenses <sup>(c)</sup>                     | (94,904)                               | (89,082)    | (85,922)    |
| Investment income and other, net <sup>(c)</sup>                                  | 46,525                                 | 45,563      | 55,202      |
| Net gain on sale of marketable securities, land parcels and residential          |  |             |             |
| condominiums   | 56,868                                 | 4,856       | 10,904      |
| Loss on sale of J.C. Penney common shares  | (54,914)                               | -           | -           |
| Non-cash impairment loss on J.C. Penney common shares                            | (39,487)                               | (224,937)   | -           |
| (Loss) income from the mark-to-market of J.C. Penney derivative position         | (33,487)                               | (75,815)    | 12,984      |
| Acquisition related costs and impairment losses                                  | (24,857)                               | (17,386)    | (5,925)     |
| Severance costs (primarily reduction in force at the Merchandise Mart)           | (5,492)                                | (3,005)     | (4,226)     |
| Purchase price fair value adjustment and accelerated amortization of             |  |             |             |
| discount on investment in subordinated debt of Independence Plaza                | -                                      | 105,366     | -           |
| Merchandise Mart discontinued operations (including net gains on sale of assets) | -                                      | 93,588      | 97,272      |
| Net gain resulting from Lexington's stock issuance and asset acquisition         | -                                      | 28,763      | 9,760       |
| Verde Realty impairment loss   | -                                      | (4,936)     | -           |
| Mezzanine loans loss reversal and net gain on disposition                        | -                                      | -           | 82,744      |
| Non-cash impairment loss on India land parcel                                    | -                                      | -           | (13,794)    |
| Net gain from Suffolk Downs' sale of a partial interest                          | -                                      | -           | 12,525      |
| Real Estate Fund placement fees  | -                                      | -           | (3,451)     |

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|  |           |           |            |
|--|-----------|-----------|------------|
| Net income attributable to noncontrolling interests in the Operating Partnership | (23,659)  | (35,327)  | (41,059)   |
| Preferred unit distributions of the Operating Partnership                        | (1,158)   | (9,936)   | (14,853)   |
|  | \$ 44,039 | \$ 88,016 | \$ 332,101 |

- (a) On April 19, 2013, LNR was sold.
- (b) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. This investment was previously accounted for under the equity method.
- (c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

**Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued****EBITDA by Region**

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

| <b>Region:</b>                                       | <b>For the Year Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2013</b>                            | <b>2012</b> | <b>2011</b> |
| New York City metropolitan area                      | 73%                                    | 70%         | 66%         |
| Washington, DC / Northern Virginia metropolitan area | 23%                                    | 26%         | 29%         |
| Puerto Rico  | 2%                                     | 2%          | 2%          |
| California   | 1%                                     | 1%          | 1%          |
| Other geographies                                    | 1%                                     | 1%          | 2%          |
|  | 100%                                   | 100%        | 100%        |

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**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012**Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were \$2,760,909,000 in the year ended December 31, 2013, compared to \$2,736,232,000 in the prior year, an increase of \$24,677,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to:  | <b>Total</b>             | <b>New York</b>       | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Other</b>             |
|--|--------------------------|-----------------------|---------------------------|------------------------------|--------------------------|
| <b>Property rentals:</b>   |                          |                       |                           |                              |                          |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | \$ 63,291                | \$ 75,004             | \$ 462                    | \$ (11,602)                  | \$ (573)                 |
| Hotel Pennsylvania   | (5,164)                  | (1,138)               | (2,333)                   | (1,647)                      | (46)                     |
| Trade Shows  | 8,201                    | 8,201                 | -                         | -                            | -                        |
| Same store operations  | (6,210)                  | -                     | -                         | -                            | (6,210)                  |
|  | 33,784                   | 27,115                | (15,267)                  | 7,322                        | 14,614                   |
|  | 93,902                   | 109,182               | (17,138)                  | (5,927)                      | 7,785                    |
| <b>Tenant expense reimbursements:</b>  |                          |                       |                           |                              |                          |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | 1,155                    | 2,715                 | (604)                     | (1,860)                      | 904                      |
| Same store operations  | (1,334)                  | (402)                 | 193                       | (1,027)                      | (98)                     |
|  | 22,940                   | 8,624                 | 2,443                     | 5,902                        | 5,971                    |
|  | 22,761                   | 10,937                | 2,032                     | 3,015                        | 6,777                    |
| <b>Cleveland Medical Mart development project</b>                                      | (198,865) <sup>(1)</sup> | -                     | -                         | -                            | (198,865) <sup>(1)</sup> |
| <b>Fee and other income:</b>   |                          |                       |                           |                              |                          |
| BMS cleaning fees  | (1,079)                  | (9,208)               | -                         | -                            | 8,129 <sup>(2)</sup>     |
| Signage revenue  | 11,974                   | 11,974                | -                         | -                            | -                        |
| Management and leasing fees  | 2,788                    | 4,177                 | 1,691                     | (1,567)                      | (1,513)                  |
| Lease termination fees   | 90,136                   | 25,333 <sup>(3)</sup> | 983                       | 59,793 <sup>(4)</sup>        | 4,027 <sup>(5)</sup>     |
| Other income   | 3,060                    | 1,997                 | (435)                     | 225                          | 1,273                    |
|  | 106,879                  | 34,273                | 2,239                     | 58,451                       | 11,916                   |
|  | \$ 24,677                | \$ 154,392            | \$ (12,867)               | \$ 55,539                    | \$ (172,387)             |

Total increase (decrease) in  
revenues

- (1) Primarily due to the completion of the project. This decrease in revenue is offset by a decrease in development costs expensed in the period. See note (3) on page 56.
- (2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 56.
- (3) Primarily due to a \$19,500 termination fee from a tenant at 1290 Avenue of the Americas. Our share of this income, net of the write off of the straight lining of rents and amounts attributable to the noncontrolling interest was \$12,121.
- (4) Results primarily from income recognized in the first quarter of 2013 in connection with the settlement of the Stop & Shop litigation.
- (5) Primarily due to \$3,000 from the termination of our subsidiaries' agreements with Cuyahoga County to operate the Cleveland Medical Mart Convention Center.

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**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - continued**Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were \$1,886,719,000 in the year ended December 31, 2013, compared to \$2,071,663,000 in the prior year, a decrease of \$184,944,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to:  | <b>Total</b> | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Other</b> |
|--|--------------|-----------------|---------------------------|------------------------------|--------------|
| <b>Operating:</b>  |              |                 |                           |                              |              |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | \$ 23,591    | \$ 26,583       | \$ -                      | \$ (1,409)                   | \$ (1,583)   |
| Non-reimbursable expenses, including bad-debt reserves                                 | (9,370)      | (1,933)         | (992)                     | (5,307)                      | (1,138)      |
| Hotel Pennsylvania   | 928          | (3,366)         | -                         | 1,470                        | 2,824        |
| Trade Shows  | 6,012        | 6,012           | -                         | -                            | -            |
| BMS expenses   | (4,872)      | -               | -                         | -                            | (4,872)      |
| Same store operations  | (5,056)      | (8,500)         | -                         | -                            | 3,444 (2)    |
|  | 26,333       | 15,132          | 2,037                     | 6,581                        | 2,583        |
|  | 37,566       | 33,928          | 1,045                     | 1,335                        | 1,258        |
| <b>Depreciation and amortization:</b>  |              |                 |                           |                              |              |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | 38,791       | 41,047          | -                         | (1,882)                      | (374)        |
| Same store operations  | (20,644)     | (552)           | (16,177)                  | (3,915)                      | -            |
|  | 2,682        | (3,020)         | 2,369                     | 1,601                        | 1,732        |
|  | 20,829       | 37,475          | (13,808)                  | (4,196)                      | 1,358        |
| <b>General and administrative:</b>   |              |                 |                           |                              |              |
| Mark-to-market of deferred compensation plan liability (1)                             | 3,827        | -               | -                         | -                            | 3,827        |
| Non-same store   | 7,287        | -               | -                         | -                            | 7,287        |
| Same store operations  | (2,458)      | 4,048           | 393                       | (4,662)                      | (2,237)      |
|  | 8,656        | 4,048           | 393                       | (4,662)                      | 8,877        |

|   |                          |           |             |             |                          |
|---|--------------------------|-----------|-------------|-------------|--------------------------|
| <b>Cleveland Medical Mart development project</b>                       | (194,409) <sup>(3)</sup> | -         | -           | -           | (194,409) <sup>(3)</sup> |
| <b>Impairment losses, acquisition related costs and tenant buy-outs</b> | (57,586)                 | -         | -           | (65,057)    | 7,471                    |
| Total (decrease) increase in expenses                                   | \$ (184,944)             | \$ 75,451 | \$ (12,370) | \$ (72,580) | \$ (175,445)             |

- (1) This increase in expense is entirely offset by a corresponding increase in income from the mark-to-market of the deferred compensation plan assets, a component of “interest and other investment (loss) income, net” on our consolidated statements of income.
- (2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 55.
- (3) Primarily due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (1) on page 55.



**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - continued**

(Loss) Income Applicable to Toys

In the year ended December 31, 2013, we recognized a net loss of \$362,377,000 from our investment in Toys, comprised of \$128,919,000 for our 32.6% share of Toys' net loss and \$240,757,000 of non-cash impairment losses (see below), partially offset by \$7,299,000 of management fee income. In the year ended December 31, 2012, we recognized net income of \$14,859,000 from our investment in Toys, comprised of \$45,267,000 for our 32.6% share of Toys' net income and \$9,592,000 of management fee income, partially offset by a \$40,000,000 non-cash impairment loss (see below).

We account for Toys on the equity method, which means our investment is increased for our pro rata share of Toys undistributed net income. At December 31, 2012, we estimated that the fair value of our investment was \$40,000,000 less than the carrying amount of \$518,041,000 and concluded that the decline in the value of our investment was "other-than-temporary" based on, among other factors, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized a non-cash impairment loss of \$40,000,000 in the fourth quarter of 2012.

In the first quarter of 2013, we recognized our share of Toys' fourth quarter net income of \$78,542,000 and a corresponding non-cash impairment loss of the same amount to continue to carry our investment at fair value.

At December 31, 2013, we estimated that the fair value of our investment in Toys was approximately \$80,062,000 (\$83,224,000 including \$3,162,000 for our share of Toys' accumulated other comprehensive income), or \$162,215,000 less than the carrying amount after recognizing our share of Toys third quarter net loss in our fourth quarter. In determining the fair value of our investment, we considered, among other inputs, a December 31, 2013 third-party valuation of Toys. We have concluded that the decline in the value of our investment is "other-than-temporary" based on, among other factors, Toys' 2013 holiday sales results, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized an additional non-cash impairment loss of \$162,215,000 in the fourth quarter of 2013.

We will continue to assess the recoverability of our investment each quarter. To the extent the fair value of our investment does not change, we will recognize a non-cash impairment loss equal to our share of Toys' fourth quarter net income, if any, in our first quarter of 2014.

Income from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2013 and 2012.

| (Amounts in thousands)                          | Percentage<br>Ownership at<br>December 31,<br>2013 | For the Year Ended<br>December 31, |            |
|---|--|------------------------------------|------------|
|   |  | 2013                               | 2012       |
| <b>Equity in Net Income (Loss):</b>             |  |                                    |            |
| Alexander's <sup>(1)</sup>                      | 32.4%  | \$ 24,402                          | \$ 218,391 |
| Lexington <sup>(2)</sup>                        | n/a  | (979)                              | 28,740     |
| LNR <sup>(3)</sup>                              | n/a  | 18,731                             | 66,270     |
| India real estate ventures                      | 4.1%-36.5%   | (3,533)                            | (5,008)    |
| Partially owned office buildings <sup>(4)</sup> | Various  | (4,212)                            | (3,770)    |
| Other investments <sup>(5) (6)</sup>            | Various  | (10,817)                           | 103,644    |
|   |  | \$ 23,592                          | \$ 408,267 |

- (1) 2012 includes \$186,357 of income comprised of (i) a \$179,934 net gain and (ii) \$6,423 of commissions in connection with the sale of real estate.
- (2) 2012 includes a \$28,763 net gain resulting primarily from Lexington's stock issuances. In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale.
- (3) On April 19, 2013, LNR was sold for \$1.053 billion. See page 40 for details.
- (4) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.
- (5) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.
- (6) 2012 includes \$105,366 of income from Independence Plaza comprised of (i) \$60,396 from the accelerated amortization of discount on investment in the subordinated debt of the property and (ii) a \$44,970 purchase price fair value adjustment from the exercise of a warrant to acquire 25% of the equity interest in the property.

**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - continued**Income from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the year ended December 31, 2013 and 2012.

| (Amounts in thousands)  | <b>For the Year Ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>                            | <b>2012</b> |
| Net investment income   | \$ 8,943                               | \$ 8,575    |
| Net realized gains  | 8,184                                  | -           |
| Net unrealized gains  | 85,771                                 | 55,361      |
| Income from Real Estate Fund  | 102,898                                | 63,936      |
| Less (income) attributable to noncontrolling interests              | (53,427)                               | (39,332)    |
| Income from Real Estate Fund attributable to Vornado <sup>(1)</sup> | \$ 49,471                              | \$ 24,604   |

(1) Excludes management, leasing and development fees of \$2,992 and \$3,278 for the years ended December 31, 2013 and 2012, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net was a loss of \$24,699,000 in the year ended December 31, 2013, compared to a loss of \$260,945,000 in the prior year, a decrease in loss of \$236,246,000. This decrease resulted from:

|  |            |
|--|------------|
| (Amounts in thousands)   |            |
| Non-cash impairment on J.C. Penney common shares (\$39,487 in 2013, compared to \$224,937 in 2012)                         | \$ 185,450 |
| J.C. Penney derivative position (\$33,487 mark-to-market loss in 2013, compared to a \$75,815 mark-to-market loss in 2012) | 42,328     |
| Higher interest on mezzanine loans receivable  | 5,634      |

|   |            |
|---|------------|
| Increase in the value of investments in our deferred compensation plan (offset by a corresponding |            |
| increase in the liability for plan assets in general and administrative expenses)                 | 3,827      |
| Lower dividends and interest on marketable securities   | (533)      |
| Other, net  | (460)      |
|   | \$ 236,246 |

### Interest and Debt Expense

Interest and debt expense was \$483,190,000 in the year ended December 31, 2013, compared to \$493,713,000 in the prior year, a decrease of \$10,523,000. This decrease was primarily due to (i) \$25,502,000 of higher capitalized interest and (ii) \$4,738,000 of interest savings from the restructuring of the Skyline properties mortgage loan in the fourth quarter of 2013, partially offset by (iii) interest expense of \$12,319,000 from the financing of the retail condominium at 666 Fifth Avenue in the first quarter of 2013, and (iv) an \$8,436,000 prepayment penalty in connection with the refinancing of Eleven Penn Plaza.

### Net Gain on Disposition of Wholly Owned and Partially Owned Assets

Net gain on disposition of wholly owned and partially owned assets was \$3,407,000 in the year ended December 31, 2013 (comprised primarily of net gains from the sale of marketable securities, land parcels (including Harlem Park), and residential condominiums aggregating \$58,245,000, partially offset by a \$54,914,000 net loss on sale of J.C. Penney common shares), compared to \$13,347,000 in the year ended December 31, 2012 (comprised of net gains from the sale of marketable securities, land parcels and residential condominiums).

### Income Tax Benefit (Expense)

In the year ended December 31, 2013, we had an income tax benefit of \$6,406,000, compared to an expense of \$8,132,000 in the prior year, a decrease in expense of \$14,538,000. This decrease resulted primarily from a reversal of previously accrued deferred tax liabilities in the current year due to a change in the effective tax rate resulting from an amendment of the Washington, DC Unincorporated Business Tax Statute.

**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - continued**Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the years ended December 31, 2013 and 2012.

| (Amounts in thousands)  | <b>For the Year Ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>                            | <b>2012</b> |
| Total revenues  | \$ 38,043                              | \$ 177,629  |
| Total expenses  | 23,305                                 | 120,393     |
|   | 14,738                                 | 57,236      |
| Net gains on sale of real estate                                      | 414,502                                | 245,799     |
| Gain on sale of Canadian Trade Shows, net of \$11,448 of income taxes | -                                      | 19,657      |
| Impairment losses   | (4,727)                                | (30,339)    |
| Income from discontinued operations                                   | \$ 424,513                             | \$ 292,353  |

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was \$63,952,000 in the year ended December 31, 2013, compared to \$32,018,000 in the prior year, an increase of \$31,934,000. This increase resulted primarily from (i) \$14,095,000 of higher net income allocated to the noncontrolling interests of our Real Estate Fund, (ii) \$13,222,000 of lower income in the prior year resulting from a priority return on our investment in 1290 Avenue of the Americas and 555 California Street, and (iii) \$2,909,000 of income allocated to the noncontrolling interest for its share of the net gain on sale of a retail property in Tampa, Florida.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was \$23,659,000 in the year ended December 31, 2013, compared to \$35,327,000 in the prior year, a decrease of \$11,668,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were \$1,158,000 in the year ended December 31, 2013, compared to \$9,936,000 in the prior year, a decrease of \$8,778,000. This decrease resulted primarily from the redemption of the 6.875% Series D-15 cumulative redeemable preferred units in May 2013, and the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units in July 2012.

Preferred Share Dividends

Preferred share dividends were \$82,807,000 in the year ended December 31, 2013, compared to \$76,937,000 in the prior year, an increase of \$5,870,000. This increase resulted from the issuance of \$300,000,000 of 5.70% Series K cumulative redeemable preferred shares in July 2012 and \$300,000,000 of 5.40% Series L cumulative redeemable preferred shares in January 2013, partially offset by the redemption of \$262,500,000 of 6.75% Series F and Series H cumulative redeemable preferred shares in February 2013 and \$75,000,000 of 7.0% Series E cumulative redeemable preferred shares in August 2012.

Preferred Unit and Share Redemptions

In year ended December 31, 2013, we recognized \$1,130,000 of expense in connection with preferred unit and share redemptions, comprised of \$9,230,000 of expense from the redemption of the 6.75% Series F and Series H cumulative redeemable preferred shares in February 2013, partially offset by an \$8,100,000 discount from the redemption of all of the 6.875% Series D-15 cumulative redeemable preferred units in May 2013. In the year ended December 31, 2012, we recognized an \$8,948,000 discount primarily from the redemption of all of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units.

**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - 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 is the reconciliation of EBITDA to same store EBITDA on a GAAP basis for each of our segments for the year ended December 31, 2013, compared to year ended December 31, 2012.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| EBITDA for the year ended December 31, 2013                       | \$ 1,079,682    | \$ 341,223                | \$ 541,017                   |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above               | 34,087          | 27,630                    | 18,992                       |
| Less EBITDA from:   |                 |                           |                              |
| Acquisitions  | (67,613)        | -                         | -                            |
| Dispositions, including net gains on sale                         | (136,854)       | (150)                     | (290,727)                    |
| Properties taken out-of-service for redevelopment                 | (20,050)        | (4,457)                   | (4,723)                      |
| Other non-operating (income) expense                              | (29,856)        | (1,129)                   | (27,335)                     |
| GAAP basis same store EBITDA for the year ended December 31, 2013 | \$ 859,396      | \$ 363,117                | \$ 237,224                   |
| EBITDA for the year ended December 31, 2012                       | \$ 1,017,859    | \$ 532,412                | \$ 200,526                   |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above               | 30,039          | 27,237                    | 23,654                       |
| Less EBITDA from:   |                 |                           |                              |
| Acquisitions  | (4,131)         | -                         | -                            |
| Dispositions, including net gains on sale                         | (200,050)       | (176,052)                 | (77,048)                     |
| Properties taken out-of-service for redevelopment                 | (20,056)        | (9,319)                   | (970)                        |

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|   |            |             |            |
|---|------------|-------------|------------|
| Other non-operating (income) expense  | (9,024)    | (838)       | 84,581     |
| GAAP basis same store EBITDA for the year ended<br>December 31, 2012  | \$ 814,637 | \$ 373,440  | \$ 230,743 |
| Increase (decrease) in GAAP basis same store EBITDA -<br>Year ended December 31, 2013 vs. December 31,<br>2012 <sup>(1)</sup> | \$ 44,759  | \$ (10,323) | \$ 6,481   |
| % increase (decrease) in GAAP basis same store EBITDA<br>(1) See notes on following page                                      | 5.5%       | (2.8%)      | 2.8%       |

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**Results of Operations – Year Ended December 31, 2013 Compared to December 31, 2012 - continued**

**Notes to preceding tabular information:**

**New York:**

The \$44,759,000 increase in New York GAAP basis same store EBITDA resulted primarily from increases in Office and Retail of \$32,415,000 and \$9,595,000, respectively. The Office increase resulted primarily from higher (i) rental revenue of \$16,405,000 (primarily due to a \$1.85 increase in average annual rents per square foot) and (ii) signage revenue and management and leasing fees of \$16,151,000. The Retail increase resulted primarily from higher rental revenue of \$10,710,000, (primarily due to a \$9.35 increase in average annual rents per square foot).

**Washington, DC:**

The \$10,323,000 decrease in Washington, DC GAAP basis same store EBITDA resulted primarily from lower rental revenue of \$15,267,000, primarily due to a 330 basis point decrease in office average same store occupancy to 82.8% from 86.1%, a significant portion of which resulted from the effects of BRAC related move-outs and the sluggish environment in the Washington, DC / Northern Virginia area (see page 46).

**Retail Properties:**

The \$6,481,000 increase in Retail Properties GAAP basis same store EBITDA resulted primarily from higher rental revenue of \$7,322,000, due to a 130 basis point increase in average same store occupancy to 93.5% from 92.2%, and a \$0.19 increase in average annual rents per square foot.

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the year ended December 31, 2013, compared to year ended December 31, 2012.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| GAAP basis same store EBITDA for the year ended<br>December 31, 2013  | \$ 859,396      | \$ 363,117                | \$ 237,224                   |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (107,060)       | (10,181)                  | (11,762)                     |
| Cash basis same store EBITDA for the year ended<br>December 31, 2013  | \$ 752,336      | \$ 352,936                | \$ 225,462                   |
| GAAP basis same store EBITDA for the year ended<br>December 31, 2012  | \$ 814,637      | \$ 373,440                | \$ 230,743                   |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (115,828)       | (6,484)                   | (13,279)                     |
| Cash basis same store EBITDA for the year ended<br>December 31, 2012  | \$ 698,809      | \$ 366,956                | \$ 217,464                   |
| Increase (decrease) in Cash basis same store EBITDA -<br>Year ended December 31, 2013 vs. December 31,<br>2012                        | \$ 53,527       | \$ (14,020)               | \$ 7,998                     |
| % increase (decrease) in Cash basis same store EBITDA   | 7.7%            | (3.8%)                    | 3.7%                         |

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**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011**Revenues

Our revenues, which consist primarily of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were \$2,736,232,000 in the year ended December 31, 2012, compared to \$2,702,808,000 in the year ended December 31, 2011, an increase of \$33,424,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to:  | Total                 | New York  | Washington,<br>DC | Retail<br>Properties | Other                 |
|--|-----------------------|-----------|-------------------|----------------------|-----------------------|
| <b>Property rentals:</b>   |                       |           |                   |                      |                       |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | \$ 15,139             | \$ 9,528  | \$ 5,611          | \$ -                 | \$ -                  |
| Hotel Pennsylvania   | (29,707)              | (5,339)   | (22,312)          | (2,056)              | -                     |
| Trade Shows  | 1,113                 | 1,113     | -                 | -                    | -                     |
| Same store operations  | (4,281)               | -         | -                 | -                    | (4,281)               |
|  | (11,691)              | 27,521    | (38,658)          | 7,004                | (7,558)               |
|  | (29,427)              | 32,823    | (55,359)          | 4,948                | (11,839)              |
| <b>Tenant expense reimbursements:</b>  |                       |           |                   |                      |                       |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | (7,146)               | (4,790)   | 2,724             | (2,393)              | (2,687)               |
| Same store operations  | (4,930)               | (845)     | (1,643)           | (2,442)              | -                     |
|  | (949)                 | 549       | 3,362             | (3,004)              | (1,856)               |
|  | (13,025)              | (5,086)   | 4,443             | (7,839)              | (4,543)               |
| <b>Cleveland Medical Mart development project</b>                                      | 81,154 <sup>(1)</sup> | -         | -                 | -                    | 81,154 <sup>(1)</sup> |
| <b>Fee and other income:</b>   |                       |           |                   |                      |                       |
| BMS cleaning fees  | 5,830                 | 4,932     | -                 | -                    | 898                   |
| Signage revenue  | 1,069                 | 1,069     | -                 | -                    | -                     |
| Management and leasing fees  | 66                    | 544       | 414               | (859)                | (33)                  |
| Lease termination fees   | (13,973)              | (10,703)  | (3,151)           | (393)                | 274                   |
| Other income   | 1,730                 | (1,985)   | 4,364             | (162)                | (487)                 |
|  | (5,278)               | (6,143)   | 1,627             | (1,414)              | 652                   |
|  | \$ 33,424             | \$ 21,594 | \$ (49,289)       | \$ (4,305)           | \$ 65,424             |

Total increase (decrease) in  
revenues

(1) This increase in income is offset by an increase in development costs expensed in the period. See note (5)  
on page 63.

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**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were \$2,071,663,000 in the year ended December 31, 2012, compared to \$1,890,582,000 in the year ended December 31, 2011, an increase of \$181,081,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

| Increase (decrease) due to:  | Total    | New York | Washington,<br>DC | Retail<br>Properties | Other       |
|--|----------|----------|-------------------|----------------------|-------------|
| <b>Operating:</b>  |          |          |                   |                      |             |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | \$ 7,422 | \$ 6,617 | \$ 3,492          | \$ -                 | \$ (2,687)  |
| Non-reimbursable expenses, including bad-debt reserves                                 | (9,037)  | (1,074)  | (4,829)           | (3,134)              | -           |
| Hotel Pennsylvania   | 14,446   | (3,347)  | 2,662             | 21,761 (2)           | (6,630)     |
| Trade Shows  | 2,594    | 2,594    | -                 | -                    | -           |
| BMS expenses   | (4,438)  | -        | -                 | -                    | (4,438)     |
| Same store operations  | 5,139    | 4,241    | -                 | -                    | 898         |
|  | 16,498   | 15,820   | 4,454             | (4,897)              | 1,121       |
|  | 32,624   | 24,851   | 5,779             | 13,730               | (11,736)    |
| <b>Depreciation and amortization:</b>  |          |          |                   |                      |             |
| Acquisitions and other Properties placed into / taken out of service for redevelopment | 7,960    | 3,298    | 4,662             | -                    | -           |
| Same store operations  | (16,777) | (975)    | (15,188)(3)       | (614)                | -           |
|  | 2,978    | 2,959    | (5,320)           | 609                  | 4,730       |
|  | (5,839)  | 5,282    | (15,846)          | (5)                  | 4,730       |
| <b>General and administrative:</b>   |          |          |                   |                      |             |
| Mark-to-market of deferred compensation plan liability (1)                             | 5,151    | -        | -                 | -                    | 5,151       |
| Non-same store   | (3,451)  | -        | -                 | -                    | (3,451)     |
| Same store operations  | (7,786)  | 3,293    | 868               | (1,835)              | (10,112)(4) |

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|   |                       |                         |            |                       |                       |
|---|-----------------------|-------------------------|------------|-----------------------|-----------------------|
|   | (6,086)               | 3,293                   | 868        | (1,835)               | (8,412)               |
| <b>Cleveland Medical Mart development project</b>                       | 80,795 <sup>(5)</sup> | -                       | -          | -                     | 80,795 <sup>(5)</sup> |
| <b>Impairment losses, acquisition related costs and tenant buy-outs</b> | 79,587                | (23,777) <sup>(6)</sup> | -          | 97,131 <sup>(7)</sup> | 6,233                 |
| Total increase (decrease) in expenses                                   | \$ 181,081            | \$ 9,649                | \$ (9,199) | \$ 109,021            | \$ 71,610             |

- (1) This increase in expense is entirely offset by a corresponding increase in income from the mark-to-market of the deferred compensation plan assets, a component of “interest and other investment (loss) income, net” on our consolidated statements of income.
- (2) Primarily from a \$23,521 reversal of the Stop & Shop accounts receivable reserve in 2011.
- (3) Primarily from depreciation expense on 1851 South Bell Street in 2011, which was taken out of service for redevelopment.
- (4) Primarily from lower payroll costs due to a reduction in workforce at the Merchandise Mart.
- (5) This increase in expense is offset by the increase in development revenue in the period. See note (1) on page 62.
- (6) Represents the buy-out of below-market leases in 2011.
- (7) Primarily from a non-cash impairment loss of \$70,100 on the Broadway Mall.

**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**Income Applicable to Toys

In the year ended December 31, 2012, we recognized net income of \$14,859,000 from our investment in Toys, comprised of \$45,267,000 for our 32.6% share of Toys' net income and \$9,592,000 of management fee income, partially offset by a \$40,000,000 non-cash impairment loss.

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 and \$8,948,000 of management fee income.

Income from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2012 and 2011.

| (Amounts in thousands)                          | Percentage<br>Ownership at<br>December 31,<br>2012 | For the Year Ended<br>December 31, |           |
|---|--|------------------------------------|-----------|
|   |  | 2012                               | 2011      |
| <b>Equity in Net Income (Loss):</b>             |  |                                    |           |
| Alexander's <sup>(1)</sup>                      | 32.4%  | \$ 218,391                         | \$ 32,430 |
| Lexington <sup>(2)</sup>                        | 10.5%  | 28,740                             | 8,351     |
| LNR   | 26.2%  | 66,270                             | 58,786    |
| India real estate ventures                      | 4.0%-36.5%   | (5,008)                            | (14,881)  |
| Partially owned office buildings <sup>(3)</sup> | Various  | (3,770)                            | (22,270)  |
| Other investments <sup>(4)</sup> <sup>(5)</sup> | Various  | 103,644                            | 7,656     |
|   |  | \$ 408,267                         | \$ 70,072 |

- (1) 2012 includes \$186,357 of income comprised of (i) a \$179,934 net gain and (ii) \$6,423 of commissions in connection with the sale of real estate.
- (2) 2012 includes a \$28,763 net gain resulting primarily from Lexington's stock issuances.
- (3) Includes interests in 280 Park Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.
- (4) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

- (5) 2012 includes \$105,366 of income from Independence Plaza comprised of (i) \$60,396 from the accelerated amortization of discount on investment in the subordinated debt of the property and (ii) a \$44,970 purchase price fair value adjustment from the exercise of a warrant to acquire 25% of the equity interest in the property.

Income from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the year ended December 31, 2012 and 2011.

| (Amounts in thousands)  | For the Year Ended December 31, |          |
|---|---------------------------------|----------|
|   | 2012                            | 2011     |
| Net investment income   | \$ 8,575                        | \$ 5,500 |
| Net realized gains  | -                               | 5,391    |
| Net unrealized gains  | 55,361                          | 11,995   |
| Income from Real Estate Fund  | 63,936                          | 22,886   |
| Less (income) attributable to noncontrolling interests              | (39,332)                        | (13,598) |
| Income from Real Estate Fund attributable to Vornado <sup>(1)</sup> | \$ 24,604                       | \$ 9,288 |

- (1) Excludes management, leasing and development fees of \$3,278 and \$2,695 for the years ended December 31, 2012 and 2011, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.



**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net was a loss of \$260,945,000 in the year ended December 31, 2012, compared to income of \$148,783,000 in the year ended December 31, 2011, a decrease in income of \$409,728,000. This decrease resulted from:

|   |              |
|---|--------------|
| (Amounts in thousands)  |              |
| Non-cash impairment loss on J.C. Penney common shares in 2012                                     | \$ (224,937) |
| J.C. Penney derivative position (\$75,815 mark-to-market loss in 2012, compared to a \$12,984     |              |
| mark-to-market gain in 2011)  | (88,799)     |
| Mezzanine loan loss reversal and net gain on disposition in 2011                                  | (82,744)     |
| Lower dividends and interest on marketable securities   | (17,608)     |
| Increase in the value of investments in our deferred compensation plan (offset by a corresponding |              |
| increase in the liability for plan assets in general and administrative expenses)                 | 5,151        |
| Other, net  | (791)        |
|   | \$ (409,728) |

Interest and Debt Expense

Interest and debt expense was \$493,713,000 in the year ended December 31, 2012, compared to \$519,157,000 in the year ended December 31, 2011, a decrease of \$25,444,000. This decrease was primarily due to (i) \$27,077,000 from the redemption of our exchangeable and convertible senior debentures in April 2012 and November 2011, respectively, (ii) \$15,604,000 of higher capitalized interest and (iii) \$12,082,000 from the refinancing of 350 Park Avenue in January 2012, partially offset by (iv) \$18,833,000 from the issuance of \$400,000,000 of senior unsecured notes in November 2011, (v) \$6,093,000 from the refinancing of 100 West 33<sup>rd</sup> Street in March 2012 and (vi) \$4,715,000 from borrowings under our revolving credit facilities.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

Net gain on disposition of wholly owned and partially owned assets was \$13,347,000 in year ended December 31, 2012, compared to \$15,134,000, in the year ended December 31, 2011 and resulted primarily from the sale of marketable securities, land parcels and residential condominiums.

Income Tax Benefit (Expense)

Income tax benefit (expense) was an expense of \$8,132,000 in the year ended December 31, 2012, compared to an expense of \$23,925,000 in the year ended December 31, 2011 a decrease of \$15,793,000. This decrease resulted primarily from the reversal of a \$12,038,000 tax liability in the fourth quarter of 2012 upon liquidation of a taxable REIT subsidiary that was formed in connection with the acquisition of our 555 California Street property.

**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**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, 2012 and 2011.

| (Amounts in thousands)  | <b>For the Year Ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2012</b>                            | <b>2011</b> |
| Total revenues  | \$ 177,629                             | \$ 260,343  |
| Total expenses  | 120,393                                | 201,633     |
|   | 57,236                                 | 58,710      |
| Net gains on sale of real estate                                      | 245,799                                | 51,623      |
| Impairment losses   | (30,339)                               | (28,799)    |
| Gain on sale of Canadian Trade Shows, net of \$11,448 of income taxes | 19,657                                 | -           |
| Net gain on extinguishment of High Point debt                         | -                                      | 83,907      |
| Income from discontinued operations                                   | \$ 292,353                             | \$ 165,441  |

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was \$32,018,000 in the year ended December 31, 2012, compared to \$21,786,000 in the year ended December 31, 2011, an increase of \$10,232,000. This increase resulted primarily from a \$25,734,000 increase in income allocated to the noncontrolling interests of our Real Estate Fund, partially offset by a \$13,222,000 priority return on our investment in 1290 Avenue of the Americas and 555 California Street.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was \$35,327,000 in the year ended December 31, 2012, compared to \$41,059,000 in the year ended December 31, 2011, a decrease of \$5,732,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were \$9,936,000 in the year ended December 31, 2012, compared to \$14,853,000 in the year ended December 31, 2011, a decrease of \$4,917,000. This decrease resulted primarily from the redemption of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units in July 2012.

Preferred Share Dividends

Preferred share dividends were \$76,937,000 in the year ended December 31, 2012, compared to \$65,531,000 in the year ended December 31, 2011, an increase of \$11,406,000. This increase resulted from the issuance of \$246,000,000 of 6.875% Series J cumulative redeemable preferred shares in April 2011 and \$300,000,000 of 5.70% Series K cumulative redeemable preferred shares in July 2012, partially offset by the redemption of \$75,000,000 of 7.0% Series E cumulative redeemable preferred shares in August 2012.

Preferred Unit and Share Redemptions

In the year ended December 31, 2012, we recognized an \$8,948,000 discount primarily from the redemption of all of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units, compared to a \$5,000,000 discount in the year ended December 31, 2011, which resulted from the redemption of the Series D-11 cumulative redeemable preferred units.

**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**Same Store EBITDA

Below is the reconciliation of EBITDA to same store EBITDA on a GAAP basis for each of our segments for the year ended December 31, 2012, compared to the year ended December 31, 2011.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| EBITDA for the year ended December 31, 2012   | \$ 1,017,859    | \$ 532,412                | \$ 200,526                   |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above   | 30,039          | 27,237                    | 23,654                       |
| Less EBITDA from:   |                 |                           |                              |
| Acquisitions  | (42,129)        | (5,005)                   | -                            |
| Dispositions, including net gains on sale Properties taken out-of-service for redevelopment                             | (190,396)       | (172,832)                 | (64,863)                     |
| Other non-operating (income) expense  | (961)           | (5,329)                   | (1,134)                      |
| Other non-operating (income) expense  | (9,981)         | (723)                     | 99,079                       |
| GAAP basis same store EBITDA for the year ended   |                 |                           |                              |
| December 31, 2012   | \$ 804,431      | \$ 375,760                | \$ 257,262                   |
| EBITDA for the year ended December 31, 2011   | \$ 786,565      | \$ 481,077                | \$ 303,202                   |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above   | 26,746          | 26,369                    | 25,489                       |
| Less EBITDA from:   |                 |                           |                              |
| Acquisitions  | (14,956)        | (150)                     | -                            |
| Dispositions, including net gains on sale Properties taken out-of-service for redevelopment                             | (13,432)        | (69,940)                  | (54,537)                     |
| Other non-operating (income) expense  | (6,009)         | (25,644)                  | (2,925)                      |
| Other non-operating (income) expense  | 9,926           | (785)                     | (17,043)                     |
| GAAP basis same store EBITDA for the year ended   |                 |                           |                              |
| December 31, 2011   | \$ 788,840      | \$ 410,927                | \$ 254,186                   |
| Increase (decrease) in GAAP basis same store EBITDA - Year ended December 31, 2012 vs. December 31, 2011 <sup>(1)</sup> | \$ 15,591       | \$ (35,167)               | \$ 3,076                     |
| % increase (decrease) in GAAP basis same store EBITDA   | 2.0%            | (8.6%)                    | 1.2%                         |

(1) See notes on following page.

**Results of Operations – Year Ended December 31, 2012 Compared to December 31, 2011 - continued**

**Notes to preceding tabular information:**

**New York:**

The \$15,591,000 increase in New York GAAP basis same store EBITDA resulted primarily from an increase in Office of \$13,029,000. The Office increase resulted from higher rental revenue of \$29,671,000 (primarily due to a \$1.93 increase in average annual rents per square foot), partially offset by an increase in operating expenses.

**Washington, DC:**

The \$35,167,000 decrease in Washington, DC GAAP basis same store EBITDA resulted primarily from lower rental revenue of \$38,658,000, primarily due to a 740 basis point decrease in office average same store occupancy to 86.2% from 93.6%, a significant portion of which resulted from the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area (see page 46).

**Retail Properties:**

The \$3,076,000 increase in Retail Properties GAAP basis same store EBITDA resulted primarily from higher rental revenue of \$7,004,000, due to an increase in average same store occupancy and average annual rents per square foot.

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the year ended December 31, 2012, compared to year ended December 31, 2011.

| (Amounts in thousands)   | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|--|-----------------|---------------------------|------------------------------|
| GAAP basis same store EBITDA for the year ended<br>December 31, 2012   | \$ 804,431      | \$ 375,760                | \$ 257,262                   |
| Less: Adjustments for straight line rents, amortization of<br>acquired   |                 |                           |                              |
| below-market leases, net, and other non-cash<br>adjustments  | (94,560)        | (5,573)                   | (15,676)                     |
| Cash basis same store EBITDA for the year ended<br>December 31, 2012   | \$ 709,871      | \$ 370,187                | \$ 241,586                   |
| GAAP basis same store EBITDA for the year ended<br>December 31, 2011   | \$ 788,840      | \$ 410,927                | \$ 254,186                   |
| Less: Adjustments for straight line rents, amortization of<br>acquired   |                 |                           |                              |
| below-market leases, net, and other non-cash<br>adjustments  | (93,053)        | (357)                     | (15,685)                     |
| Cash basis same store EBITDA for the year ended<br>December 31, 2011   | \$ 695,787      | \$ 410,570                | \$ 238,501                   |
| Increase (decrease) in Cash basis same store EBITDA -<br>Year ended December 31, 2012 vs. December 31,<br>2011 | \$ 14,084       | \$ (40,383)               | \$ 3,085                     |
| % increase (decrease) in Cash basis same store EBITDA  | 2.0%            | (9.8%)                    | 1.3%                         |

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**Supplemental Information****Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012**

Below is a summary of net income and a reconciliation of net income to EBITDA<sup>(1)</sup> by segment for the three months ended December 31, 2013 and 2012.

(Amounts in thousands)

|  | <b>For the Three Months Ended December 31, 2013</b> |                 |                           |                              |             |              |
|--|---|-----------------|---------------------------|------------------------------|-------------|--------------|
|  | <b>Total</b>  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Toys</b> | <b>Other</b> |
| Total revenues   | \$ 673,308  | \$ 380,018      | \$ 134,509                | \$ 92,936                    | \$ -        | \$ 65,845    |
| Total expenses   | 501,743   | 226,311         | 89,095                    | 88,724                       | -           | 97,613       |
| Operating income (loss)  | 171,565   | 153,707         | 45,414                    | 4,212                        | -           | (31,768)     |
| (Loss) income from partially owned entities, including Toys        | (293,165)   | 1,507           | (423)                     | 585                          | (293,066)   | (1,768)      |
| Income from Real Estate Fund                                       | 28,951  | -               | -                         | -                            | -           | 28,951       |
| Interest and other investment income, net                          | 8,234   | 1,456           | 30                        | 8                            | -           | 6,740        |
| Interest and debt expense  | (120,625)   | (56,538)        | (18,927)                  | (9,680)                      | -           | (35,480)     |
| Net gain on disposition of wholly owned and partially owned assets | 23,988  | -               | -                         | -                            | -           | 23,988       |
| (Loss) income before income taxes                                  | (181,052)   | 100,132         | 26,094                    | (4,875)                      | (293,066)   | (9,337)      |
| Income tax benefit (expense)                                       | 12,578  | (1,496)         | 15,980                    | (831)                        | -           | (1,075)      |



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|   |            |                           |                          |                          |              |                          |
|---|------------|---------------------------|--------------------------|--------------------------|--------------|--------------------------|
| (Loss) income from continuing operations                        | (168,474)  | 98,636                    | 42,074                   | (5,706)                  | (293,066)    | (10,412)                 |
| Income from discontinued operations                             | 129,715    | 129,706                   | -                        | -                        | -            | 9                        |
| Net (loss) income   | (38,759)   | 228,342                   | 42,074                   | (5,706)                  | (293,066)    | (10,403)                 |
| Less net (income) loss attributable to noncontrolling interests | (9,760)    | (1,268)                   | -                        | 14                       | -            | (8,506)                  |
| Net (loss) income attributable to Vornado                       | (48,519)   | 227,074                   | 42,074                   | (5,692)                  | (293,066)    | (18,909)                 |
| Interest and debt expense <sup>(2)</sup>                        | 207,424    | 73,066                    | 22,416                   | 10,844                   | 62,239       | 38,859                   |
| Depreciation and amortization <sup>(2)</sup>                    | 183,685    | 73,694                    | 36,610                   | 19,721                   | 31,446       | 22,214                   |
| Income tax expense (benefit) <sup>(2)</sup>                     | 8,270      | 1,558                     | (17,841)                 | 831                      | 22,573       | 1,149                    |
| EBITDA <sup>(1)</sup>   | \$ 350,860 | \$ 375,392 <sup>(3)</sup> | \$ 83,259 <sup>(4)</sup> | \$ 25,704 <sup>(5)</sup> | \$ (176,808) | \$ 43,313 <sup>(6)</sup> |

See notes on page 71.

## Supplemental Information – continued

## Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012 - continued

(Amounts in thousands)

|  | For the Three Months Ended December 31, 2012 |            |                   |                      |          |            |
|--|--|------------|-------------------|----------------------|----------|------------|
|  | Total  | New York   | Washington,<br>DC | Retail<br>Properties | Toys     | Other      |
| Total revenues   | \$ 686,693                                   | \$ 356,786 | \$ 132,295        | \$ 94,947            | \$ -     | \$ 102,665 |
| Total expenses   | 600,728                                      | 219,340    | 88,889            | 153,846              | -        | 138,653    |
| Operating income (loss)  | 85,965                                       | 137,446    | 43,406            | (58,899)             | -        | (35,988)   |
| Income (loss) from partially owned entities, including Toys        | 280,939                                      | 187,428    | (1,041)           | 418                  | (73,837) | 167,971    |
| Income from Real Estate Fund                                       | 26,364                                       | -          | -                 | -                    | -        | 26,364     |
| Interest and other investment (loss) income, net                   | (237,961)                                    | 1,064      | 29                | 3                    | -        | (239,057)  |
| Interest and debt expense  | (121,049)                                    | (37,578)   | (30,166)          | (11,695)             | -        | (41,610)   |
| Net gain on disposition of wholly owned and partially owned assets | 8,491  | -          | -                 | 8,491                | -        | -          |
| Income (loss) before income taxes                                  | 42,749                                       | 288,360    | 12,228            | (61,682)             | (73,837) | (122,320)  |
| Income tax benefit (expense)                                       | 9,187  | (1,011)    | (373)             | -                    | -        | 10,571     |
| Income (loss) from continuing operations                           | 51,936                                       | 287,349    | 11,855            | (61,682)             | (73,837) | (111,749)  |
| Income (loss) from discontinued operations                         | 39,957                                       | 2,934      | 36,787            | 3,537                | -        | (3,301)    |
| Net income (loss)  | 91,893                                       | 290,283    | 48,642            | (58,145)             | (73,837) | (115,050)  |

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|   |            |                           |                           |                            |             |                            |
|---|------------|---------------------------|---------------------------|----------------------------|-------------|----------------------------|
| Less net (income)<br>loss attributable<br>to<br>noncontrolling<br>interests | (5,758)    | 5,128                     | -                         | 1,504                      | -           | (12,390)                   |
| Net income (loss)<br>attributable to<br>Vornado                             | 86,135     | 295,411                   | 48,642                    | (56,641)                   | (73,837)    | (127,440)                  |
| Interest and debt<br>expense <sup>(2)</sup>                                 | 193,258    | 47,561                    | 34,139                    | 15,789                     | 44,492      | 51,277                     |
| Depreciation and<br>amortization <sup>(2)</sup>                             | 182,499    | 63,777                    | 34,829                    | 20,778                     | 34,808      | 28,307                     |
| Income tax<br>(benefit)<br>expense <sup>(2)</sup>                           | (43,050)   | 1,074                     | 411                       | -                          | (34,611)    | (9,924)                    |
| EBITDA <sup>(1)</sup>   | \$ 418,842 | \$ 407,823 <sup>(3)</sup> | \$ 118,021 <sup>(4)</sup> | \$ (20,074) <sup>(5)</sup> | \$ (29,148) | \$ (57,780) <sup>(6)</sup> |

See notes on the following page.

**Supplemental Information – continued****Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012 - 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 (benefit) expense in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The elements of "New York" EBITDA are summarized below.

| (Amounts in thousands)     | <b>For the Three Months Ended December 31,</b> |             |
|----------------------------|--|-------------|
|                            | <b>2013</b>                                    | <b>2012</b> |
| Office <sup>(a)</sup>      | \$ 283,092                                     | \$ 151,613  |
| Retail                     | 69,414   | 52,576      |
| Alexander's <sup>(b)</sup> | 11,069   | 191,925     |
| Hotel Pennsylvania         | 11,817   | 11,709      |
| Total New York             | \$ 375,392                                     | \$ 407,823  |

- (a) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$129,229 and \$10,044, respectively. Excluding these items, EBITDA was \$153,863 and \$141,569, respectively.
- (b) 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$181,973. Excluding these items, EBITDA was \$9,952.
- (4) The elements of "Washington, DC" EBITDA are summarized below.

| (Amounts in thousands)                                  | <b>For the Three Months Ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>                                    | <b>2012</b> |
| Office, excluding the Skyline Properties <sup>(a)</sup> | \$ 65,910                                      | \$ 99,153   |
| Skyline properties                                      | 6,953  | 7,910       |
| Total Office  | 72,863   | 107,063     |
| Residential   | 10,396   | 10,958      |
| Total Washington, DC                                    | \$ 83,259                                      | \$ 118,021  |

- (a) 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating \$37,348. Excluding these items, EBITDA was \$61,805.
- (5) The elements of "Retail Properties" EBITDA are summarized below.

| (Amounts in thousands)                | <b>For the Three Months Ended December 31,</b> |             |
|---------------------------------------|--|-------------|
|                                       | <b>2013</b>                                    | <b>2012</b> |
| Strip shopping centers <sup>(a)</sup> | \$ 21,547                                      | \$ 24,154   |
| Regional malls <sup>(b)</sup>         | 4,157  | (44,228)    |
| Total Retail properties               | \$ 25,704                                      | \$ (20,074) |

- (a) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating net losses of \$19,000 and \$16,324, respectively. Excluding these items, EBITDA was \$40,547 and \$40,478, respectively.
- (b) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating net losses of \$13,443 and \$61,447, respectively.

Excluding these items, EBITDA was \$17,600 and \$17,219, respectively.

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## Supplemental Information – continued

## Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012 - continued

## Notes to preceding tabular information:

- (6) The elements of "other" EBITDA from continuing operations are summarized below.

| (Amounts in thousands)   | <b>For the Three Months<br/>Ended December 31,</b> |             |
|--|--|-------------|
|  | <b>2013</b>  | <b>2012</b> |
| Our share of Real Estate Fund:   |  |             |
| (Loss) income before net realized/unrealized gains   | \$ (70)  | \$ 764      |
| Net unrealized gain  | 6,574  | 5,456       |
| Carried interest   | 8,341  | 5,838       |
| Total  | 14,845   | 12,058      |
| Merchandise Mart Building, 7 West 34th Street and trade shows<br>555 California Street     | 20,038   | 13,620      |
| India real estate ventures   | 10,296   | 14,761      |
| LNR <sup>(a)</sup>   | 1,133  | 1,936       |
| Lexington <sup>(b)</sup>   | -  | 29,196      |
| Other investments  | -  | 7,815       |
|  | 4,774  | (4,614)     |
|  | 51,086   | 74,772      |
| Corporate general and administrative expenses <sup>(c)</sup>                               | (23,850)   | (22,142)    |
| Investment income and other, net <sup>(c)</sup>  | 7,372  | 14,663      |
| Net gain on sale of land parcels and residential condominiums                              | 23,988   | -           |
| Acquisition related costs and impairment losses  | (18,088)   | (13,072)    |
| Severance costs (primarily reduction in force at the Merchandise<br>Mart)                  | (1,338)  | (1,485)     |
| Non-cash impairment loss on J.C. Penney common shares                                      | -  | (224,937)   |
| Purchase price fair value adjustment and accelerated amortization of<br>discount on        |  |             |
| investment in subordinated debt of Independence Plaza                                      | -  | 105,366     |
| Net gain resulting from Lexington's stock issuance and asset<br>acquisition                | -  | 28,763      |
| (Loss) from the mark-to-market of J.C. Penney derivative position                          | -  | (22,472)    |
| Merchandise Mart discontinued operations   | -  | 7,432       |
| Net loss (income) attributable to noncontrolling interests in the<br>Operating Partnership | 4,155  | (3,882)     |
| Preferred unit distributions of the Operating Partnership                                  | (12)   | (786)       |
|  | \$ 43,313  | \$ (57,780) |

(a) On April 19, 2013, LNR was sold.

(b) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. This investment was previously accounted for under the equity method.

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.



**Supplemental Information – continued****Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012 - continued****EBITDA by Region**

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

| <b>Region:</b>  | <b>For the Three Months<br/>Ended December 31,</b> |             |
|---|--|-------------|
|   | <b>2013</b>  | <b>2012</b> |
| New York City metropolitan area                         | 75%  | 73%         |
| Washington, DC / Northern Virginia<br>metropolitan area | 22%  | 23%         |
| Puerto Rico   | 1%   | 2%          |
| California  | 1%   | 1%          |
| Other geographies                                       | 1%   | 1%          |
|   | 100%   | 100%        |

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**Supplemental Information – continued****Three Months Ended December 31, 2013 Compared to December 31, 2012****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 is the reconciliation of EBITDA to same store EBITDA on a GAAP basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended December 31, 2012.

| (Amounts in thousands)                                  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| EBITDA for the three months ended December 31, 2013     | \$ 375,392      | \$ 83,259                 | \$ 25,704                    |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above     | 8,550           | 6,975                     | 4,168                        |
| Less EBITDA from:                                       |                 |                           |                              |
| Acquisitions  | (20,063)        | -                         | -                            |
| Dispositions, including net gains on sale               | (129,332)       | (33)                      | (4)                          |
| Properties taken out-of-service for redevelopment       | (5,279)         | (1,035)                   | (1,144)                      |
| Other non-operating (income) expense                    | (2,986)         | (316)                     | 32,157                       |
| GAAP basis same store EBITDA for the three months ended |                 |                           |                              |
| December 31, 2013                                       | \$ 226,282      | \$ 88,850                 | \$ 60,881                    |
| EBITDA for the three months ended December 31, 2012     | \$ 407,823      | \$ 118,021                | \$ (20,074)                  |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above     | 8,070           | 7,388                     | 4,851                        |
| Less EBITDA from:                                       |                 |                           |                              |

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|   |            |           |           |
|---|------------|-----------|-----------|
| Acquisitions  | (3,474)    | -         | -         |
| Dispositions, including net gains on sale   | (184,507)  | (37,347)  | (18,605)  |
| Properties taken out-of-service for<br>redevelopment  | (5,141)    | (2,070)   | (364)     |
| Other non-operating (income) expense  | (10,665)   | (615)     | 93,238    |
| GAAP basis same store EBITDA for the three months ended<br>December 31, 2012                                | \$ 212,106 | \$ 85,377 | \$ 59,046 |
| Increase in GAAP basis same store EBITDA -<br>Three months ended December 31, 2013 vs.<br>December 31, 2012 | \$ 14,176  | \$ 3,473  | \$ 1,835  |
| % increase in GAAP basis same store EBITDA  | 6.7%       | 4.1%      | 3.1%      |

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**Supplemental Information – continued****Three Months Ended December 31, 2013 Compared to December 31, 2012**

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended December 31, 2012.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| GAAP basis same store EBITDA for the three months ended<br>December 31, 2013  | \$ 226,282      | \$ 88,850                 | \$ 60,881                    |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (29,712)        | (1,899)                   | (2,655)                      |
| Cash basis same store EBITDA for the three months ended<br>December 31, 2013  | \$ 196,570      | \$ 86,951                 | \$ 58,226                    |
| GAAP basis same store EBITDA for the three months ended<br>December 31, 2012  | \$ 212,106      | \$ 85,377                 | \$ 59,046                    |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (23,843)        | (775)                     | (3,645)                      |
| Cash basis same store EBITDA for the three months ended<br>December 31, 2012  | \$ 188,263      | \$ 84,602                 | \$ 55,401                    |
| Increase in Cash basis same store EBITDA -<br>Three months ended December 31, 2013 vs.<br>December 31, 2012                           | \$ 8,307        | \$ 2,349                  | \$ 2,825                     |
| % increase in Cash basis same store EBITDA  | 4.4%            | 2.8%                      | 5.1%                         |

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**Supplemental Information – continued****Three Months Ended December 31, 2013 Compared to September 30, 2013**

Below is the reconciliation of Net Income to EBITDA for the three months ended September 30, 2013.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| Net income attributable to Vornado for the three months ended |                 |                           |                              |
| September 30, 2013  | \$ 124,325      | \$ 19,994                 | \$ 44,158                    |
| Interest and debt expense                                     | 59,344          | 30,717                    | 12,119                       |
| Depreciation and amortization                                 | 67,294          | 35,403                    | 17,573                       |
| Income tax expense  | 67              | 828                       | 731                          |
| EBITDA for the three months ended September 30, 2013          | \$ 251,030      | \$ 86,942                 | \$ 74,581                    |

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended September 30, 2013.

| (Amounts in thousands)                                  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| EBITDA for the three months ended December 31, 2013     | \$ 375,392      | \$ 83,259                 | \$ 25,704                    |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above     | 8,550           | 6,975                     | 4,168                        |
| Less EBITDA from:                                       |                 |                           |                              |
| Acquisitions  | (7,120)         | -                         | -                            |
| Dispositions, including net gains on sale               | (129,332)       | (33)                      | (4)                          |
| Properties taken out-of-service for redevelopment       | (5,279)         | (1,035)                   | (1,144)                      |
| Other non-operating (income) expense                    | (2,860)         | (316)                     | 32,157                       |
| GAAP basis same store EBITDA for the three months ended |                 |                           |                              |
| December 31, 2013                                       | \$ 239,351      | \$ 88,850                 | \$ 60,881                    |
| EBITDA for the three months ended September 30, 2013    | \$ 251,030      | \$ 86,942                 | \$ 74,581                    |
| Add-back:   |                 |                           |                              |
| Non-property level overhead expenses included above     | 7,842           | 6,857                     | 4,240                        |
| Less EBITDA from:                                       |                 |                           |                              |

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|   |            |            |           |
|---|------------|------------|-----------|
| Acquisitions  | (575)      | -          | -         |
| Dispositions, including net gains on sale   | (2,481)    | (46)       | (17,097)  |
| Properties taken out-of-service for<br>redevelopment  | (5,461)    | (1,157)    | (2,196)   |
| Other non-operating (income) expense  | (19,936)   | (868)      | (549)     |
| GAAP basis same store EBITDA for the three months ended<br>September 30, 2013   | \$ 230,419 | \$ 91,728  | \$ 58,979 |
| Increase (decrease) in GAAP basis same store EBITDA -<br>Three months ended December 31, 2013 vs.<br>September 30, 2013 | \$ 8,932   | \$ (2,878) | \$ 1,902  |
| % increase (decrease) in GAAP basis same store EBITDA   | 3.9%       | (3.1%)     | 3.2%      |

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**Supplemental Information – continued****Three Months Ended December 31, 2013 Compared to September 30, 2013**

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended September 30, 2013.

| (Amounts in thousands)  | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> |
|---|-----------------|---------------------------|------------------------------|
| GAAP basis same store EBITDA for the three months ended<br>December 31, 2013  | \$ 239,351      | \$ 88,850                 | \$ 60,881                    |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (29,479)        | (1,899)                   | (2,655)                      |
| Cash basis same store EBITDA for the three months ended<br>December 31, 2013  | \$ 209,872      | \$ 86,951                 | \$ 58,226                    |
| GAAP basis same store EBITDA for the three months ended<br>September 30, 2013   | \$ 230,419      | \$ 91,728                 | \$ 58,979                    |
| Less: Adjustments for straight line rents, amortization of<br>acquired<br>below-market leases, net, and other non-cash<br>adjustments | (24,496)        | (1,518)                   | (2,814)                      |
| Cash basis same store EBITDA for the three months ended<br>September 30, 2013   | \$ 205,923      | \$ 90,210                 | \$ 56,165                    |
| Increase (decrease) in Cash basis same store EBITDA -<br>Three months ended December 31, 2013 vs.<br>September 30, 2013               | \$ 3,949        | \$ (3,259)                | \$ 2,061                     |
| % increase (decrease) in Cash basis same store EBITDA   | 1.9%            | (3.6%)                    | 3.7%                         |

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## Related Party Transactions

### *Alexander's*

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board and Chief Executive Officer is also the Chairman of the Board and Chief Executive Officer of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 6 - *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, 2013, Interstate and its partners beneficially owned an aggregate of approximately 6.6% of the common shares of beneficial interest of Vornado and 26.3% 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 \$606,000, \$794,000, and \$787,000 of management fees under the agreement for the years ended December 31, 2013, 2012 and 2011.

## **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. Our cash requirements include property operating expenses, capital improvements, tenant improvements, debt service, leasing commissions, dividends to shareholders and distributions to unitholders of the Operating Partnership, as well as acquisition and development costs. 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.

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 may require funding from borrowings and/or equity offerings.

We may from time to time purchase or retire outstanding debt securities. Such purchases, if any will depend 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.

### *Dividends*

On January 15, 2014, we declared a quarterly common dividend of \$0.73 per share (an indicated annual rate of \$2.92 per common share). This dividend, if continued for all of 2014, would require us to pay out approximately \$547,000,000 of cash for common share dividends. In addition, during 2014, we expect to pay approximately \$82,000,000 of cash dividends on outstanding preferred shares and approximately \$33,000,000 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.” We have issued publicly senior unsecured notes from a shelf registration statement that contain financial covenants that restrict our ability to incur debt, and that require us to maintain a level of unencumbered assets based on the level of our secured debt. Our revolving 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 revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and 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, 2013, we are in compliance with all of the financial covenants required by our senior unsecured notes and our revolving credit facilities.

As of December 31, 2013, we had \$583,290,000 of cash and cash equivalents and \$2,171,009,000 of borrowing capacity under our revolving credit facilities, net of outstanding borrowings and letters of credit of \$295,870,000 and \$33,121,000, respectively. A summary of our consolidated debt as of December 31, 2013 and 2012 is presented below.

| (Amounts in thousands) | 2013                    |   | 2012                    |   |
|------------------------|-------------------------|---|-------------------------|---|
|                        | December 31,<br>Balance | Weighted<br>Average<br>Interest<br>Rate | December 31,<br>Balance | Weighted<br>Average<br>Interest<br>Rate |
| Consolidated debt:     |                         |   |                         |   |
| Variable rate          | \$ 1,064,730            | 2.01%                                   | \$ 2,998,221            | 1.84%                                   |
| Fixed rate             | 8,913,988               | 4.73%                                   | 8,129,009               | 5.18%                                   |
|                        | \$ 9,978,718            | 4.44%                                   | \$ 11,127,230           | 4.28%                                   |

During 2014 and 2015, \$142,753,000 and \$943,731,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it using cash and cash equivalents or our revolving credit facilities. 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, 2013.

| (Amounts in thousands)  | <b>Less than</b> |               |                    |                    |                   |
|---|------------------|---------------|--------------------|--------------------|-------------------|
| Contractual cash obligations<br>(principal and interest <sup>(1)</sup> ): | <b>Total</b>     | <b>1 Year</b> | <b>1 – 3 Years</b> | <b>3 – 5 Years</b> | <b>Thereafter</b> |
| Notes and mortgages payable   | \$10,290,431     | \$ 551,348    | \$2,760,195        | \$1,781,397        | \$5,197,491       |
| Operating leases  | 1,486,447        | 42,845        | 83,401             | 82,831             | 1,277,370         |
| Senior unsecured notes due<br>2039 (PINES)                                | 1,370,076        | 35,634        | 71,268             | 71,268             | 1,191,906         |
| Revolving credit facilities   | 329,258          | 4,201         | 13,048             | 312,009            | -                 |
| Senior unsecured notes due<br>2022  | 560,833          | 20,000        | 40,000             | 40,000             | 460,833           |
| Senior unsecured notes due<br>2015  | 526,563          | 21,250        | 505,313            | -                  | -                 |
| Capital lease obligations   | 409,792          | 12,500        | 25,000             | 25,000             | 347,292           |
| Purchase obligations,<br>primarily construction<br>commitments            | 302,677          | 302,677       | -                  | -                  | -                 |
| Total contractual cash<br>obligations                                     | \$15,276,077     | \$ 990,455    | \$3,498,225        | \$2,312,505        | \$8,474,892       |
| Commitments:  |                  |               |                    |                    |                   |
| Capital commitments to<br>partially owned entities                        | \$ 144,931       | \$ 122,136    | \$ 22,795          | \$ -               | \$ -              |
| Standby letters of credit   | 33,121           | 33,121        | -                  | -                  | -                 |
| Total commitments   | \$ 178,052       | \$ 155,257    | \$ 22,795          | \$ -               | \$ -              |

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2013.

Details of 2013 financing activities are provided in the “Overview” of Management’s Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2012 financing activities are discussed below.

*Secured Debt*

On January 9, 2012, we completed a \$300,000,000 refinancing of 350 Park Avenue, a 559,000 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 March 5, 2012, we completed a \$325,000,000 refinancing of 100 West 33<sup>rd</sup> Street, a 1.1 million square foot property located between 32<sup>nd</sup> and 33<sup>rd</sup> Streets in Manhattan. The building contains the 257,000 square foot Manhattan Mall and 848,000 square feet of office space. The three-year loan bears interest at LIBOR plus 2.50% and has two one-year extension options. We retained net proceeds of approximately \$87,000,000, after repaying the existing loan and closing costs.

On July 26, 2012, we completed a \$150,000,000 refinancing of 2101 L Street, a 380,000 square foot office building located in Washington, DC. The 12-year fixed rate loan bears interest at 3.97% and amortizes based on a 30-year schedule beginning in the third year.

On August 17, 2012, we completed a \$98,000,000 refinancing of 435 Seventh Avenue, a 43,000 square foot retail property in Manhattan. The seven-year loan bears interest at LIBOR plus 2.25%. We retained net proceeds of approximately \$44,000,000, after repaying the existing loan and closing costs.

On November 8, 2012, we completed a \$950,000,000 refinancing of 1290 Avenue of the Americas (70% owned), a 2.1 million square foot Manhattan office building. The 10-year fixed rate interest-only loan bears interest at 3.34%. The partnership retained net proceeds of approximately \$522,000,000, after repaying the existing loan and closing costs.

On November 16, 2012, we completed a \$120,000,000 refinancing of 4 Union Square South, a 206,000 square foot Manhattan retail property. The seven-year loan bears interest at LIBOR plus 2.15% and amortizes based on a 30-year schedule beginning in the third year. We retained net proceeds of approximately \$42,000,000, after repaying the existing loan and closing costs.



## **Liquidity and Capital Resources – continued**

### *Financing Activities and Contractual Obligations – continued*

#### *Senior Unsecured Debt*

In April 2012, we redeemed all of the outstanding exchangeable and convertible senior debentures at par, for an aggregate of \$510,215,000 in cash.

#### *Preferred Securities*

On July 11, 2012, we sold 12,000,000 5.70% Series K Cumulative Redeemable Preferred Shares at a price of \$25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of \$290,971,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series K Preferred Units (with economic terms that mirror those of the Series K Preferred Shares). Dividends on the Series K Preferred Shares are cumulative and payable quarterly in arrears. The Series K 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 may redeem the Series K Preferred Shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series K Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

On July 19, 2012, we redeemed all of the outstanding 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units with an aggregate face amount of \$180,000,000 for \$168,300,000 in cash, plus accrued and unpaid distributions through the date of redemption.

On August 16, 2012, we redeemed all of the outstanding 7.0% Series E Cumulative Redeemable Preferred Shares at par, for an aggregate of \$75,000,000 in cash, plus accrued and unpaid dividends through the date of redemption.



## **Liquidity and Capital Resources – continued**

### *Acquisitions and Investments*

Details of 2013 acquisitions and investments are provided in the “Overview” of Management’s Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2012 acquisitions and investments are discussed below.

#### *Marriott Marquis Times Square - Retail and Signage*

On July 30, 2012, we entered into a lease with Host Hotels & Resorts, Inc. (NYSE: HST) (“Host”), under which we will redevelop the retail and signage components of the Marriott Marquis Times Square Hotel. The Marriott Marquis with over 1,900 rooms is one of the largest hotels in Manhattan. We plan to redevelop and substantially expand the existing retail space, including converting the below grade parking garage into retail, and creating six-story, 300 foot wide block front, dynamic LED signs. During the term of the lease we will pay fixed rent equal to the sum of \$12,500,000, plus a portion of the property’s net cash flow after we receive a 5.2% preferred return on our invested capital. The lease contains put/call options which, if exercised, would lead to our ownership. Host can exercise the put option during defined periods following the conversion of the project to a condominium. We can exercise our call option under the same terms, at any time after the fifteenth year of the lease term.

#### *666 Fifth Avenue - Retail*

On December 6, 2012, we acquired a retail condominium located at 666 Fifth Avenue at 53rd Street for \$707,000,000 in cash. The property contains 114,000 square feet, 39,000 square feet in fee and 75,000 square feet by long-term lease from the 666 Fifth Avenue office condominium, which is 49.5% owned by us.

#### *Independence Plaza*

In 2011, we acquired a 51% interest in the subordinated debt of Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan which has 54,500 square feet of retail space and 550 parking spaces, for \$45,000,000 and a warrant to purchase 25% of the equity for \$1,000,000. On December 21, 2012, we acquired a 58.75% interest in the property as follows: (i) buying one of the equity partners' 33.75% interest for \$160,000,000, (ii) exercising our warrant for 25% of the equity and (iii) contributing the appreciated value of our interest in the subordinated debt as preferred equity. In connection therewith, we recognized income of \$105,366,000, comprised of \$60,396,000 from the accelerated amortization of the discount on the subordinated debt immediately preceding the conversion to preferred equity, and a \$44,970,000 purchase price fair value adjustment upon exercising the warrant. The transaction valued the property at \$844,800,000. We manage the retail space at the property and Stellar Management, our partner, manages the residential space.

*Vornado Capital Partners Real Estate Fund (the "Fund")*

During 2012, the Fund made four investments aggregating \$203,700,000. At December 31, 2012, the Fund had nine investments with an aggregate fair value of \$600,786,000, or \$67,642,000 in excess of cost.



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

The following table summarizes anticipated 2014 capital expenditures.

| (Amounts in millions, except square foot data)     | <b>Total</b> | <b>New York</b>        | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Other<sup>(2)</sup></b> |
|--|--------------|------------------------|---------------------------|------------------------------|----------------------------|
| Expenditures to maintain assets                    | \$ 116.0     | \$ 61.0 <sup>(1)</sup> | \$ 28.0                   | \$ 4.0                       | \$ 23.0                    |
| Tenant improvements                                | 124.0        | 43.0                   | 58.0                      | 6.0                          | 17.0                       |
| Leasing commissions                                | 33.0         | 17.0                   | 10.0                      | 2.0                          | 4.0                        |
| Total capital expenditures and leasing commissions | \$ 273.0     | \$ 121.0               | \$ 96.0                   | \$ 12.0                      | \$ 44.0                    |
| Square feet budgeted to be leased (in thousands)   |              | 1,000                  | 1,600                     | 600                          |                            |
| Weighted average lease term (years)                |              | 10                     | 6                         | 7                            |                            |
| Tenant improvements and leasing commissions:       |              |                        |                           |                              |                            |
| <i>Per square foot</i>                             |              | \$ 60.00               | \$ 42.50                  | \$ 13.50                     |                            |
| <i>Per square foot per annum</i>                   |              | \$ 6.00                | \$ 7.00                   | \$ 2.00                      |                            |

(1)

Includes \$17.0 related to 2013 that is expected to be expended in 2014.

(2)

Primarily Merchandise Mart and 555 California Street.

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 are in the process of renovating the Springfield Mall, which is expected to be completed in 2015. The incremental development cost of this project is approximately \$250,000,000, of which \$97,600,000 has been expended as of December 31, 2013, approximately \$130,000,000 is expected to be expended in 2014, and the balance of \$22,400,000 is expected to be expended in 2015.

We are in the process of redeveloping and substantially expanding the existing retail space at the Marriott Marquis Times Square Hotel, including converting the below grade parking garage into retail and creating a six-story, 300 foot wide block front, dynamic LED sign, all of which is expected to be completed in 2015. The incremental development cost of this project is approximately \$215,000,000, of which \$52,100,000 has been expended as of December 31, 2013, approximately \$118,000,000 is expected to be expended in 2014, and the balance of \$44,900,000 is expected to be expended in 2015.

We plan to construct a residential condominium tower containing 472,000 zoning square feet on our 220 Central Park South development site. The incremental development cost of this project is approximately \$850,000,000. In February 2014, we completed a \$600,000,000 loan secured by this site.

We plan to develop a 699-unit residential project in Pentagon City (Metropolitan Park 4&5), which is expected to be completed in 2016. The project will include a 37,000 square foot Whole Foods Market at the base of the building. The incremental development cost of this project is approximately \$250,000,000; a significant portion of which is expected to be financed.

We are in the process of repositioning and re-tenanting 280 Park Avenue (49.5% owned). Our share of the incremental development cost of this project is approximately \$62,000,000, of which \$34,700,000 has been expended as of December 31, 2013, and the balance of \$27,300,000 is expected to be expended in 2014.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, including the Hotel Pennsylvania and in Washington, including 1900 Crystal Drive, Rosslyn and Pentagon City.

There can be no assurance that any of our development or redevelopment projects will commence, or if commenced, be completed, or 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, 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. We maintain coverage for terrorism acts with limits of \$4.0 billion per occurrence and in the aggregate, and \$2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. 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. For NBCR acts, 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 incurred 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 the future.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes 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*

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 is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

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.

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, 2013, the aggregate dollar amount of these guarantees and master leases is approximately \$342,000,000.

At December 31, 2013, \$33,121,000 of letters of credit were outstanding under one of our revolving credit facilities. Our revolving 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 revolving 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, 2013, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$145,000,000.

**Liquidity and Capital Resources – continued***Cash Flows for the Year Ended December 31, 2013*

Our cash and cash equivalents were \$583,290,000 at December 31, 2013, a \$377,029,000 decrease over the balance at December 31, 2012. Our consolidated outstanding debt was \$9,978,718,000 at December 31, 2013, a \$1,148,512,000 decrease over the balance at December 31, 2012. As of December 31, 2013 and December 31, 2012, \$295,870,000 and \$1,170,000,000, respectively, was outstanding under our revolving credit facilities. During 2014 and 2015, \$142,753,000 and \$943,731,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of \$1,040,789,000 was comprised of (i) net income of \$564,740,000, (ii) \$426,643,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities and net gains on sale of real estate, (iii) return of capital from Real Estate Fund investments of \$56,664,000, and (iv) distributions of income from partially owned entities of \$54,030,000, partially offset by (v) the net change in operating assets and liabilities of \$61,288,000, including \$37,817,000 related to Real Estate Fund investments.

Net cash provided by investing activities of \$722,076,000 was comprised of (i) \$1,027,608,000 of proceeds from sales of real estate and related investments, (ii) \$378,709,000 of proceeds from the sale of marketable securities, (iii) \$290,404,000 of capital distributions from partially owned entities, (iv) \$240,474,000 from the sale of LNR, (v) \$101,150,000 from the return of the J.C. Penney derivative collateral, and (vi) \$50,569,000 of proceeds from repayments of mortgages and mezzanine loans receivable and other, partially offset by (vii) \$469,417,000 of development costs and construction in progress, (viii) \$260,343,000 of additions to real estate, (ix) \$230,300,000 of investments in partially owned entities, (x) \$193,417,000 of acquisitions of real estate, (xi) \$186,079,000 for the funding of the J.C. Penney derivative collateral and settlement of derivative position, (xii) \$26,892,000 of changes in restricted cash, and (xiii) \$390,000 of investments in mortgage and mezzanine loans receivable.

Net cash used in financing activities of \$2,139,894,000 was comprised of (i) \$3,580,100,000 for the repayments of borrowings, (ii) \$545,913,000 of dividends paid on common shares, (iii) \$299,400,000 for purchases of outstanding preferred units and shares, (iv) \$215,247,000 of distributions to noncontrolling interests, (v) \$83,188,000 of dividends paid on preferred shares, (vi) \$19,883,000 of debt issuance and other costs, and (vii) \$443,000 for the repurchase of shares related to stock compensation agreements and related tax holdings, partially offset by (viii) \$2,262,245,000 of proceeds from borrowings, (ix) \$290,306,000 of proceeds from the issuance of preferred shares, (x) \$43,964,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (xi) \$7,765,000 of proceeds received

from the exercise of employee share options.

**Liquidity and Capital Resources – continued***Capital Expenditures for the Year Ended December 31, 2013*

Capital expenditures consist of expenditures to maintain assets, tenant improvement allowances and leasing commissions. Recurring capital expenditures 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, 2013.

| (Amounts in thousands)   | <b>Total</b> | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail<br/>Properties</b> | <b>Other</b> |
|--|--------------|-----------------|---------------------------|------------------------------|--------------|
| Expenditures to maintain assets                                    | \$ 73,130    | \$ 34,553       | \$ 22,165                 | \$ 5,664                     | \$ 10,748    |
| Tenant improvements  | 152,319      | 87,275          | 39,156                    | 12,431                       | 13,457       |
| Leasing commissions  | 56,638       | 39,348          | 9,551                     | 2,113                        | 5,626        |
| Non-recurring capital expenditures                                 | 12,099       | 11,579          | -                         | -                            | 520          |
| Total capital expenditures and leasing commissions (accrual basis) | 294,186      | 172,755         | 70,872                    | 20,208                       | 30,351       |
| Adjustments to reconcile to cash basis:                            |              |                 |                           |                              |              |
| Expenditures in the current year applicable to prior periods       | 155,035      | 56,345          | 26,075                    | 5,562                        | 67,053       |
| Expenditures to be made in future periods for the current period   | (150,067)    | (91,107)        | (36,702)                  | (14,011)                     | (8,247)      |



## Total capital expenditures and leasing

|                          |            |            |           |           |                          |
|--------------------------|------------|------------|-----------|-----------|--------------------------|
| commissions (cash basis) | \$ 299,154 | \$ 137,993 | \$ 60,245 | \$ 11,759 | \$ 89,157 <sup>(1)</sup> |
|--------------------------|------------|------------|-----------|-----------|--------------------------|

## Tenant improvements and leasing commissions:

|                            |         |         |         |         |      |
|----------------------------|---------|---------|---------|---------|------|
| Per square foot per annum  | \$ 4.33 | \$ 5.89 | \$ 4.75 | \$ 1.33 | \$ - |
| Percentage of initial rent | 9.5%    | 8.1%    | 11.9%   | 6.6%    | -    |

(1) Includes tenant improvements and leasing commissions aggregating \$61,895 in connection with the 608,000 square foot Motorola Mobility lease at the Merchandise Mart.

## Development and Redevelopment Expenditures

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, 2013.

| (Amounts in thousands)                 | Total      | New York  | Washington, DC |            | Retail     |   |
|--|------------|-----------|----------------|------------|------------|---|
|  |            |           | DC             | Properties | Other      |   |
| 220 Central Park South                 | \$ 243,687 | \$ -      | \$ -           | \$ -       | \$ 243,687 | - |
| Springfield Mall                       | 68,716     | -         | -              | -          | 68,716     | - |
| Marriott Marquis Times Square - retail |            |           |                |            |            |   |
| and signage                            | 40,356     | 40,356    | -              | -          | -          | - |
| 1290 Avenue of the Americas            | 13,865     | 13,865    | -              | -          | -          | - |
| 330 West 34th Street                   | 6,832      | 6,832     | -              | -          | -          | - |
| Metropolitan Park 4 & 5                | 6,289      | -         | 6,289          | -          | -          | - |
| 1135 Third Avenue                      | 5,247      | 5,247     | -              | -          | -          | - |
| LED Signage                            | 5,042      | 5,042     | -              | -          | -          | - |
| Other                                  | 79,383     | 14,643    | 35,412         | 25,210     | 4,118      | - |
|  | \$ 469,417 | \$ 85,985 | \$ 41,701      | \$ 93,926  | \$ 247,805 | - |

## Liquidity and Capital Resources – continued

### *Cash Flows for the Year Ended December 31, 2012*

Our cash and cash equivalents were \$960,319,000 at December 31, 2012, a \$353,766,000 increase over the balance at December 31, 2011. Our consolidated outstanding debt was \$11,127,230,000 at December 31, 2012, a \$1,227,953,000 increase over the balance at December 31, 2011.

Cash flows provided by operating activities of \$825,049,000 was comprised of (i) net income of \$694,541,000, (ii) distributions of income from partially owned entities of \$226,172,000, (iii) return of capital from Real Estate Fund investments of \$63,762,000, and (iv) \$151,954,000 of non-cash adjustments, which include depreciation and amortization expense, impairment loss on J.C. Penney common shares, the effect of straight-lining of rental income, equity in net income of partially owned entities and net gains on sale of real estate, partially offset by (v) the net change in operating assets and liabilities of \$311,380,000, including \$262,537,000 related to Real Estate Fund investments.

Net cash used in investing activities of \$642,262,000 was comprised of (i) \$673,684,000 of acquisitions of real estate and other, (ii) \$205,652,000 of additions to real estate, (iii) \$191,330,000 for the funding of the J.C. Penney derivative collateral, (iv) \$156,873,000 of development costs and construction in progress, (v) \$134,994,000 of investments in partially owned entities, (vi) \$94,094,000 investments in mortgage and mezzanine loans receivable and other, and (vii) \$75,138,000 of changes in restricted cash, partially offset by (viii) \$445,683,000 of proceeds from sales of real estate and related investments, (ix) \$144,502,000 of capital distributions from partially owned entities, (x) \$134,950,000 from the return of the J.C. Penney derivative collateral, (xi) \$60,258,000 of proceeds from the sale of marketable securities, (xii) \$52,504,000 of proceeds from the sale of the Canadian Trade Shows, (xiii) \$38,483,000 of proceeds from repayments of mezzanine loans receivable and other, and (xiv) \$13,123,000 of proceeds from the repayment of loan to officer.

Net cash provided by financing activities of \$170,979,000 was comprised of (i) \$3,593,000,000 of proceeds from borrowings, (ii) \$290,971,000 of proceeds from the issuance of preferred shares, (iii) \$213,132,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (iv) \$11,853,000 of proceeds from exercise of employee share options, partially offset by (v) \$2,747,694,000 for the repayments of borrowings, (vi) \$699,318,000 of dividends paid on common shares, (vii) \$243,300,000 for purchases of outstanding preferred units and shares, (viii) \$104,448,000 of distributions to noncontrolling interests, (ix) \$73,976,000 of dividends paid on preferred shares, (x) \$39,073,000 of debt issuance and other costs, and (xi) \$30,168,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings.



**Liquidity and Capital Resources – continued***Capital Expenditures in the year ended December 31, 2012*

|   |              |                 |                           | <b>Retail</b>     |                          |
|---|--------------|-----------------|---------------------------|-------------------|--------------------------|
| (Amounts in thousands)  | <b>Total</b> | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Other</b>             |
| Expenditures to maintain assets   | \$ 69,912    | \$ 27,434       | \$ 20,582                 | \$ 4,676          | \$ 17,220                |
| Tenant improvements   | 177,743      | 71,572          | 50,384                    | 9,052             | 46,735                   |
| Leasing commissions   | 57,961       | 27,573          | 13,151                    | 2,368             | 14,869                   |
| Non-recurring capital expenditures  | 6,902        | 5,822           | -                         | -                 | 1,080                    |
| Total capital expenditures and leasing commissions (accrual basis)  | 312,518      | 132,401         | 84,117                    | 16,096            | 79,904                   |
| Adjustments to reconcile to cash basis:   |              |                 |                           |                   |                          |
| Expenditures in the current year applicable to prior periods  | 105,350      | 41,975          | 24,370                    | 10,353            | 28,652                   |
| Expenditures to be made in future periods for the current period  | (170,744)    | (76,283)        | (43,600)                  | (7,754)           | (43,107)                 |
| Total capital expenditures and leasing commissions (cash basis)   | \$ 247,124   | \$ 98,093       | \$ 64,887                 | \$ 18,695         | \$ 65,449 <sup>(1)</sup> |
| <i>Tenant improvements and leasing commissions:</i>   |              |                 |                           |                   |                          |
| <i>Per square foot per annum</i>  | \$ 4.16      | \$ 5.48         | \$ 4.86                   | \$ 1.04           | \$ -                     |
| <i>Percentage of initial rent</i>   | 9.6%         | 8.8%            | 12.0%                     | 5.2%              | -                        |
| (1) Includes tenant improvements and leasing commissions aggregating \$24,354 in connection with the 608,000 square foot Motorola Mobility lease at the Merchandise Mart. |              |                 |                           |                   |                          |

*Development and Redevelopment Expenditures in the year ended December 31, 2012***Retail**

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| (Amounts in thousands)                         | <b>Total</b> | <b>New York</b> | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Other</b> |
|--|--------------|-----------------|---------------------------|-------------------|--------------|
| Springfield Mall                               | \$ 18,278    | \$ -            | \$ -                      | \$ 18,278         | \$ -         |
| 1290 Avenue of the Americas                    | 16,778       | 16,778          | -                         | -                 | -            |
| Crystal Square 5                               | 15,039       | -               | 15,039                    | -                 | -            |
| 220 Central Park South                         | 12,191       | -               | -                         | -                 | 12,191       |
| Bergen Town Center                             | 11,404       | -               | -                         | 11,404            | -            |
| 510 Fifth Avenue                               | 10,206       | 10,206          | -                         | -                 | -            |
| Marriott Marquis Times Square -<br>retail      |              |                 |                           |                   |              |
| and signage                                    | 9,092        | 9,092           | -                         | -                 | -            |
| 1851 South Bell Street (1900<br>Crystal Drive) | 6,243        | -               | 6,243                     | -                 | -            |
| Amherst, New York                              | 5,585        | -               | -                         | 5,585             | -            |
| Other  | 52,057       | 15,484          | 18,052                    | 18,279            | 242          |
|  | \$ 156,873   | \$ 51,560       | \$ 39,334                 | \$ 53,546         | \$ 12,433    |

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## 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 \$9,899,277,000 at December 31, 2011, a \$262,477,000 decrease from the balance at December 31, 2010.

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) \$151,745,000 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 \$282,881,000, 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 mortgage and 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 mortgage and 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.



**Liquidity and Capital Resources – continued***Capital Expenditures in the year ended December 31, 2011*

| (Amounts in thousands)   | <b>Total</b> | <b>New York</b> | <b>Retail</b>             |                   |              |
|--|--------------|-----------------|---------------------------|-------------------|--------------|
|  |              |                 | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Other</b> |
| Expenditures to maintain assets                                    | \$ 58,463    | \$ 22,698       | \$ 18,939                 | \$ 6,448          | \$ 10,378    |
| Tenant improvements  | 138,076      | 76,493          | 33,803                    | 6,515             | 21,265       |
| Leasing commissions  | 43,613       | 28,072          | 9,114                     | 2,114             | 4,313        |
| Non-recurring capital expenditures                                 | 19,442       | 17,157          | -                         | -                 | 2,285        |
| Total capital expenditures and leasing commissions (accrual basis) | 259,594      | 144,420         | 61,856                    | 15,077            | 38,241       |
| Adjustments to reconcile to cash basis:                            |              |                 |                           |                   |              |
| Expenditures in the current year                                   |              |                 |                           |                   |              |
| applicable to prior periods  | 90,799       | 43,392          | 13,517                    | 9,705             | 24,185       |
| Expenditures to be made in future periods for the current period   | (146,062)    | (79,941)        | (33,530)                  | (7,058)           | (25,533)     |
| Total capital expenditures and leasing commissions (cash basis)    | \$ 204,331   | \$ 107,871      | \$ 41,843                 | \$ 17,724         | \$ 36,893    |
| <i>Tenant improvements and leasing commissions:</i>                |              |                 |                           |                   |              |
| <i>Per square foot per annum</i>                                   | \$ 3.88      | \$ 5.21         | \$ 4.47                   | \$ 0.71           | \$ -         |
| <i>Percentage of initial rent</i>                                  | 8.9%         | 9.1%            | 10.8%                     | 3.3%              | -            |

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

| (Amounts in thousands) | <b>Total</b> | <b>New York</b> | <b>Retail</b>             |                   |              |
|------------------------|--------------|-----------------|---------------------------|-------------------|--------------|
|                        |              |                 | <b>Washington,<br/>DC</b> | <b>Properties</b> | <b>Other</b> |
| Bergen Town Center     | \$ 23,748    | \$ -            | \$ -                      | \$ 23,748         | \$ -         |



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|                  |           |           |           |           |          |
|------------------|-----------|-----------|-----------|-----------|----------|
| 510 Fifth Avenue | 8,833     | 8,833     | -         | -         | -        |
| Other            | 48,903    | 6,627     | 20,496    | 18,580    | 3,200    |
|                  | \$ 81,484 | \$ 15,460 | \$ 20,496 | \$ 42,328 | \$ 3,200 |

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**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”). 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 \$641,037,000, or \$3.41 per diluted share for the year ended December 31, 2013, compared to \$818,565,000, or \$4.39 per diluted share for the year ended December 31, 2012. FFO attributable to common shareholders plus assumed conversions was a negative \$6,784,000, or \$0.04 per diluted share for the three months ended December 31, 2013, compared to a positive \$55,890,000, or \$0.30 per diluted share for the three months ended December 31, 2012. Details of certain items that affect comparability are discussed in the financial results summary of our “Overview.”

| (Amounts in thousands, except per share amounts)              | <b>For The Year</b>                |             | <b>For The Three Months</b>        |             |
|---|------------------------------------|-------------|------------------------------------|-------------|
|   | <b>Ended December 31,<br/>2013</b> | <b>2012</b> | <b>Ended December 31,<br/>2013</b> | <b>2012</b> |
| <b>Reconciliation of our net income (loss) to FFO:</b>        |                                    |             |                                    |             |
| Net income (loss) attributable to Vornado                     | \$ 475,971                         | \$ 617,260  | \$ (48,519)                        | \$ 86,135   |
| Depreciation and amortization of real property                | 501,753                            | 504,407     | 124,611                            | 125,069     |
| Net gains on sale of real estate                              | (411,593)                          | (245,799)   | (127,512)                          | (41,998)    |
| Real estate impairment losses                                 | 37,170                             | 129,964     | 32,443                             | 116,453     |
| Proportionate share of adjustments to equity in net income of |                                    |             |                                    |             |
| Toys, to arrive at FFO:                                       |                                    |             |                                    |             |
| Depreciation and amortization of real property                | 69,741                             | 68,483      | 16,506                             | 17,777      |
| Real estate impairment losses                                 | 6,552                              | 9,824       | 456                                | 1,430       |
| Income tax effect of above adjustments                        | (26,703)                           | (27,493)    | (5,937)                            | (6,728)     |
| 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                | 87,529                             | 86,197      | 25,282                             | 20,387      |

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|   |            |            |            |           |
|---|------------|------------|------------|-----------|
| Net gains on sale of real estate  | (465)      | (241,602)  | -          | (239,551) |
| Real estate impairment losses   | -          | 1,849      | -          | -         |
| Noncontrolling interests' share of above adjustments  | (15,089)   | (16,649)   | (3,746)    | 418       |
| FFO   | 724,866    | 886,441    | 13,584     | 79,392    |
| Preferred share dividends   | (82,807)   | (76,937)   | (20,368)   | (20,750)  |
| Preferred unit and share redemptions  | (1,130)    | 8,948      | -          | (2,752)   |
| FFO (Negative FFO) attributable to common shareholders  | 640,929    | 818,452    | (6,784)    | 55,890    |
| Convertible preferred share dividends   | 108        | 113        | -          | -         |
| FFO (Negative FFO) attributable to common shareholders plus assumed conversions                   | \$ 641,037 | \$ 818,565 | \$ (6,784) | \$ 55,890 |
| <b>Reconciliation of Weighted Average Shares</b>  |            |            |            |           |
| Weighted average common shares outstanding  | 186,941    | 185,810    | 187,109    | 186,267   |
| Effect of dilutive securities:  |            |            |            |           |
| Employee stock options and restricted share awards  | 768        | 670        | -          | 599       |
| Convertible preferred shares  | 48         | 50         | -          | -         |
| Denominator for FFO (Negative FFO) per diluted share  | 187,757    | 186,530    | 187,109    | 186,866   |
| FFO (Negative FFO) attributable to common shareholders plus assumed conversions per diluted share | \$ 3.41    | \$ 4.39    | \$ (0.04)  | \$ 0.30   |

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**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)

|  | <b>December 31,</b> | <b>2013</b>     | <b>Effect of 1%</b> | <b>December 31,</b> | <b>2012</b>     |
|--|---------------------|-----------------|---------------------|---------------------|-----------------|
|  | <b>Balance</b>      | <b>Weighted</b> | <b>Change In</b>    | <b>Balance</b>      | <b>Weighted</b> |
|  |                     | <b>Average</b>  | <b>Base Rates</b>   |                     | <b>Average</b>  |
|  |                     | <b>Interest</b> |                     |                     | <b>Interest</b> |
|  |                     | <b>Rate</b>     |                     |                     | <b>Rate</b>     |
| Consolidated debt:   |                     |                 |                     |                     |                 |
| Variable rate  | \$ 1,064,730        | 2.01%           | \$ 10,647           | \$ 2,998,221        | 1.84%           |
| Fixed rate   | 8,913,988           | 4.73%           | -                   | 8,129,009           | 5.18%           |
|  | \$ 9,978,718        | 4.44%           | 10,647              | \$ 11,127,230       | 4.28%           |
| Prorata share of debt of non-consolidated entities (non-recourse):             |                     |                 |                     |                     |                 |
| Variable rate – excluding Toys   | \$ 196,240          | 2.09%           | 1,962               | \$ 264,531          | 2.88%           |
| Variable rate – Toys   | 1,179,001           | 5.45%           | 11,790              | 703,922             | 5.69%           |
| Fixed rate (including \$682,484 and \$1,148,407 of Toys debt in 2013 and 2012) | 2,814,162           | 6.46%           | -                   | 3,030,476           | 7.04%           |
|  | \$ 4,189,403        | 5.97%           | 13,752              | \$ 3,998,929        | 6.53%           |
| Redeemable noncontrolling interests' share of above                            |                     |                 | (1,415)             |                     |                 |
| Total change in annual net income  |                     |                 | \$ 22,984           |                     |                 |
| Per share-diluted  |                     |                 | \$ 0.12             |                     |                 |

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, 2013, we have one interest rate cap with a principal amount of \$60,000,000 and a weighted average interest rate of 2.36%. This cap is based on a notional amount of \$60,000,000 and caps LIBOR at a rate of 7.00%. In addition, we have one interest rate swap on a \$425,000,000 mortgage loan that swapped the rate from LIBOR plus 2.00% (2.17% at December 31, 2013) to a fixed rate of 5.13% for the remaining five-year term of the loan.

As of December 31, 2013, we have investments in mezzanine loans with an aggregate carrying amount of \$152,853,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates.

*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, 2013, the estimated fair value of our consolidated debt was \$9,802,000,000.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INDEX TO FINANCIAL STATEMENTS**

|  | <b>Page<br/>Number</b> |
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| Report of Independent Registered Public Accounting Firm  | 94                     |
| Consolidated Balance Sheets at December 31, 2013 and 2012  | 95                     |
| Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011               | 96                     |
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| Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011           | 101                    |
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**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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 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.

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, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2014 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 24, 2014



**VORNADO REALTY TRUST**  
**CONSOLIDATED BALANCE SHEETS**

| (Amounts in thousands, except share and per share amounts)                                       | <b>December 31,</b>  | <b>December 31,</b>  |
|--|----------------------|----------------------|
| <b>ASSETS</b>  | <b>2013</b>          | <b>2012</b>          |
| Real estate, at cost:  |                      |                      |
| Land   | \$ 4,205,815         | \$ 4,766,315         |
| Buildings and improvements   | 12,661,938           | 12,421,086           |
| Development costs and construction in progress   | 1,354,350            | 920,273              |
| Leasehold improvements and equipment   | 132,523              | 130,544              |
| Total  | 18,354,626           | 18,238,218           |
| Less accumulated depreciation and amortization   | (3,410,933)          | (3,072,269)          |
| Real estate, net   | 14,943,693           | 15,165,949           |
| Cash and cash equivalents  | 583,290              | 960,319              |
| Restricted cash  | 262,440              | 183,256              |
| Marketable securities  | 191,917              | 398,188              |
| Tenant and other receivables, net of allowance for doubtful accounts of \$21,869 and \$37,674    | 115,862              | 195,718              |
| Investments in partially owned entities  | 1,166,443            | 1,226,256            |
| Investment in Toys "R" Us  | 83,224               | 478,041              |
| Real Estate Fund investments   | 667,710              | 600,786              |
| Mortgage and mezzanine loans receivable, net of allowance of \$5,845 in 2013                     | 170,972              | 225,359              |
| Receivable arising from the straight-lining of rents, net of allowance of \$4,355 and \$3,165    | 823,137              | 758,191              |
| Deferred leasing and financing costs, net of accumulated amortization of \$265,482 and \$222,202 | 413,726              | 405,004              |
| Identified intangible assets, net of accumulated amortization of \$282,593 and \$352,035         | 323,322              | 415,330              |
| Assets related to discontinued operations  | -                    | 671,573              |
| Other assets   | 351,488              | 381,079              |
|  | <b>\$ 20,097,224</b> | <b>\$ 22,065,049</b> |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>                               |                      |                      |
| Mortgages payable  | \$ 8,331,993         | \$ 8,599,222         |
| Senior unsecured notes   | 1,350,855            | 1,358,008            |
| Revolving credit facility debt   | 295,870              | 1,170,000            |
| Accounts payable and accrued expenses  | 422,276              | 484,746              |
| Deferred revenue   | 542,998              | 596,067              |
| Deferred compensation plan   | 116,515              | 105,200              |
| Deferred tax liabilities   | 1,280                | 15,305               |
| Liabilities related to discontinued operations   | -                    | 487,271              |
| Other liabilities  | 437,073              | 400,934              |
| Total liabilities  | 11,498,860           | 13,216,753           |
| Commitments and contingencies  |                      |                      |
| Redeemable noncontrolling interests:   |                      |                      |
| Class A units - 11,292,038 and 11,215,682 units outstanding                                      | 1,002,620            | 898,152              |

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|   |               |               |
|---|---------------|---------------|
| Series D cumulative redeemable preferred units - 1 and 1,800,001 units outstanding  | 1,000         | 46,000        |
| Total redeemable noncontrolling interests   | 1,003,620     | 944,152       |
| Vornado shareholders' equity:   |               |               |
| Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,682,807 and 51,184,609 shares   | 1,277,225     | 1,240,278     |
| Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,284,688 and 186,734,711 shares | 7,469         | 7,440         |
| Additional capital  | 7,143,840     | 7,195,438     |
| Earnings less than distributions  | (1,734,839)   | (1,573,275)   |
| Accumulated other comprehensive income (loss)   | 71,537        | (18,946)      |
| Total Vornado shareholders' equity  | 6,765,232     | 6,850,935     |
| Noncontrolling interests in consolidated subsidiaries   | 829,512       | 1,053,209     |
| Total equity  | 7,594,744     | 7,904,144     |
|   | \$ 20,097,224 | \$ 22,065,049 |

See notes to the consolidated financial statements.

## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,

2013 2012 2011

(Amounts in thousands, except per share amounts)

**REVENUES:**

|  |              |              |              |
|--|--------------|--------------|--------------|
| Property rentals                           | \$ 2,155,963 | \$ 2,062,061 | \$ 2,091,488 |
| Tenant expense reimbursements              | 317,345      | 294,584      | 307,609      |
| Cleveland Medical Mart development project | 36,369       | 235,234      | 154,080      |
| Fee and other income                       | 251,232      | 144,353      | 149,631      |
| Total revenues                             | 2,760,909    | 2,736,232    | 2,702,808    |

**EXPENSES:**

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Operating   | 1,054,897         | 1,017,331         | 984,707           |
| Depreciation and amortization   | 531,212           | 510,383           | 516,222           |
| General and administrative  | 211,100           | 202,444           | 208,530           |
| Cleveland Medical Mart development project                            | 32,210            | 226,619           | 145,824           |
| Impairment losses, acquisition related costs<br>and tenant buy-outs   | 57,300            | 114,886           | 35,299            |
| Total expenses  | 1,886,719         | 2,071,663         | 1,890,582         |
| Operating income  | 874,190           | 664,569           | 812,226           |
| (Loss) income applicable to Toys "R" Us                               | (362,377)         | 14,859            | 48,540            |
| Income from partially owned entities                                  | 23,592            | 408,267           | 70,072            |
| Income from Real Estate Fund  | 102,898           | 63,936            | 22,886            |
| Interest and other investment (loss) income, net                      | (24,699)          | (260,945)         | 148,783           |
| Interest and debt expense   | (483,190)         | (493,713)         | (519,157)         |
| Net gain on disposition of wholly owned and partially<br>owned assets | 3,407             | 13,347            | 15,134            |
| Income before income taxes  | 133,821           | 410,320           | 598,484           |
| Income tax benefit (expense)  | 6,406             | (8,132)           | (23,925)          |
| Income from continuing operations                                     | 140,227           | 402,188           | 574,559           |
| Income from discontinued operations                                   | 424,513           | 292,353           | 165,441           |
| Net income  | 564,740           | 694,541           | 740,000           |
| Less net income attributable to noncontrolling interests<br>in:       |                   |                   |                   |
| Consolidated subsidiaries   | (63,952)          | (32,018)          | (21,786)          |
| Operating Partnership   | (23,659)          | (35,327)          | (41,059)          |
| Preferred unit distributions of the Operating<br>Partnership          | (1,158)           | (9,936)           | (14,853)          |
| Net income attributable to Vornado                                    | 475,971           | 617,260           | 662,302           |
| Preferred share dividends   | (82,807)          | (76,937)          | (65,531)          |
| Preferred unit and share redemptions                                  | (1,130)           | 8,948             | 5,000             |
| <b>NET INCOME attributable to common<br/>shareholders</b>             | <b>\$ 392,034</b> | <b>\$ 549,271</b> | <b>\$ 601,771</b> |

**(LOSS) INCOME PER COMMON SHARE -****BASIC:**

|  |           |         |         |
|--|-----------|---------|---------|
| (Loss) income from continuing<br>operations, net | \$ (0.03) | \$ 1.46 | \$ 2.42 |
|  | 2.13      | 1.49    | 0.84    |

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|  |           |         |         |
|--|-----------|---------|---------|
| Income from discontinued operations, net         |           |         |         |
| Net income per common share                      | \$ 2.10   | \$ 2.95 | \$ 3.26 |
| Weighted average shares outstanding              | 186,941   | 185,810 | 184,308 |
| <b>(LOSS) INCOME PER COMMON SHARE - DILUTED:</b> |           |         |         |
| (Loss) income from continuing operations, net    | \$ (0.03) | \$ 1.46 | \$ 2.40 |
| Income from discontinued operations, net         | 2.12      | 1.48    | 0.83    |
| Net income per common share                      | \$ 2.09   | \$ 2.94 | \$ 3.23 |
| Weighted average shares outstanding              | 187,709   | 186,530 | 186,021 |

See notes to consolidated financial statements.

## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in thousands)  | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2013                    | 2012       | 2011       |
| Net income  | \$ 564,740              | \$ 694,541 | \$ 740,000 |
| Other comprehensive income:   |                         |            |            |
| Change in unrealized net gain (loss) on securities available-for-sale               | 142,281                 | (283,649)  | 41,657     |
| Amounts reclassified from accumulated other comprehensive income:                   |                         |            |            |
| Non-cash impairment loss on J.C. Penney common shares                               | -                       | 224,937    | -          |
| Sale of available-for-sale securities   | (42,404)                | (3,582)    | (5,020)    |
| Pro rata share of other comprehensive (loss) income of nonconsolidated subsidiaries | (22,814)                | (31,758)   | 12,859     |
| Change in value of interest rate swap   | 18,183                  | (5,659)    | (43,704)   |
| Other   | 533                     | 329        | (5,245)    |
| Comprehensive income  | 660,519                 | 595,159    | 740,547    |
| Less comprehensive income attributable to noncontrolling interests                  | (94,065)                | (70,574)   | (77,969)   |
| Comprehensive income attributable to Vornado  | \$ 566,454              | \$ 524,585 | \$ 662,578 |

See notes to consolidated financial statements.

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## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Accumulated

(Amounts in thousands)

|   | Preferred Shares |            | Common Shares |          | Additional   | Earnings<br>Less Than | Other<br>Comprehensive | Non-<br>controlling | Total        |
|---|------------------|------------|---------------|----------|--------------|-----------------------|------------------------|---------------------|--------------|
|   | Shares           | Amount     | Shares        | Amount   | Capital      | Distributions         | Income<br>(Loss)       | Interests           | Equity       |
| <b>Balance,<br/>December<br/>31, 2010</b>   | 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<br>common<br>shares  | -                | -          | -             | -        | -            | (508,745)             | -                      | -                   | (508,745)    |
| Dividends on<br>preferred<br>shares   | -                | -          | -             | -        | -            | (65,694)              | -                      | -                   | (65,694)     |
| Issuance of<br>Series J<br>preferred<br>shares  | 9,850            | 238,842    | -             | -        | -            | -                     | -                      | -                   | 238,842      |
| Common<br>shares<br>issued:<br>Upon<br>redemption<br>of Class A<br>units, at<br>redemption<br>value | -                | -          | 798           | 32       | 64,798       | -                     | -                      | -                   | 64,830       |
| Under<br>Omnibus<br>share plan  | -                | -          | 590           | 23       | 23,705       | (13,289)              | -                      | -                   | 10,439       |
| Under<br>dividend<br>reinvestment<br>plan   | -                | -          | 21            | 1        | 1,771        | -                     | -                      | -                   | 1,772        |
| Contributions:<br>Real Estate<br>Fund   | -                | -          | -             | -        | -            | -                     | -                      | 203,407             | 203,407      |
| Other   | -                | -          | -             | -        | -            | -                     | -                      | 778                 | 778          |
| Distributions:<br>Real Estate<br>Fund   | -                | -          | -             | -        | -            | -                     | -                      | (49,422)            | (49,422)     |
| Other   | -                | -          | -             | -        | -            | -                     | -                      | (15,604)            | (15,604)     |
| Conversion<br>of Series A   |                  |            |               |          |              |                       |                        |                     |              |

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|  |        |              |         |          |              |                |           |            |              |
|--|--------|--------------|---------|----------|--------------|----------------|-----------|------------|--------------|
| 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               | -      | -            | -       | -        | -            | -              | 41,657    | -          | 41,657       |
| Amounts reclassified related to sale of available-for-sale securities        | -      | -            | -       | -        | -            | -              | (5,020)   | -          | (5,020)      |
| 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)        |
| <b>Balance, December 31, 2011</b>  | 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 CHANGES IN EQUITY - CONTINUED  
Accumulated

(Amounts in thousands)

|   | Preferred Shares |              | Common Shares |          | Additional   | Earnings<br>Less Than | Other<br>Comprehensive | Non-<br>controlling | Total        |
|---|------------------|--------------|---------------|----------|--------------|-----------------------|------------------------|---------------------|--------------|
|   | Shares           | Amount       | Shares        | Amount   | Capital      | Distributions         | Income<br>(Loss)       | Interests           | Equity       |
| <b>Balance,<br/>December<br/>31, 2011</b>   | 42,187           | \$ 1,021,660 | 185,080       | \$ 7,373 | \$ 7,127,258 | \$ (1,401,704)        | \$ 73,729              | \$ 680,131          | \$ 7,508,447 |
| Net income  | -                | -            | -             | -        | -            | 617,260               | -                      | 32,018              | 649,278      |
| Dividends<br>on common<br>shares  | -                | -            | -             | -        | -            | (699,318)             | -                      | -                   | (699,318)    |
| Dividends<br>on preferred<br>shares   | -                | -            | -             | -        | -            | (76,937)              | -                      | -                   | (76,937)     |
| Issuance of<br>Series K<br>preferred<br>shares  | 12,000           | 290,971      | -             | -        | -            | -                     | -                      | -                   | 290,971      |
| Redemption<br>of Series E<br>preferred<br>shares  | (3,000)          | (72,248)     | -             | -        | -            | -                     | -                      | -                   | (72,248)     |
| Common<br>shares<br>issued:<br>Upon<br>redemption<br>of Class A<br>units, at<br>redemption<br>value | -                | -            | 1,121         | 45       | 89,717       | -                     | -                      | -                   | 89,762       |
| Under<br>Omnibus<br>share plan  | -                | -            | 434           | 18       | 9,521        | (16,389)              | -                      | -                   | (6,850)      |
| Under<br>dividend<br>reinvestment<br>plan   | -                | -            | 29            | 1        | 2,306        | -                     | -                      | -                   | 2,307        |
| Upon<br>acquisition<br>of real estate   | -                | -            | 64            | 3        | 5,121        | -                     | -                      | -                   | 5,124        |
| Contributions:<br>Real Estate<br>Fund   | -                | -            | -             | -        | -            | -                     | -                      | 195,029             | 195,029      |

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|                    |     |       |   |   |          |       |           |          |           |
|--------------------|-----|-------|---|---|----------|-------|-----------|----------|-----------|
| Other              | -   | -     | - | - | -        | -     | -         | 18,103   | 18,103    |
| Distributions:     |     |       |   |   |          |       |           |          |           |
| Real Estate        |     |       |   |   |          |       |           |          |           |
| Fund               | -   | -     | - | - | -        | -     | -         | (48,138) | (48,138)  |
| Other              | -   | -     | - | - | -        | -     | -         | (59)     | (59)      |
| Conversion         |     |       |   |   |          |       |           |          |           |
| of Series A        |     |       |   |   |          |       |           |          |           |
| preferred          |     |       |   |   |          |       |           |          |           |
| shares to          |     |       |   |   |          |       |           |          |           |
| common             |     |       |   |   |          |       |           |          |           |
| shares             | (2) | (105) | 3 | - | 105      | -     | -         | -        | -         |
| Deferred           |     |       |   |   |          |       |           |          |           |
| compensation       |     |       |   |   |          |       |           |          |           |
| shares             |     |       |   |   |          |       |           |          |           |
| and options        | -   | -     | 4 | - | 13,527   | (473) | -         | -        | 13,054    |
| Change in          |     |       |   |   |          |       |           |          |           |
| unrealized         |     |       |   |   |          |       |           |          |           |
| net loss           |     |       |   |   |          |       |           |          |           |
| on securities      |     |       |   |   |          |       |           |          |           |
| available-for-sale | -   | -     | - | - | -        | -     | (283,649) | -        | (283,649) |
| Non-cash           |     |       |   |   |          |       |           |          |           |
| impairment         |     |       |   |   |          |       |           |          |           |
| loss on            |     |       |   |   |          |       |           |          |           |
| J.C. Penney        |     |       |   |   |          |       |           |          |           |
| common             |     |       |   |   |          |       |           |          |           |
| shares             | -   | -     | - | - | -        | -     | 224,937   | -        | 224,937   |
| Amounts            |     |       |   |   |          |       |           |          |           |
| reclassified       |     |       |   |   |          |       |           |          |           |
| related to         |     |       |   |   |          |       |           |          |           |
| sale               |     |       |   |   |          |       |           |          |           |
| of                 |     |       |   |   |          |       |           |          |           |
| available-for-sale |     |       |   |   |          |       |           |          |           |
| securities         | -   | -     | - | - | -        | -     | (3,582)   | -        | (3,582)   |
| Pro rata           |     |       |   |   |          |       |           |          |           |
| share of           |     |       |   |   |          |       |           |          |           |
| other              |     |       |   |   |          |       |           |          |           |
| comprehensive      |     |       |   |   |          |       |           |          |           |
| loss of            |     |       |   |   |          |       |           |          |           |
| nonconsolidated    |     |       |   |   |          |       |           |          |           |
| subsidiaries       | -   | -     | - | - | -        | -     | (31,758)  | -        | (31,758)  |
| Change in          |     |       |   |   |          |       |           |          |           |
| value of           |     |       |   |   |          |       |           |          |           |
| interest rate      |     |       |   |   |          |       |           |          |           |
| swap               | -   | -     | - | - | -        | -     | (5,659)   | -        | (5,659)   |
| Adjustments        |     |       |   |   |          |       |           |          |           |
| to carry           |     |       |   |   |          |       |           |          |           |
| redeemable         |     |       |   |   |          |       |           |          |           |
| Class A            |     |       |   |   |          |       |           |          |           |
| units at           |     |       |   |   |          |       |           |          |           |
| redemption         |     |       |   |   |          |       |           |          |           |
| value              | -   | -     | - | - | (52,117) | -     | -         | -        | (52,117)  |

|   |        |              |         |          |              |                |             |              |              |
|---|--------|--------------|---------|----------|--------------|----------------|-------------|--------------|--------------|
| Redeemable noncontrolling interests' share of above adjustments | -      | -            | -       | -        | -            | -              | 6,707       | -            | 6,707        |
| Preferred unit and share redemptions                            | -      | -            | -       | -        | -            | 8,948          | -           | -            | 8,948        |
| Consolidation of partially owned entity                         | -      | -            | -       | -        | -            | -              | -           | 176,132      | 176,132      |
| Other   | -      | -            | -       | -        | -            | (4,662)        | 329         | (7)          | (4,340)      |
| <b>Balance, December 31, 2012</b>                               | 51,185 | \$ 1,240,278 | 186,735 | \$ 7,440 | \$ 7,195,438 | \$ (1,573,275) | \$ (18,946) | \$ 1,053,209 | \$ 7,904,144 |

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<br>Less Than | Other<br>Comprehensive | Non-<br>controlling | Total        |
|---|------------------|--------------|---------------|----------|--------------|-----------------------|------------------------|---------------------|--------------|
|   | Shares           | Amount       | Shares        | Amount   | Capital      | Distributions         | Income<br>(Loss)       | Interests           | Equity       |
| <b>Balance, December 31, 2012</b>                     | 51,185           | \$ 1,240,278 | 186,735       | \$ 7,440 | \$ 7,195,438 | \$ (1,573,275)        | \$ (18,946)            | \$ 1,053,209        | \$ 7,904,144 |
| Net income  | -                | -            | -             | -        | -            | 475,971               | -                      | 63,952              | 539,923      |
| Dividends on common shares                            | -                | -            | -             | -        | -            | (545,913)             | -                      | -                   | (545,913)    |
| Dividends on preferred shares                         | -                | -            | -             | -        | -            | (82,807)              | -                      | -                   | (82,807)     |
| Issuance of Series L preferred shares                 | 12,000           | 290,306      | -             | -        | -            | -                     | -                      | -                   | 290,306      |
| Redemption of Series F and Series H preferred shares  | (10,500)         | (253,269)    | -             | -        | -            | -                     | -                      | -                   | (253,269)    |
| Common shares issued:                                 |                  |              |               |          |              |                       |                        |                     |              |
| Upon redemption of Class A units, at redemption value | -                | -            | 299           | 12       | 25,305       | -                     | -                      | -                   | 25,317       |
| Under Omnibus share plan                              | -                | -            | 104           | 23       | 5,892        | (107)                 | -                      | -                   | 5,808        |
| Under dividend reinvestment plan                      | -                | -            | 22            | 1        | 1,850        | -                     | -                      | -                   | 1,851        |
| Upon acquisition of real estate                       | -                | -            | 128           | 5        | 11,456       | -                     | -                      | -                   | 11,461       |
| Contributions:  |                  |              |               |          |              |                       |                        |                     |              |

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|  |     |      |     |      |           |       |          |           |           |
|--|-----|------|-----|------|-----------|-------|----------|-----------|-----------|
| Real Estate Fund   | -   | -    | -   | -    | -         | -     | -        | 28,078    | 28,078    |
| Other  | -   | -    | -   | -    | -         | -     | -        | 15,886    | 15,886    |
| Distributions:   |     |      |     |      |           |       |          |           |           |
| Real Estate Fund   | -   | -    | -   | -    | -         | -     | -        | (47,268)  | (47,268)  |
| Other  | -   | -    | -   | -    | -         | -     | -        | (133,153) | (133,153) |
| Conversion of Series A preferred shares to common shares                   | (2) | (90) | 3   | -    | 90        | -     | -        | -         | -         |
| Deferred compensation shares and options                                   | -   | -    | (6) | (12) | 9,589     | (307) | -        | -         | 9,270     |
| Change in unrealized net gain on securities available-for-sale             | -   | -    | -   | -    | -         | -     | 142,281  | -         | 142,281   |
| Amounts reclassified related to sale of available-for-sale securities      | -   | -    | -   | -    | -         | -     | (42,404) | -         | (42,404)  |
| Pro rata share of other comprehensive loss of nonconsolidated subsidiaries | -   | -    | -   | -    | -         | -     | (22,814) | -         | (22,814)  |
| Change in value of interest rate swap                                      | -   | -    | -   | -    | -         | -     | 18,183   | -         | 18,183    |
| Adjustments to carry redeemable Class A units at redemption value          | -   | -    | -   | -    | (108,252) | -     | -        | -         | (108,252) |
| Redeemable noncontrolling interests'                                       | -   | -    | -   | -    | -         | -     | (5,296)  | -         | (5,296)   |

|   |        |              |         |          |              |                |           |            |              |
|---|--------|--------------|---------|----------|--------------|----------------|-----------|------------|--------------|
| share of<br>above<br>adjustments<br>Preferred<br>unit and<br>share<br>redemptions | -      | -            | -       | -        | -            | (1,130)        | -         | -          | (1,130)      |
| Deconsolidation<br>of partially<br>owned<br>entity                                | -      | -            | -       | -        | -            | -              | -         | (165,427)  | (165,427)    |
| Consolidation<br>of partially<br>owned<br>entity                                  | -      | -            | -       | -        | -            | -              | -         | 16,799     | 16,799       |
| Other   | -      | -            | -       | -        | 2,472        | (7,271)        | 533       | (2,564)    | (6,830)      |
| <b>Balance,<br/>December<br/>31, 2013</b>   | 52,683 | \$ 1,277,225 | 187,285 | \$ 7,469 | \$ 7,143,840 | \$ (1,734,839) | \$ 71,537 | \$ 829,512 | \$ 7,594,744 |

See notes to consolidated financial statements.

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## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

2013 2012 2011

(Amounts in thousands)

**Cash Flows from Operating Activities:**

|  |            |            |            |
|--|------------|------------|------------|
| Net income   | \$ 564,740 | \$ 694,541 | \$ 740,000 |
| Adjustments to reconcile net income to net cash provided by operating activities:  |            |            |            |
| Depreciation and amortization (including amortization of deferred financing costs) | 561,998    | 557,888    | 580,990    |
| Net gains on sale of real estate   | (414,502)  | (245,799)  | (51,623)   |
| Equity in net loss (income) of partially owned entities, including Toys "R" Us     | 338,785    | (423,126)  | (118,612)  |
| Net unrealized gains on Real Estate Fund investments                               | (85,771)   | (55,361)   | (17,386)   |
| Straight-lining of rental income   | (69,391)   | (69,648)   | (45,788)   |
| Return of capital from Real Estate Fund investments                                | 56,664     | 63,762     | -          |
| Distributions of income from partially owned entities                              | 54,030     | 226,172    | 93,635     |
| Amortization of below-market leases, net   | (52,876)   | (54,359)   | (63,044)   |
| Other non-cash adjustments   | 41,663     | 52,082     | 27,325     |
| Non-cash impairment loss on J.C. Penney common shares                              | 39,487     | 224,937    | -          |
| Impairment losses and tenant buy-outs  | 37,170     | 133,977    | 58,173     |
| Loss (income) from the mark-to-market of J.C. Penney derivative position           | 33,487     | 75,815     | (12,984)   |
| Net gain on disposition of wholly owned and partially owned assets                 | (3,407)    | (13,347)   | (15,134)   |
| Gain on sale of Canadian Trade Shows   | -          | (31,105)   | -          |
| Net gain on extinguishment of debt   | -          | -          | (83,907)   |
| Mezzanine loans loss reversal and net gain on disposition                          | -          | -          | (82,744)   |
| Recognition of disputed account receivable from Stop & Shop                        | -          | -          | (23,521)   |
| Changes in operating assets and liabilities:                                       |            |            |            |
| Real Estate Fund investments   | (37,817)   | (262,537)  | (184,841)  |
| Tenant and other receivables, net  | 83,897     | (23,271)   | 8,869      |
| Prepaid assets   | (2,207)    | (10,549)   | (7,779)    |
| Other assets   | (50,856)   | (46,573)   | (89,186)   |
| Accounts payable and accrued expenses  | (41,729)   | 21,595     | (28,699)   |
| Other liabilities  | (12,576)   | 9,955      | 18,755     |
| Net cash provided by operating activities  | 1,040,789  | 825,049    | 702,499    |
| <b>Cash Flows from Investing Activities:</b>                                       |            |            |            |
| Proceeds from sales of real estate and related investments                         | 1,027,608  | 445,683    | 140,186    |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Development costs and construction in progress                                     | (469,417) | (156,873) | (93,066)  |
| Proceeds from sales of, and return of investment in, marketable securities         | 378,709   | 60,258    | 70,418    |
| Distributions of capital from partially owned entities                             | 290,404   | 144,502   | 318,966   |
| Additions to real estate   | (260,343) | (205,652) | (165,680) |
| Proceeds from the sale of LNR  | 240,474   | -         | -         |
| Investments in partially owned entities  | (230,300) | (134,994) | (571,922) |
| Acquisitions of real estate and other  | (193,417) | (673,684) | (90,858)  |
| Funding of J.C. Penney derivative collateral; and settlement of derivative in 2013 | (186,079) | (191,330) | (43,850)  |
| Return of J.C. Penney derivative collateral  | 101,150   | 134,950   | 56,350    |
| Proceeds from sales and repayments of mortgage and mezzanine loans                 |           |           |           |
| receivable and other   | 50,569    | 38,483    | 187,294   |
| Restricted cash  | (26,892)  | (75,138)  | 126,380   |
| Investments in mortgage and mezzanine loans  |           |           |           |
| receivable and other   | (390)     | (94,094)  | (98,979)  |
| Proceeds from the sale of Canadian Trade Shows                                     | -         | 52,504    | -         |
| Proceeds from the repayment of loan to officer                                     | -         | 13,123    | 13,123    |
| Loan to officer  | -         | -         | (13,123)  |
| Net cash provided by (used in) investing activities                                | 722,076   | (642,262) | (164,761) |

See notes to consolidated financial statements.



## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year Ended December 31,

2013

2012

2011

(Amounts in thousands)

**Cash Flows from Financing Activities:**

|  |                |                |                |
|--|----------------|----------------|----------------|
| Repayments of borrowings   | \$ (3,580,100) | \$ (2,747,694) | \$ (3,740,327) |
| Proceeds from borrowings   | 2,262,245      | 3,593,000      | 3,412,897      |
| Dividends paid on common shares  | (545,913)      | (699,318)      | (508,745)      |
| Purchases of outstanding preferred units and shares  | (299,400)      | (243,300)      | (28,000)       |
| Proceeds from the issuance of preferred shares   | 290,306        | 290,971        | 238,842        |
| Distributions to noncontrolling interests  | (215,247)      | (104,448)      | (116,510)      |
| Dividends paid on preferred shares   | (83,188)       | (73,976)       | (61,464)       |
| Contributions from noncontrolling interests  | 43,964         | 213,132        | 204,185        |
| Debt issuance and other costs  | (19,883)       | (39,073)       | (47,395)       |
| Proceeds received from exercise of employee share options                                  | 7,765          | 11,853         | 25,507         |
| Repurchase of shares related to stock compensation agreements and related tax withholdings | (443)          | (30,168)       | (964)          |
| Net cash (used in) provided by financing activities  | (2,139,894)    | 170,979        | (621,974)      |
| Net (decrease) increase in cash and cash equivalents                                       | (377,029)      | 353,766        | (84,236)       |
| Cash and cash equivalents at beginning of period   | 960,319        | 606,553        | 690,789        |
| Cash and cash equivalents at end of period   | \$ 583,290     | \$ 960,319     | \$ 606,553     |

**Supplemental Disclosure of Cash Flow Information:**

|   |            |            |            |
|---|------------|------------|------------|
| Cash payments for interest (net of amounts capitalized of \$42,303, \$16,801 and \$1,197) | \$ 465,260 | \$ 491,869 | \$ 531,174 |
| Cash payments for income taxes  | \$ 9,023   | \$ 21,709  | \$ 26,187  |

**Non-Cash Investing and Financing Activities:**

Like-kind exchange of real estate:

|  |           |            |           |
|--|-----------|------------|-----------|
| Acquisitions   | \$ 66,076 | \$ 230,913 | \$ 21,999 |
| Dispositions   | (128,767) | (230,913)  | (45,625)  |
| Financing assumed in acquisitions                                  | 79,253    | -          | -         |
| Financing transferred in dispositions                              | -         | (163,144)  | -         |
| L.A. Mart seller financing   | -         | 35,000     | -         |
| Marriott Marquis Times Square - retail and signage capital lease:  |           |            |           |
| Asset (included in development costs and construction in progress) | -         | 240,000    | -         |
| Liability (included in other liabilities)                          | -         | (240,000)  | -         |

Increase in assets and liabilities resulting from the consolidation of partially owned entities:

|   |   |         |   |
|---|---|---------|---|
| Real estate, net  | - | 342,919 | - |
| Notes and mortgages payable   | - | 334,225 | - |
| Decrease in assets and liabilities resulting from the deconsolidation of discontinued |   |         |   |

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operations and/or investments that were  
previously consolidated:

|                             |           |   |           |
|-----------------------------|-----------|---|-----------|
| Real estate, net            | (852,166) | - | (145,333) |
| Notes and mortgages payable | (322,903) | - | (232,502) |

See notes to consolidated financial statements.

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**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 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2013. 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, 2013, we own all or portions of:

**New York:**

- 19.8 million square feet of Manhattan office space in 31 properties and four residential properties containing 1,653 units;
  
- 2.4 million square feet of Manhattan street retail space in 55 properties;
  
- The 1,700 room Hotel Pennsylvania located on Seventh Avenue at 33<sup>rd</sup> Street in the heart of the Penn Plaza district;
  
- A 32.4% interest in Alexander’s, Inc. (NYSE: ALX), which owns six properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg, L.P. headquarters building;

**Washington, DC:**

- 16.2 million square feet of office space in 59 properties and seven residential properties containing 2,405 units;

**Retail Properties:**

- 14.9 million square feet of retail space in 106 strip shopping centers and single tenant retail assets, primarily in the northeast states and California;
- 5.3 million square feet of retail space in six regional malls, located in the northeast / mid-Atlantic states and Puerto Rico;

**Other Real Estate and Related Investments:**

- The 3.6 million square foot Merchandise Mart in Chicago, whose largest tenant is Motorola Mobility, owned by Google, which leases 608,000 square feet;
- A 70% controlling interest in 555 California Street, a three-building office complex in San Francisco's financial district aggregating 1.8 million square feet, known as the Bank of America Center;
- A 25.0% interest in Vornado Capital Partners, our real estate fund. We are the general partner and investment manager of the fund;
- A 32.6% interest in Toys "R" Us, Inc.; and
- Other real estate and related investments and mortgage and mezzanine loans on real estate.



**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 its consolidated subsidiaries, including the Operating Partnership. All inter-company amounts have been eliminated. 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, 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 February 2013, the Financial Accounting Standards Board (“FASB”) issued an update (“ASU 2013-02”) to Accounting Standards Codification (“ASC”) Topic 220, *Comprehensive Income* (“Topic 220”). ASU 2013-02 requires additional disclosures regarding significant reclassifications out of each component of accumulated other comprehensive income, including the effect on the respective line items of net income for amounts that are required to be reclassified into net income in their entirety and cross-references to other disclosures providing additional information for amounts that are not required to be reclassified into net income in their entirety. The adoption of this update as of January 1, 2013, did not have a material impact on our consolidated financial statements, but resulted in additional disclosures (see Note 12 – *Shareholders’ Equity – Accumulated Other Comprehensive Income (Loss)*).

In June 2013, the FASB issued an update (“ASU 2013-08”) to ASC Topic 946, *Financial Services - Investment Companies* (“Topic 946”). ASU 2013-08 amends the guidance in Topic 946 for determining whether an entity qualifies as an investment company and requires certain additional disclosures. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. The adoption of this update as of January 1, 2014, did not have any impact on our real estate fund and 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 net book value of the existing property, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is recognized 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 \$42,303,000 and \$16,801,000 for the years ended December 31, 2013 and 2012, respectively.

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, 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. We record acquired intangible assets (including acquired above-market leases, acquired in-place leases and tenant relationships) 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.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. Basis of Presentation and Significant Accounting Policies - continued**

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 impairment losses, acquisition related costs and tenant buy-outs in the years ended December 31, 2013, 2012 and 2011.

| (Amounts in thousands)    | For the Year Ended December 31, |            |           |
|---------------------------|---------------------------------|------------|-----------|
|                           | 2013                            | 2012       | 2011      |
| Impairment losses         | \$ 32,443                       | \$ 103,638 | \$ 5,228  |
| Acquisition related costs | 24,857 (1)                      | 11,248     | 5,925     |
| Tenant buy-outs           | -                               | -          | 24,146    |
|                           | \$ 57,300                       | \$ 114,886 | \$ 35,299 |

(1) Includes a \$10,949 prepayment penalty in connection with the repayment of the mortgage loan upon the acquisition of 655 Fifth Avenue.

**Partially Owned Entities:** We consolidate entities in which we have a controlling financial interest. In determining whether we have a controlling financial 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 ("VIE") and we are the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. We generally do not control a partially owned entity if the



entity is not considered a VIE 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 under 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, 2013, 2012 and 2011, we recognized non-cash impairment losses on investments in partially owned entities, aggregating \$281,098,000, \$44,936,000 and \$13,794,000, respectively. Included in these amounts are \$240,757,000 and \$40,000,000 of impairment losses related to our investment in Toys in 2013 and 2012, respectively.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2. Basis of Presentation and Significant Accounting Policies – continued**

**Mortgage and Mezzanine Loans Receivable:** We invest in mortgage and mezzanine loans of entities that have significant real estate assets. These investments are either secured by the real property or 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.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value due to their short-term maturities. The majority of our cash and cash equivalents consists of (i) deposits at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation limit, (ii) United States Treasury Bills, and (iii) Certificate of Deposits placed through an Account Registry Service ("CDARS"). To date, we have not experienced any losses on our invested cash.

**Restricted Cash:** Restricted cash consists of security deposits, cash restricted for the purposes of facilitating a Section 1031 Like-Kind exchange, 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, 2013 and 2012, we had \$21,869,000 and \$37,674,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2013 and 2012, we had \$4,355,000 and \$3,165,000, 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.

**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 was recognized as the related services were performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements*.

**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, 2013 and 2012, our derivative instruments consisted of an interest rate cap and an interest rate swap. 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 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, 2013, were characterized, for federal income tax purposes, as ordinary income. Dividend distributions for the year ended December 31, 2012, were characterized, for Federal income tax purposes, as 62.7% ordinary income and 37.3% long-term capital gain. Dividend distributions for the year ended December 31, 2011 were characterized, for Federal income tax purposes, as 93.2% ordinary income and 6.8% long-term capital gain.

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 expense of approximately \$9,608,000, \$20,336,000 and \$26,645,000 for the years ended December 31, 2013, 2012 and 2011, 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, 2013, 2012 and 2011.

| (Amounts in thousands)                            | For the Year Ended December 31, |            |            |
|---|---------------------------------|------------|------------|
|   | 2013                            | 2012       | 2011       |
| Net income attributable to common shareholders    | \$ 392,034                      | \$ 549,271 | \$ 601,771 |
| Book to tax differences (unaudited):              |                                 |            |            |
| Depreciation and amortization                     | 155,401                         | 205,155    | 225,802    |
| Impairment losses on marketable equity securities | 37,236                          | 211,328    | -          |
| Straight-line rent adjustments                    | (64,811)                        | (64,679)   | (38,800)   |
| Earnings of partially owned entities              | 339,376                         | (60,049)   | (96,178)   |
| Stock options                                     | 4,884                           | (28,701)   | (27,697)   |
| Sale of real estate                               | (324,936)                       | (123,905)  | (18,766)   |
| Derivatives                                       | 31,578                          | 71,228     | (12,160)   |
| Mortgage and mezzanine loans receivable           | -                               | -          | (82,512)   |
| Other, net  | 4,608                           | 17,080     | (6,223)    |
| Estimated taxable income (unaudited)              | \$ 575,370                      | \$ 776,728 | \$ 545,237 |

The net basis of our assets and liabilities for tax reporting purposes is approximately \$3.6 billion lower than the amounts reported in our consolidated balance sheet at December 31, 2013.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****3. Vornado Capital Partners Real Estate Fund (the "Fund")**

We are the general partner and investment manager of the Fund, which has an eight-year term and a three-year investment period that ended in July 2013. During the investment period, the Fund was 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.

At December 31, 2013, the Fund had nine investments with an aggregate fair value of \$667,710,000, or \$153,413,000 in excess of cost, and had remaining unfunded commitments of \$149,186,000, of which our share was \$37,297,000. At December 31, 2012, the Fund had nine investments with an aggregate fair value of \$600,786,000.

Below is a summary of income (loss) from the Fund for the years ended December 31, 2013, 2012 and 2011.

| (Amounts in thousands)  | For the Year Ended December 31, |           |          |
|---|---------------------------------|-----------|----------|
|   | 2013                            | 2012      | 2011     |
| Net investment income   | \$ 8,943                        | \$ 8,575  | \$ 5,500 |
| Net realized gains  | 8,184                           | -         | 5,391    |
| Net unrealized gains  | 85,771                          | 55,361    | 11,995   |
| Income from Real Estate Fund  | 102,898                         | 63,936    | 22,886   |
| Less income attributable to noncontrolling interests                | (53,427)                        | (39,332)  | (13,598) |
| Income from Real Estate Fund attributable to Vornado <sup>(1)</sup> | \$ 49,471                       | \$ 24,604 | \$ 9,288 |

(1) Excludes \$2,992, \$3,278 and \$2,695 of management, leasing and development fees in the years ended December 31, 2013, 2012 and 2011, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

**4. Acquisitions**



On October 4, 2013, we acquired a 92.5% interest in 655 Fifth Avenue, a 57,500 square foot retail and office property located at the northeast corner of Fifth Avenue and 52nd Street in Manhattan, for \$277,500,000 in cash. We consolidate the accounts of the property into our consolidated financial statements from the date of acquisition.

On October 15, 2013, we acquired, for \$194,000,000 in cash, land and air rights for 137,000 zoning square feet thereby completing the assemblage for our 220 Central Park South development site in Manhattan.

In addition to the above, during 2013, we acquired three Manhattan street retail properties, in separate transactions, for an aggregate of \$65,300,000.

## **5. Marketable Securities and Derivative Instruments**

Our portfolio of marketable securities is comprised of equity securities that are classified as available-for-sale. Available-for-sale securities are presented on our consolidated balance sheets at fair value. Unrealized gains and losses resulting from the mark-to-market of these securities are included in “other comprehensive income (loss).” Realized 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.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. Marketable Securities and Derivative Instruments – continued

Below is a summary of our marketable securities portfolio as of December 31, 2013 and 2012.

|                    | As of December 31, 2013 |           |                 | As of December 31, 2012 |            |                 |
|--------------------|-------------------------|-----------|-----------------|-------------------------|------------|-----------------|
|                    | Fair Value              | GAAP Cost | Unrealized Gain | Fair Value              | GAAP Cost  | Unrealized Gain |
| Equity securities: |                         |           |                 |                         |            |                 |
| Lexington          | \$ 188,567              | \$ 72,549 | \$ 116,018      | \$ -                    | \$ -       | \$ -            |
| J.C. Penney        | -                       | -         | -               | 366,291                 | 366,291    | -               |
| Other              | 3,350                   | 59        | 3,291           | 31,897                  | 12,465     | 19,432          |
|                    | \$ 191,917              | \$ 72,608 | \$ 119,309      | \$ 398,188              | \$ 378,756 | \$ 19,432       |

*Investment in Lexington Realty Trust (“Lexington”) (NYSE: LXP)*

From the inception of our investment in Lexington in 2008, until the first quarter of 2013, we accounted for our investment under the equity method because of our ability to exercise significant influence over Lexington’s operating and financial policies. As a result of Lexington’s common share issuances, our ownership interest was reduced over time from approximately 17.2% to 8.8% at March 31, 2013. In the first quarter of 2013, we concluded that we no longer have the ability to exercise significant influence over Lexington’s operating and financial policies, and began accounting for this investment as a marketable equity security – available for sale, in accordance with ASC Topic 320, *Investments – Debt and Equity Securities*.

*Investment in J.C. Penney Company, Inc. (“J.C. Penney”) (NYSE: JCP)*

At December 31, 2012, we owned 23,400,000 J.C. Penney common shares comprised of (i) 18,584,010 common shares at a GAAP cost of \$19.71 per share, or \$366,291,000 in the aggregate, and (ii) 4,815,990 common shares through a forward contract at a weighted average strike price of \$29.34 per share, or \$141,309,000 in the aggregate.

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On March 4, 2013, we sold 10,000,000 J.C. Penney common shares at a price of \$16.03 per share, or \$160,300,000 in the aggregate, resulting in a net loss of \$36,800,000, which is included in “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income. In addition, in the first quarter of 2013, we wrote down the remaining 8,584,010 J.C. Penney common shares we owned to fair value, based on J.C. Penney’s March 31, 2013 closing share price of \$15.11 per share, and recorded a \$39,487,000 impairment loss, which is included in “interest and other investment (loss) income, net” on our consolidated statements of income.

On September 19, 2013, we settled the forward contract and received 4,815,990 J.C. Penney common shares. In connection therewith, we recognized a \$33,487,000 loss from the mark-to-market of the derivative position through its settlement date, which is included in “interest and other investment (loss) income, net” on our consolidated statements of income.

On September 19, 2013, we also sold the remaining 13,400,000 J.C. Penney common shares in a block trade at a price of \$13.00 per share, or \$174,200,000 in the aggregate and recognized an \$18,114,000 net loss, which is included in “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income.

The aggregate economic net loss on our investment in J.C. Penney, from inception through disposition, was \$256,156,000.

### *Other Investments*

During 2013, 2012 and 2011, we sold other marketable securities for aggregate proceeds of \$44,209,000, \$58,718,000, and \$69,559,000, respectively resulting in net gains of \$31,741,000, \$3,582,000, and \$5,020,000, 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)**

**6. Investments in Partially Owned Entities**

*Toys “R” Us (“Toys”)*

As of December 31, 2013, we own 32.6% of Toys. We account for our investment in Toys under the equity method and record our 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. The business of Toys is highly seasonal and substantially all of Toys’ net income is generated in its fourth quarter.

At December 31, 2012, we estimated that the fair value of our investment was \$40,000,000 less than the carrying amount of \$518,041,000 and concluded that the decline in the value of our investment was “other-than-temporary” based on, among other factors, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized a non-cash impairment loss of \$40,000,000 in the fourth quarter of 2012.

In the first quarter of 2013, we recognized our share of Toys’ fourth quarter net income of \$78,542,000 and a corresponding non-cash impairment loss of the same amount to continue to carry over our investment at fair value.

At December 31, 2013, we estimated that the fair value of our investment in Toys was approximately \$80,062,000 (\$83,224,000 including \$3,162,000 for our share of Toys’ accumulated other comprehensive income), or \$162,215,000 less than the carrying amount after recognizing our share of Toys third quarter net loss in our fourth quarter. In determining the fair value of our investment, we considered, among other inputs, a December 31, 2013 third-party valuation of Toys. We have concluded that the decline in the value of our investment is “other-than-temporary” based on, among other factors, Toys’ 2013 holiday sales results, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized an additional non-cash impairment loss of \$162,215,000 in the fourth quarter of 2013.

We will continue to assess the recoverability of our investment each quarter. To the extent the fair value of our investment does not change, we will recognize a non-cash impairment loss equal to our share of Toys’ fourth quarter net income, if any, in our first quarter of 2014.

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

| (Amounts in thousands)                 |                         | <b>Balance as of</b>               |    |                         |
|--|-------------------------|------------------------------------|----|-------------------------|
| <b>Balance Sheet:</b>                  |                         | <b>November 2, 2013</b>            |    | <b>October 27, 2012</b> |
| Assets                                 |                         | \$ 11,756,000                      | \$ | 12,953,000              |
| Liabilities                            |                         | 10,437,000                         |    | 11,190,000              |
| Noncontrolling interests               |                         | 75,000                             |    | 44,000                  |
| Toys "R" Us, Inc. equity (1)           |                         | 1,244,000                          |    | 1,719,000               |
|  |                         | <b>For the Twelve Months Ended</b> |    |                         |
| <b>Income Statement:</b>               | <b>November 2, 2013</b> | <b>October 27, 2012</b>            |    | <b>October 29, 2011</b> |
| Total revenues                         | \$ 13,046,000           | \$ 13,698,000                      | \$ | 13,956,000              |
| Net (loss) income attributable to Toys | (396,000)               | 138,000                            |    | 121,000                 |

- (1) As of December 31, 2013, the carrying amount of our investment in Toys is less than our share of Toys' equity by approximately \$322,255,000. This basis difference results primarily from non-cash impairment losses aggregating \$280,757,000 that we recognized in 2013 and 2012. We have allocated the basis difference to Toys' real estate (which will be amortized over its estimated useful life), and intangible assets, primarily trade names and trademarks (which is not being amortized and will be recognized upon disposition of our investment).

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**6. Investments in Partially Owned Entities – continued**

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

As of December 31, 2013, 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, 2013, we have a \$43,307,000 receivable from Alexander's for fees under these agreements.

As of December 31, 2013 the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's December 31, 2013 closing share price of \$330.00, was \$545,842,000, or \$378,057,000 in excess of the carrying amount on our consolidated balance sheet. As of December 31, 2013, 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 \$42,048,000. 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) \$2,800,000, (ii) 2% of the gross revenue from the Rego Park II Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (iv) \$272,000, 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.

## 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% (1.84% at December 31, 2013).

## Other Agreements

Building Maintenance Services ("BMS"), our wholly-owned subsidiary, supervises (i) cleaning, engineering and security services at Alexander's 731 Lexington Avenue property and (ii) security services at Alexander's Rego Park I and Rego Park II properties, for an annual fee of the costs for such services plus 6%. During the years ended December 31, 2013, 2012 and 2011, we recognized \$2,036,000, \$2,362,000 and \$2,442,000 of income, respectively, under these agreements.

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

(Amounts in thousands)

**Balance Sheet:**

|                      | <b>Balance as of December 31,</b> |              |
|----------------------|-----------------------------------|--------------|
|                      | <b>2013</b>                       | <b>2012</b>  |
| Assets               | \$ 1,458,000                      | \$ 1,482,000 |
| Liabilities          | 1,124,000                         | 1,150,000    |
| Stockholders' equity | 334,000                           | 332,000      |

**For the Year Ended December 31,****Income Statement:**

|   | <b>2013</b> | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|-------------|
| Total revenues  | \$ 196,000  | \$ 191,000  | \$ 185,000  |
| Net income attributable to Alexander's <sup>(1)</sup> | 57,000      | 674,000     | 79,000      |

(1) 2012 includes a \$600,000 net gain on sale of real estate.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Investments in Partially Owned Entities – continued

*LNR Property Corporation (“LNR”)*

In January 2013, we and the other equity holders of LNR entered into a definitive agreement to sell LNR for \$1.053 billion, of which our share of the net proceeds was \$240,474,000. The definitive agreement provided that LNR would not (i) make any cash distributions to the equity holders, including us, through the completion of the sale, which occurred on April 19, 2013, and (ii) take any of the following actions (among others) without the purchaser’s approval, the lending or advancing of any money, the acquisition of assets in excess of specified amounts, or the issuance of equity interests. Notwithstanding the terms of the definitive agreement, in accordance with GAAP, we recorded our pro rata share of LNR’s earnings on a one-quarter lag basis through the date of sale, which increased the carrying amount of our investment in LNR above our share of the net sales proceeds and resulted in us recognizing an “other-than-temporary” impairment loss on our investment of \$27,231,000 in the three months ended March 31, 2013. LNR’s net loss for the period from January 1, 2013 through April 19, 2013 was \$80,654,000, including a \$66,241,000 non-cash impairment loss. Our share of the net loss was \$21,131,000, including \$17,355,000 for our share of the non-cash impairment loss. In the three months ended June 30, 2013, we recorded our share of the net loss but did not record our share of the non-cash impairment loss, as it was effectively considered in our assessment of “other-than-temporary” impairment loss when we recorded the \$27,231,000 impairment loss in the three months ended March 31, 2013. As a result of recording our share of the net loss of \$3,776,000 for the three months ended June 30, 2013, the carrying amount of our investment decreased below our share of the net sales proceeds; accordingly, we recorded an offsetting gain on the sale of our investment.

The following table summarizes the activity related to our investment in LNR by quarter for the year ended December 31, 2013.

| (Amounts in thousands)         | For the Three Months Ended |               | For the Year Ended |
|--------------------------------|----------------------------|---------------|--------------------|
|                                | March 31, 2013             | June 30, 2013 | December 31, 2013  |
| Balance at beginning of period | \$ 224,724                 | \$ 241,377    | \$ 224,724         |
| Equity in earnings of LNR      | 45,962                     | (3,776)       | 42,186             |
| Other comprehensive loss       | (2,078)                    | (903)         | (2,981)            |
| Balance before impairment loss | 268,608                    | 236,698       | 263,929            |
|                                | (27,231)                   | -             | (27,231)           |



|                                      |            |           |           |
|--------------------------------------|------------|-----------|-----------|
| Other-than-temporary impairment loss |            |           |           |
| Net gain on sale                     | -          | 3,776     | 3,776     |
| Net sales proceeds                   | -          | (240,474) | (240,474) |
| Balance at end of period             | \$ 241,377 | \$ -      | \$ -      |

Below is a summary of LNR's financial information as of December 31, 2012 and through the date of sale:

(Amounts in thousands)

**Balance Sheet:**

|                                 | <b>Balance as of September 30,</b> |               |
|---------------------------------|------------------------------------|---------------|
|                                 | <b>2013</b>                        | <b>2012</b>   |
| Assets <sup>(1)</sup>           | \$ -                               | \$ 98,530,000 |
| Liabilities <sup>(1)</sup>      | -                                  | 97,643,000    |
| Noncontrolling interests        | -                                  | 8,000         |
| LNR Property Corporation equity | -                                  | 879,000       |

**For the period ended**

**Income Statement:**

|                                | <b>October 1, 2012 to April 19, 2013</b> | <b>For the Twelve Months Ended September 30,</b> |             |
|--------------------------------|--|--|-------------|
|                                |  | <b>2012</b>                                      | <b>2011</b> |
| Total revenues                 | \$ 122,222                               | \$ 238,000                                       | \$ 208,000  |
| Net income attributable to LNR | 94,949                                   | 266,000  | 224,000     |

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(1) Includes \$97 billion of assets and liabilities of LNR related to consolidated CMBS and CDO trusts which were non-recourse to LNR and its equity holders, including us.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Investments in Partially Owned Entities – continued

*Independence Plaza*

On December 21, 2012, we acquired a 58.75% economic interest in Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan (the “Property”). We determined, at that time, that we were the primary beneficiary of the variable interest entity (“VIE”) that owned the Property. Accordingly, we consolidated the operations of the Property from the date of acquisition. Upon consolidation, our preliminary purchase price allocation was primarily to land (\$309,848,000) and building (\$527,578,000). Based on a third party appraisal and additional information about facts and circumstances that existed at the acquisition date, which was obtained subsequent to the acquisition date, we finalized the purchase price allocation in the first quarter of 2013, and retroactively adjusted our December 31, 2012 consolidated balance sheet as follows:

|   |            |
|---|------------|
| (Amounts in thousands)  |            |
| Land  | \$ 602,662 |
| Building and improvements   | 252,844    |
| Acquired above-market leases (included in identified intangible assets) | 13,115     |
| Acquired in-place leases (included in identified intangible assets)     | 67,879     |
| Other assets  | 7,374      |
| Acquired below-market leases (included in deferred revenue)             | (99,074)   |
| Purchase price  | \$ 844,800 |

On June 7, 2013, the existing \$323,000,000 mortgage loan was refinanced with a \$550,000,000 five-year fixed-rate interest only mortgage loan bearing interest at 3.48%. The net proceeds of \$219,000,000, after repaying the existing loan and closing costs, were distributed to the partners, of which our share was \$137,000,000. Simultaneously with the refinancing, we sold an 8.65% economic interest in the Property to our partner for \$41,000,000 in cash, which reduced our economic interest to 50.1%. As a result of this transaction, we determined that we were no longer the primary beneficiary of the VIE. Accordingly, we deconsolidated the operations of the Property on June 7, 2013 and began accounting for our investment under the equity method.

*650 Madison Avenue*

On September 30, 2013, a joint venture, in which we have a 20.1% interest, acquired 650 Madison Avenue, a 27-story, 594,000 square foot Class A office and retail tower located on Madison Avenue between 59<sup>th</sup> and 60<sup>th</sup> Street in Manhattan, for \$1.295 billion. The property contains 523,000 square feet of office space and 71,000 square feet of retail space. The purchase price was funded with cash and a new \$800,000,000 seven-year 4.39% interest-only loan. We account for our investment in the joint venture under the equity method.

The following is a summary of condensed combined financial information for all of our partially owned entities, including Toys, Alexander's and LNR (sold in April 2013), as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011.

| (Amounts in thousands)                 |               | <b>Balance as of December 31,</b> |                |  |
|--|---------------|-----------------------------------|----------------|--|
| <b>Balance Sheet:</b>                  |               | <b>2013</b>                       | <b>2012</b>    |  |
| Assets <sup>(1)</sup>                  |               | \$ 21,773,000                     | \$ 122,692,000 |  |
| Liabilities <sup>(1)</sup>             |               | 17,982,000                        | 117,064,000    |  |
| Noncontrolling interests               |               | 96,000                            | 88,000         |  |
| Equity                                 |               | 3,695,000                         | 5,540,000      |  |
| <b>For the Year Ended December 31,</b> |               |                                   |                |  |
| <b>Income Statement:</b>               | <b>2013</b>   | <b>2012</b>                       | <b>2011</b>    |  |
| Total revenue                          | \$ 14,092,000 | \$ 15,119,000                     | \$ 15,321,000  |  |
| Net income <sup>(2)</sup>              | (368,000)     | 1,091,000                         | 199,000        |  |

(1) 2012 includes \$97 billion of assets and liabilities of LNR related to consolidated CMBS and CDO trusts which were non-recourse to LNR and its equity holders, including us.

(2) 2012 includes a \$600,000 net gain on sale of real estate.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Investments in Partially Owned Entities - continued

Below are schedules summarizing our investments in, and income from, partially owned entities.

| (Amounts in thousands)                          | Percentage<br>Ownership at<br>December 31,<br>2013 | As of December 31, |              |
|---|--|--------------------|--------------|
|   |  | 2013               | 2012         |
| <b>Investments:</b>                             |  |                    |              |
| Toys  | 32.6%  | \$ 83,224          | \$ 478,041   |
| Alexander's                                     | 32.4%  | \$ 167,785         | \$ 171,013   |
| Lexington (see page 110 for details)            | n/a  | -                  | 75,542       |
| LNR (see page 113 for details)                  | n/a  | -                  | 224,724      |
| India real estate ventures                      | 4.1%-36.5%   | 88,467             | 95,516       |
| Partially owned office buildings <sup>(1)</sup> | Various  | 621,294            | 446,933      |
| Other investments <sup>(2)</sup>                | Various  | 288,897            | 212,528      |
|   |  | \$ 1,166,443       | \$ 1,226,256 |

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

| (Amounts in thousands)                                | Percentage<br>Ownership at<br>December 31,<br>2013 | For the Year Ended December 31, |           |           |
|---|--|---------------------------------|-----------|-----------|
|   |  | 2013                            | 2012      | 2011      |
| <b>Our Share of Net Income (Loss):</b>                |  |                                 |           |           |
| Toys:   |  |                                 |           |           |
| Equity in net (loss) income                           | 32.6%  | \$(128,919)                     | \$ 45,267 | \$ 39,592 |
| Non-cash impairment losses (see page 111 for details) |  | (240,757)                       | (40,000)  | -         |
| Management fees                                       |  | 7,299                           | 9,592     | 8,948     |
|   |  | \$(362,377)                     | \$ 14,859 | \$ 48,540 |
| Alexander's:  |  |                                 |           |           |
| Equity in net income                                  | 32.4%  | \$ 17,721                       | \$ 24,709 | \$ 25,013 |
| Management, leasing and development fees              |  | 6,681                           | 13,748    | 7,417     |

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|  |            |           |            |           |
|--|------------|-----------|------------|-----------|
| Gain on sale of real estate  |            | -         | 179,934    | -         |
|  |            | 24,402    | 218,391    | 32,430    |
| Lexington (see page 110 for details):                                    |            |           |            |           |
| Equity in net loss   | n/a        | (979)     | (23)       | (1,409)   |
| Net gain resulting from Lexington's stock issuance and asset acquisition |            | -         | 28,763     | 9,760     |
|  |            | (979)     | 28,740     | 8,351     |
| LNR (see page 113 for details):  |            |           |            |           |
| Equity in net income   | n/a        | 42,186    | 66,270     | 31,409    |
| Impairment loss  |            | (27,231)  | -          | -         |
| Net gain on sale   |            | 3,776     | -          | -         |
| Income tax benefit, assets sales and tax settlement gains                |            | -         | -          | 27,377    |
|  |            | 18,731    | 66,270     | 58,786    |
| India real estate ventures:  |            |           |            |           |
| Equity in net loss   | 4.1%-36.5% | (3,533)   | (5,008)    | (1,087)   |
| Impairment loss  |            | -         | -          | (13,794)  |
|  |            | (3,533)   | (5,008)    | (14,881)  |
| Partially owned office buildings <sup>(1)</sup>                          | Various    | (4,212)   | (3,770)    | (22,270)  |
| Other investments <sup>(2)</sup>   | Various    | (10,817)  | 103,644    | 7,656     |
|  |            | \$ 23,592 | \$ 408,267 | \$ 70,072 |

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(2) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Investments in Partially Owned Entities - continued

Below is a summary of the debt of our partially owned entities as of December 31, 2013 and 2012, none of which is recourse to us.

| (Amounts in thousands)                              | Percentage   | Maturity  | Interest | 100% Partially Owned Entities' |               |
|---|--|-----------|----------|--------------------------------|---------------|
|   | Ownership  |           | Rate at  | Debt at December 31,           |               |
|   | at   |           | December | 2013                           | 2012          |
|   | December   |           | 31,      |                                |               |
|   | 31,  |           | 31,      |                                |               |
|   | 2013   |           | 2013     |                                |               |
| Toys:   |  |           |          |                                |               |
| Notes, loans and mortgages payable                  | 32.6%  | 2014-2021 | 6.56%    | \$ 5,702,247                   | \$ 5,683,733  |
| Alexander's:  |  |           |          |                                |               |
| Mortgages payable                                   | 32.4%  | 2014-2018 | 3.83%    | \$ 1,049,959                   | \$ 1,065,916  |
| Lexington (see page 110 for details):               |  |           |          |                                |               |
| Mortgages payable                                   | n/a  | n/a       | n/a      | \$ -                           | \$ 1,994,179  |
| LNR (see page 113 for details):                     |  |           |          |                                |               |
| Mortgages payable                                   | n/a  | n/a       | n/a      | \$ -                           | \$ 309,787    |
| Liabilities of consolidated CMBS and CDO trusts     |  | n/a       | n/a      | -                              | 97,211,734    |
|   |  |           |          | \$ -                           | \$ 97,521,521 |
| Partially owned office buildings <sup>(1)</sup> :   |  |           |          |                                |               |
| Mortgages payable                                   | Various  | 2014-2023 | 5.74%    | \$ 3,622,759                   | \$ 2,731,893  |
| India Real Estate Ventures:                         |  |           |          |                                |               |
| TCG Urban Infrastructure Holdings mortgages payable | 25.0%  | 2014-2022 | 13.50%   | \$ 199,021                     | \$ 236,579    |
| Other <sup>(2)</sup> :                              |  |           |          |                                |               |
| Mortgages payable                                   | Various  | 2014-2023 | 4.56%    | \$ 1,709,509                   | \$ 1,150,543  |
| (1)   | Includes 666 Fifth Avenue (Office), 650 Madison Avenue, 280 Park Avenue, One Park Avenue, 330 Madison Avenue and others. |           |          |                                |               |
| (2)   | Includes Independence Plaza, Monmouth Mall, Fashion Center Mall, 50-70 West 93rd Street and others.                      |           |          |                                |               |

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities, was \$4,189,403,000 and \$29,443,128,000 as of December 31, 2013 and 2012, 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 \$3,998,929,000 at December 31, 2012.

## 7. Mortgage and Mezzanine Loans Receivable

In October 2012, we acquired a 25% participation in a \$475,000,000 first mortgage and mezzanine loan for the acquisition and redevelopment of a 10-story retail building at 701 Seventh Avenue in Times Square. The loan had an interest rate of LIBOR plus 10.2%, with a LIBOR floor of 1.0%. Of the \$475,000,000, we funded \$93,750,000, representing our 25% share of the \$375,000,000 that was funded at acquisition. In March 2013, we transferred at par, the 25% participation in the mortgage loan. The transfer did not qualify for sale accounting given our continuing interest in the mezzanine loan. Accordingly, we continue to include the 25% participation in the mortgage loan in “Mortgage and Mezzanine Loans Receivable” and have recorded a \$59,375,000 liability in “Other Liabilities” on our consolidated balance sheet. On January 14, 2014, the mezzanine loan was repaid.

On April 17, 2013, a \$50,091,000 mezzanine loan that was scheduled to mature in August 2015, was repaid. In connection therewith, we received net proceeds of \$55,358,000, including prepayment penalties, which resulted in income of \$5,267,000, which is included in “interest and other investment (loss) income” on our consolidated statement of income.

As of December 31, 2013 and 2012, the carrying amount of mortgage and mezzanine loans receivable was \$170,972,000 and \$225,359,000, respectively. These loans have a weighted average interest rate of 11.0% and 10.3% at December 31, 2013 and 2012, respectively and have maturities ranging from August 2014 to May 2016.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**8. Discontinued Operations**

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, we have reclassified the revenues and expenses of all the properties discussed below to “income from discontinued operations” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all of the periods presented in the accompanying financial statements. The net gains resulting from the sale of these properties are included in “income from discontinued operations” on our consolidated statements of income.

**2013 Activity:**

*Retail Properties*

On January 24, 2013, we sold the Green Acres Mall located in Valley Stream, New York, for \$500,000,000. The sale resulted in net proceeds of \$185,000,000 after repaying the existing loan and closing costs, and a net gain of \$202,275,000.

On April 15, 2013, we sold The Plant, a power strip shopping center in San Jose, California, for \$203,000,000. The sale resulted in net proceeds of \$98,000,000 after repaying the existing loan and closing costs, and a net gain of \$32,169,000.

On April 15, 2013, we sold a retail property in Philadelphia, which is a part of the Gallery at Market Street, for \$60,000,000. The sale resulted in net proceeds of \$58,000,000, and a net gain of \$33,058,000.

On September 23, 2013, we sold a retail property in Tampa, Florida for \$45,000,000, of which our 75% share was \$33,750,000. Our share of the net proceeds after repaying the existing loan and closing costs were \$20,810,000, and our share of the net gain was \$8,728,000.



In addition to the above, during 2013, we sold 12 other properties, in separate transactions, for an aggregate of \$82,300,000, in cash, which resulted in a net gain aggregating \$7,851,000.

*New York*

On December 17, 2013, we sold 866 United Nations Plaza, a 360,000 square foot office building in Manhattan for \$200,000,000. The sale resulted in net proceeds of \$146,439,000 after repaying the existing loan and closing costs, and a net gain of \$127,512,000.

**2012 Activity:**

*Merchandise Mart*

On January 6, 2012, we sold the 350 West Mart Center, a 1.2 million square foot office building in Chicago, Illinois, for \$228,000,000, which resulted in a net gain of \$54,911,000.

On June 22, 2012, we sold the L.A. Mart, a 784,000 square foot showroom building in Los Angeles, California, for \$53,000,000, of which \$18,000,000 was cash and \$35,000,000 was nine-month seller financing at 6.0%, which was paid on December 28, 2012.

On July 26, 2012, we sold the Washington Design Center, a 393,000 square foot showroom building in Washington, DC and the Canadian Trade Shows, for an aggregate of \$103,000,000. The sale of the Canadian Trade Shows resulted in an after-tax net gain of \$19,657,000.

On December 31, 2012, we sold the Boston Design Center, a 554,000 square foot showroom building in Boston, Massachusetts, for \$72,400,000, which resulted in a net gain of \$5,252,000.

*Washington, DC*

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On July 26, 2012, we sold 409 Third Street S.W., a 409,000 square foot office building in Washington, DC, for \$200,000,000, which resulted in a net gain of \$126,621,000. This building is contiguous to the Washington Design Center and was sold to the same purchaser.

On November 7, 2012, we sold three office buildings (“Reston Executive”) located in suburban Fairfax County, Virginia, containing 494,000 square feet for \$126,250,000, which resulted in a net gain of \$36,746,000.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**8. Discontinued Operations - continued***Retail Properties*

In 2012, we sold 12 other properties in separate transactions, for an aggregate of \$157,000,000, which resulted in a net gain aggregating \$22,266,000.

**2011 Activity:**

During 2011, we completed the disposition of the High Point Complex in North Carolina, which resulted in an \$83,907,000 net gain on extinguishment of debt and sold three other retail properties and two Washington, DC office buildings for an aggregate of \$168,000,000 in cash, which resulted in a net gain aggregating \$51,623,000.

The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2013 and 2012, and their combined results of operations for the years ended December 31, 2013, 2012 and 2011.

| (Amounts in thousands) | Assets Related to<br>Discontinued Operations as of<br>December 31, |             | Liabilities Related to<br>Discontinued Operations as of<br>December 31, |             |
|------------------------|--|-------------|---|-------------|
|                        | 2013   | 2012        | 2013  | 2012        |
| Retail                 | \$ -   | \$ 580,415  | \$ -  | \$ 442,293  |
| New York               | -  | 65,418      | -   | 44,978      |
| Other                  | -  | 25,740      | -   | -           |
| Total                  | \$ -   | \$ 671,573  | \$ -  | \$ 487,271  |
| (Amounts in thousands) | <b>For the Year Ended December 31,</b>                             |             |   |             |
|                        |  | <b>2013</b> | <b>2012</b>   | <b>2011</b> |
| Total revenues         |  | \$ 38,043   | \$ 177,629  | \$ 260,343  |

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|  |            |            |            |
|--|------------|------------|------------|
| Total expenses   | 23,305     | 120,393    | 201,633    |
|  | 14,738     | 57,236     | 58,710     |
| Net gains on sale of real estate   | 414,502    | 245,799    | 51,623     |
| Impairment losses  | (4,727)    | (30,339)   | (28,799)   |
| Gain on sale of Canadian Trade Shows, net of \$11,448<br>of income taxes | -          | 19,657     | -          |
| Net gain on extinguishment of High Point debt                            | -          | -          | 83,907     |
| Income from discontinued operations                                      | \$ 424,513 | \$ 292,353 | \$ 165,441 |

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. 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, 2013 and 2012.

| (Amounts in thousands)   | <b>Balance as of December 31,</b> |             |
|--|-----------------------------------|-------------|
|  | <b>2013</b>                       | <b>2012</b> |
| <b>Identified intangible assets:</b>                                     |                                   |             |
| Gross amount   | \$ 605,915                        | \$ 767,365  |
| Accumulated amortization   | (282,593)                         | (352,035)   |
| Net  | \$ 323,322                        | \$ 415,330  |
| <b>Identified intangible liabilities (included in deferred revenue):</b> |                                   |             |
| Gross amount   | \$ 892,487                        | \$ 902,525  |
| Accumulated amortization   | (382,002)                         | (341,536)   |
| Net  | \$ 510,485                        | \$ 560,989  |

Amortization of acquired below-market leases, net of acquired above-market leases resulted in an increase to rental income of \$52,861,000, \$54,215,000 and \$61,869,000 for the years ended December 31, 2013, 2012 and 2011, 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, 2014 is as follows:

| (Amounts in thousands) |           |
|------------------------|-----------|
| 2014                   | \$ 45,588 |
| 2015                   | 42,095    |
| 2016                   | 40,489    |
| 2017                   | 35,173    |
| 2018                   | 33,408    |

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$64,330,000, \$49,597,000 and \$52,632,000 for the years ended December 31, 2013, 2012 and 2011, 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, 2014 is as follows:

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| (Amounts in thousands) |    |        |
|------------------------|----|--------|
| 2014                   | \$ | 29,238 |
| 2015                   |    | 23,869 |
| 2016                   |    | 20,689 |
| 2017                   |    | 17,260 |
| 2018                   |    | 12,860 |

We are a tenant under ground leases at certain properties. Amortization of these acquired below-market leases, net of above-market leases resulted in an increase to rent expense of \$4,357,000, \$1,328,000 and \$993,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Estimated annual amortization of these below-market leases, net of above-market leases for each of the five succeeding years commencing January 1, 2014 is as follows:

| (Amounts in thousands) |    |       |
|------------------------|----|-------|
| 2014                   | \$ | 3,430 |
| 2015                   |    | 3,430 |
| 2016                   |    | 3,430 |
| 2017                   |    | 3,430 |
| 2018                   |    | 3,430 |

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**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**10. Debt**

*Mortgages Payable*

On February 20, 2013, we completed a \$390,000,000 financing of the retail condominium located at 666 Fifth Avenue at 53<sup>rd</sup> Street, which we had acquired December 2012. The 10-year fixed-rate interest only loan bears interest at 3.61%. This property was previously unencumbered. The net proceeds from this financing were approximately \$387,000,000.

On March 25, 2013, we completed a \$300,000,000 financing of the Outlets at Bergen Town Center, a 948,000 square foot shopping center located in Paramus, New Jersey. The 10-year fixed-rate interest only loan bears interest at 3.56%. The property was previously encumbered by a \$282,312,000 floating-rate loan.

On May 13, 2013, we notified the lender that due to tenants vacating the Montehiedra Town Center, its operating cash flow will be insufficient to pay the debt service; accordingly, at our request, the mortgage loan was transferred to the special servicer. We are in discussions with the special servicer to restructure the terms of the loan; there can be no assurance as to the timing and ultimate resolution of these discussions.

On October 30, 2013, we completed the restructuring of the \$678,000,000 (face amount) 5.74% Skyline properties mortgage loan. The loan was separated into two tranches; a senior \$350,000,000 position and a junior \$328,000,000 position. The maturity date has been extended from February 2017 to February 2022, with a one-year extension option. The effective interest rate is 2.965%. Amounts expended to re-lease the property are senior to the \$328,000,000 junior position.

On November 27, 2013, we completed a \$450,000,000 refinancing of Eleven Penn Plaza, a 1.1 million square foot Manhattan office building. The seven-year fixed-rate interest only loan bears interest at 3.95%. The net proceeds from this refinancing were approximately \$107,000,000 after repaying the existing loan and closing costs.

*Unsecured Revolving Credit Facility*

On March 28, 2013, we extended one of our two \$1.25 billion revolving credit facilities from June 2015 to June 2017, with two six-month extension options. The interest on the extended facility was reduced from LIBOR plus 135 basis points to LIBOR plus 115 basis points. In addition, the facility fee was reduced from 30 basis points to 20 basis points.



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. Debt - continued

The following is a summary of our debt:

| (Amounts in thousands)                | Interest Rate at     | Balance at December 31, |              |
|---------------------------------------|----------------------|-------------------------|--------------|
|                                       | December 31,<br>2013 | 2013                    | 2012         |
| <b>Mortgages Payable:</b>             |                      |                         |              |
| Fixed rate                            | 4.56%                | \$ 7,563,133            | \$ 6,771,001 |
| Variable rate                         | 2.28%                | 768,860                 | 1,828,221    |
|                                       | 4.35%                | \$ 8,331,993            | \$ 8,599,222 |
| <b>Unsecured Debt:</b>                |                      |                         |              |
| Senior unsecured notes                | 5.69%                | \$ 1,350,855            | \$ 1,358,008 |
| Unsecured revolving credit facilities | 1.32%                | 295,870                 | 1,170,000    |
|                                       | 4.90%                | \$ 1,646,725            | \$ 2,528,008 |

The net carrying amount of properties collateralizing the mortgages payable amounted to \$9.3 billion at December 31, 2013. As of December 31, 2013, the principal repayments required for the next five years and thereafter are as follows:

| (Amounts in thousands)   |                   | Senior Unsecured<br>Debt and<br>Revolving Credit<br>Facilities |
|--------------------------|-------------------|--|
| Year Ending December 31, | Mortgages Payable |  |
| 2014                     | \$ 189,953        | \$ -   |
| 2015                     | 584,358           | 500,000  |
| 2016                     | 1,556,375         | -  |
| 2017                     | 630,548           | -  |
| 2018                     | 744,472           | 295,870  |
| Thereafter               | 4,625,224         | 852,500  |

We may refinance our maturing debt as it comes due or choose to repay it.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets are primarily comprised of Class A Operating Partnership units held by third parties and 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. 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 redeemable noncontrolling interests as of December 31, 2013 and 2012.

(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 |
|--|---------------|------------|----------------------|------------|---------------------------------|---------------------------------------|
|  | 2013          | 2012       | 2013                 | 2012       |                                 |                                       |
| Common:  |               |            |                      |            |                                 |                                       |
| Class A  | \$ 1,002,620  | \$ 898,152 | 11,292,038           | 11,215,682 | n/a                             | \$ 2.92                               |
| Perpetual Preferred: <sup>(1)</sup>              |               |            |                      |            |                                 |                                       |
| 5.00% D-16 Cumulative Redeemable                 | \$ 1,000      | \$ 1,000   | 1                    | 1          | \$ 1,000,000.00                 | \$ 50,000.00                          |
| 6.875% D-15 Cumulative Redeemable <sup>(2)</sup> | -             | 45,000     | -                    | 1,800,000  | \$ n/a                          | \$ n/a                                |
|  | \$ 1,000      | \$ 46,000  | 1                    | 1,800,001  |                                 |                                       |

- (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) On May 9, 2013, we redeemed all of the outstanding 6.875% Series D-15 Cumulative Redeemable Preferred units with an aggregate face amount of \$45,000 for \$36,900 in cash, plus accrued and unpaid distributions through the date of redemption.

Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)

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|   |    |           |
|---|----|-----------|
| <b>Balance at December 31, 2011</b>                                   | \$ | 1,160,677 |
| Net income  |    | 45,263    |
| Other comprehensive loss  |    | (6,707)   |
| Distributions   |    | (54,315)  |
| Redemption of Class A units for common shares,<br>at redemption value |    | (89,762)  |
| Adjustment to carry redeemable Class A units at<br>redemption value   |    | 52,117    |
| Redemption of Series D-10 and Series D-14<br>redeemable units         |    | (168,300) |
| Other, net  |    | 5,179     |
| <b>Balance at December 31, 2012</b>                                   |    | 944,152   |
| Net income  |    | 24,817    |
| Other comprehensive income  |    | 5,296     |
| Distributions   |    | (34,053)  |
| Redemption of Class A units for common shares,<br>at redemption value |    | (25,317)  |
| Adjustment to carry redeemable Class A units at<br>redemption value   |    | 108,252   |
| Redemption of Series D-15 redeemable units                            |    | (36,900)  |
| Other, net  |    | 17,373    |
| <b>Balance at December 31, 2013</b>                                   | \$ | 1,003,620 |

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 \$55,097,000 and \$55,011,000 as of December 31, 2013 and 2012, respectively.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****12. Shareholders' Equity***Common Shares*

As of December 31, 2013, there were 187,284,688 common shares outstanding. During 2013, we paid an aggregate of \$545,913,000 of common dividends comprised of quarterly common dividends of \$0.73 per share.

*Preferred Shares*

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of \$25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of \$290,306,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares). Dividends on the Series L Preferred Shares are cumulative and payable quarterly in arrears. The Series L 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 may redeem the Series L Preferred Shares at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series L Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

On February 19, 2013, we redeemed all of the outstanding 6.75% Series F Cumulative Redeemable Preferred Shares and 6.75% Series H Cumulative Redeemable Preferred Shares at par, for an aggregate of \$262,500,000 in cash, plus accrued and unpaid dividends through the date of redemption.

The following table sets forth the details of our preferred shares of beneficial interest as of December 31, 2013 and 2012.

(Amounts in thousands,  
except share and

|  | <b>Balance as of</b> | <b>Shares Outstanding at</b> | <b>Per Share</b> | <b>Annual</b> |
|--|----------------------|------------------------------|------------------|---------------|
|--|----------------------|------------------------------|------------------|---------------|

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| per share amounts)<br><b>Preferred Shares</b>                         | <b>December 31,</b> |              | <b>December 31,</b> |             | <b>Liquidation</b> | <b>Dividend</b>           |
|---|---------------------|--------------|---------------------|-------------|--------------------|---------------------------|
|   | <b>2013</b>         | <b>2012</b>  | <b>2013</b>         | <b>2012</b> | <b>Preference</b>  | <b>Rate<sup>(1)</sup></b> |
| Convertible Preferred:  |                     |              |                     |             |                    |                           |
| 6.5% Series A:<br>authorized 83,977<br>shares <sup>(2)</sup>          | \$ 1,592            | \$ 1,682     | 32,807              | 34,609      | \$ 50.00           | \$ 3.25                   |
| Cumulative Redeemable:  |                     |              |                     |             |                    |                           |
| 6.625% Series G:<br>authorized<br>8,000,000 shares <sup>(3)</sup>     | 193,135             | 193,135      | 8,000,000           | 8,000,000   | \$ 25.00           | \$ 1.65625                |
| 6.625% Series I:<br>authorized<br>10,800,000<br>shares <sup>(3)</sup> | 262,379             | 262,379      | 10,800,000          | 10,800,000  | \$ 25.00           | \$ 1.65625                |
| 6.875% Series J:<br>authorized<br>9,850,000 shares <sup>(3)</sup>     | 238,842             | 238,842      | 9,850,000           | 9,850,000   | \$ 25.00           | \$ 1.71875                |
| 5.70% Series K:<br>authorized<br>12,000,000<br>shares <sup>(3)</sup>  | 290,971             | 290,971      | 12,000,000          | 12,000,000  | \$ 25.00           | \$ 1.425                  |
| 5.40% Series L:<br>authorized<br>12,000,000<br>shares <sup>(3)</sup>  | 290,306             | -            | 12,000,000          | -           | \$ 25.00           | \$ 1.35                   |
| 6.75% Series F:<br>authorized<br>6,000,000 shares                     | -                   | 144,720      | -                   | 6,000,000   | \$ 25.00           | \$ 1.6875                 |
| 6.75% Series H:<br>authorized<br>4,500,000 shares                     | -                   | 108,549      | -                   | 4,500,000   | \$ 25.00           | \$ 1.6875                 |
|   | \$ 1,277,225        | \$ 1,240,278 | 52,682,807          | 51,184,609  |                    |                           |

(1) Dividends on preferred shares are cumulative and are payable quarterly in arrears.

(2) Redeemable at our option under certain circumstances, at a redemption price of 1.4334 common shares per Series A Preferred Share plus accrued and unpaid dividends through the date of redemption, or convertible at anytime at the option of the holder for 1.4334 common shares per Series A Preferred Share.

(3) Redeemable at our option at a redemption price of \$25.00 per share, plus accrued and unpaid dividends through the date of redemption.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. Shareholders' Equity – continued

*Accumulated Other Comprehensive Income (Loss)*

The following tables set forth the changes in accumulated comprehensive income (loss) by component.

| (Amounts in thousands)             | Total       | For the Year Ended December 31, 2013 |   |                          |            |
|------------------------------------|-------------|--------------------------------------|---|--------------------------|------------|
|                                    |             | Securities<br>available-<br>for-sale | Pro rata share<br>of<br>nonconsolidated<br>subsidiaries'<br>OCI | Interest<br>rate<br>swap | Other      |
| Balance as of December 31,<br>2012 | \$ (18,946) | \$ 19,432                            | \$ 11,313   | \$ (50,065)              | \$ 374     |
| OCI before<br>reclassifications    | 132,887     | 142,281                              | (22,814)  | 18,183                   | (4,763)    |
| Amounts reclassified<br>from AOCI  | (42,404)    | (42,404) <sup>(1)</sup>              | -   | -                        | -          |
| Net current period OCI             | 90,483      | 99,877                               | (22,814)  | 18,183                   | (4,763)    |
| Balance as of December 31,<br>2013 | \$ 71,537   | \$ 119,309                           | \$ (11,501)   | \$ (31,882)              | \$ (4,389) |

(1) Reclassified to "net gain on disposition of wholly owned and partially owned assets" on our consolidated statements of income.

## 13. Variable Interest Entities (“VIEs”)

*Consolidated VIEs*

The entity that owns Independence Plaza was a consolidated VIE at December 31, 2012. On June 7, 2013, we sold a portion of our economic interest in this entity and determined that we are no longer its primary beneficiary. Accordingly, we deconsolidated this VIE (see Note 6 – *Investments in Partially Owned Entities*). The table below summarizes the assets and liabilities of the VIE at December 31, 2012. The liabilities were secured only by the assets of the VIE, and were non-recourse to us.

| (Amounts in thousands)  | <b>As of December 31,<br/>2012</b> |
|-------------------------|------------------------------------|
| Total assets            | \$ 957,730                         |
| Total liabilities       | \$ 443,894                         |
| Noncontrolling interest | \$ 193,933                         |

#### *Unconsolidated VIEs*

At December 31, 2013, we have unconsolidated VIEs comprised of our investments in the entities that own the Warner Building and Independence Plaza. We do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these entities does not give us power over decisions that significantly affect these entities' economic performance. We account for our investment in these entities under the equity method (see Note 6 – *Investments in Partially Owned Entities*). As of December 31, 2013, the net carrying amount of our investment in these entities was \$152,929,000, and our maximum exposure to loss in these entities, is limited to our investment. At December 31, 2012, we had one unconsolidated VIE, comprised of our investment in the Warner Building which had a carrying amount of \$8,775,000.



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. 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.

*Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Financial assets and liabilities that are measured at fair value on our consolidated balance sheets consist of (i) marketable securities, (ii) Real Estate Fund investments, (iii) the assets in our deferred compensation plan (for which there is a corresponding liability on our consolidated balance sheet), (iv) interest rate swaps 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, 2013 and 2012, respectively.

| (Amounts in thousands)  | Total      | As of December 31, 2013 |         |         |
|---|------------|-------------------------|---------|---------|
|   |            | Level 1                 | Level 2 | Level 3 |
| Marketable securities   | \$ 191,917 | \$ 191,917              | \$ -    | \$ -    |
| Real Estate Fund investments (75% of which is attributable to noncontrolling interests) | 667,710    | -                       | -       | 667,710 |
| Deferred compensation plan assets (included in other assets)                            | 116,515    | 47,733                  | -       | 68,782  |

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|   |  |                                |                |                |
|---|--|--------------------------------|----------------|----------------|
| Total assets  | \$ 976,142   | \$ 239,650                     | \$ -           | \$ 736,492     |
| Mandatorily redeemable instruments<br>(included in other liabilities)                         | \$ 55,097  | \$ 55,097                      | \$ -           | \$ -           |
| Interest rate swap (included in other<br>liabilities)   | 31,882   | -                              | 31,882         | -              |
| Total liabilities   | \$ 86,979  | \$ 55,097                      | \$ 31,882      | \$ -           |
|   |  | <b>As of December 31, 2012</b> |                |                |
| (Amounts in thousands)  | <b>Total</b>   | <b>Level 1</b>                 | <b>Level 2</b> | <b>Level 3</b> |
| Marketable securities   | \$ 398,188   | \$ 398,188                     | \$ -           | \$ -           |
| Real Estate Fund investments (75% of<br>which is attributable to<br>noncontrolling interests) | 600,786  | -                              | -              | 600,786        |
| Deferred compensation plan assets<br>(included in other assets)                               | 105,200  | 42,569                         | -              | 62,631         |
| J.C. Penney derivative position<br>(included in other assets) <sup>(1)</sup>                  | 11,165   | -                              | 11,165         | -              |
| Total assets  | \$ 1,115,339   | \$ 440,757                     | \$ 11,165      | \$ 663,417     |
| Mandatorily redeemable instruments<br>(included in other liabilities)                         | \$ 55,011  | \$ 55,011                      | \$ -           | \$ -           |
| Interest rate swap (included in other<br>liabilities)   | 50,065   | -                              | 50,065         | -              |
| Total liabilities   | \$ 105,076   | \$ 55,011                      | \$ 50,065      | \$ -           |
| (1)   | Represents the cash deposited with the counterparty in excess of the mark-to-market loss on the derivative position. |                                |                |                |

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**14. Fair Value Measurements - continued**

*Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued*

Real Estate Fund Investments

At December 31, 2013, our Real Estate Fund had nine investments with an aggregate fair value of \$667,710,000, or \$153,413,000 in excess of cost. These investments are classified as Level 3. We use a discounted cash flow valuation technique to estimate the fair value of each of these investments, which is updated quarterly by personnel responsible for the management of each investment and reviewed by senior management at each reporting period. The discounted cash flow valuation technique requires us to estimate cash flows for each investment over the anticipated holding period, which currently ranges from 0.6 to 6.5 years. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and our estimates for future leasing activity, which are based on current market rents for similar space plus a projected growth factor. Similarly, estimated operating expenses and real estate taxes are based on amounts incurred in the current period plus a projected growth factor for future periods. Anticipated sales proceeds at the end of an investment's expected holding period are determined based on the net cash flow of the investment in the year of exit, divided by a terminal capitalization rate, less estimated selling costs.

The fair value of each property is calculated by discounting the future cash flows (including the projected sales proceeds), using an appropriate discount rate and then reduced by the property's outstanding debt, if any, to determine the fair value of the equity in each investment. Significant unobservable quantitative inputs used in determining the fair value of each investment include capitalization rates and discount rates. These rates are based on the location, type and nature of each property, and current and anticipated market conditions, which are derived from original underwriting assumptions, industry publications and from the experience of our Acquisitions and Capital Markets departments. Significant unobservable quantitative inputs in the table below were utilized in determining the fair value of these Fund investments at December 31, 2013.

| <b>Unobservable Quantitative Input</b> | <b>Range</b>   | <b>Weighted Average<br/>(based on fair<br/>value of investments)</b> |
|--|----------------|--|
| Discount rates                         | 12.0% to 17.5% | 13.9%  |
| Terminal capitalization rates          | 5.0% to 6.0%   | 5.5%   |

The above inputs are subject to change based on changes in economic and market conditions and/or changes in use or timing of exit. Changes in discount rates and terminal capitalization rates result in increases or decreases in the fair values of these investments. The discount rates encompass, among other things, uncertainties in the valuation models with respect to terminal capitalization rates and the amount and timing of cash flows. Therefore, a change in the fair value of these investments resulting from a change in the terminal capitalization rate, may be partially offset by a change in the discount rate. It is not possible for us to predict the effect of future economic or market conditions on our estimated fair values.

The table below summarizes the changes in the fair value of Fund investments that are classified as Level 3, for the years ended December 31, 2013 and 2012.

| (Amounts in thousands) | <b>Real Estate Fund Investments<br/>For The Year Ended December 31,</b> |             |
|------------------------|---|-------------|
|                        | <b>2013</b>   | <b>2012</b> |
| Beginning balance      | \$ 600,786  | \$ 346,650  |
| Purchases              | 43,816  | 262,251     |
| Sales/Returns          | (70,848)  | (63,762)    |
| Net realized gains     | 8,184   | -           |
| Net unrealized gains   | 85,771  | 55,361      |
| Other, net             | 1   | 286         |
| Ending balance         | \$ 667,710  | \$ 600,786  |

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**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****14. Fair Value Measurements - continued***Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued*Deferred Compensation Plan Assets

Deferred compensation plan assets that are classified as Level 3 consist of investments in limited partnerships and investment funds, which are managed by third parties. We receive quarterly financial reports from a third-party administrator, which are compiled from the quarterly reports provided to them from each limited partnership and investment fund. The quarterly reports provide net asset values on a fair value basis which are audited by independent public accounting firms on an annual basis. The third-party administrator does not adjust these values in determining our share of the net assets and we do not adjust these values when reported in our consolidated financial statements.

The table below summarizes the changes in the fair value of Deferred Compensation Plan Assets that are classified as Level 3, for the years ended December 31, 2013 and 2012.

| (Amounts in thousands)        | <b>Deferred Compensation Plan Assets</b> |             |
|-------------------------------|--|-------------|
|                               | <b>For The Year Ended December 31,</b>   |             |
|                               | <b>2013</b>                              | <b>2012</b> |
| Beginning balance             | \$ 62,631                                | \$ 56,221   |
| Purchases                     | 5,018                                    | 9,951       |
| Sales                         | (7,306)                                  | (8,367)     |
| Realized and unrealized gains | 7,189                                    | 4,703       |
| Other, net                    | 1,250                                    | 123         |
| Ending balance                | \$ 68,782                                | \$ 62,631   |

*Fair Value Measurements on a Nonrecurring Basis*

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist primarily of our investment in Toys and real estate assets that have been written-down to estimated fair value during 2013 and 2012. See Note 2 – *Basis of Presentation and Significant Accounting Policies* for details of impairment losses recognized during 2013 and 2012. See Note 6 – *Investment in Partially Owned Entities* for details of impairment losses related to Toys. 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.

|  | <b>As of December 31, 2013</b> |                |                |                |
|--|--------------------------------|----------------|----------------|----------------|
| (Amounts in thousands)                       | <b>Total</b>                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Real estate assets                           | \$ 354,341                     | \$ -           | \$ -           | \$ 354,341     |
| Investment in Toys                           | 83,224                         | -              | -              | 83,224         |
| Total assets                                 | \$ 437,565                     | \$ -           | \$ -           | \$ 437,565     |
|  | <b>As of December 31, 2012</b> |                |                |                |
| (Amounts in thousands)                       | <b>Total</b>                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Investment in Toys                           | \$ 478,041                     | \$ -           | \$ -           | \$ 478,041     |
| Real estate assets                           | 189,529                        | -              | -              | 189,529        |
| Condominium units (included in other assets) | 52,142                         | -              | -              | 52,142         |
| Total assets                                 | \$ 719,712                     | \$ -           | \$ -           | \$ 719,712     |

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. Fair Value Measurements – continued

*Financial Assets and Liabilities not Measured at Fair Value*

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents (primarily U.S. Treasury Bills), mortgage and mezzanine loans receivable and our secured and unsecured debt. Estimates of the fair value of these instruments are determined by the standard practice of modeling the contractual cash flows required under the instrument and discounting them back to their present value at the appropriate current risk adjusted interest rate, which is provided by a third-party specialist. For floating rate debt, we use forward rates derived from observable market yield curves to project the expected cash flows we would be required to make under the instrument. The fair value of cash equivalents is classified as Level 1 and the fair value of our mortgage and mezzanine loans receivable is classified as Level 3. The fair value of our secured and unsecured debt is classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of December 31, 2013 and 2012.

| (Amounts in thousands)                  | As of December 31, 2013 |              | As of December 31, 2012 |               |
|---|-------------------------|--------------|-------------------------|---------------|
|   | Carrying Amount         | Fair Value   | Carrying Amount         | Fair Value    |
| Cash equivalents                        | \$ 295,000              | \$ 295,000   | \$ 543,000              | \$ 543,000    |
| Mortgage and mezzanine loans receivable | 170,972                 | 170,959      | 225,359                 | 221,446       |
|   | \$ 465,972              | \$ 465,959   | \$ 768,359              | \$ 764,446    |
| Debt:                                   |                         |              |                         |               |
| Mortgages payable                       | \$ 8,331,993            | \$ 8,104,000 | \$ 8,599,222            | \$ 8,631,000  |
| Senior unsecured notes                  | 1,350,855               | 1,402,000    | 1,358,008               | 1,468,000     |
| Revolving credit facility debt          | 295,870                 | 296,000      | 1,170,000               | 1,170,000     |
|   | \$ 9,978,718            | \$ 9,802,000 | \$ 11,127,230           | \$ 11,269,000 |

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**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**15. Stock-based Compensation**

Our Omnibus Share Plan (the “Plan”), which was approved in May 2010, provides the Compensation Committee of the Board (the “Committee”) the ability to grant incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards to certain of our employees and officers. Under the Plan, 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, plus shares in respect of awards forfeited after May 2010 that were issued pursuant to our 2002 Omnibus Share Plan. 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, 2013, we have approximately 4,672,000 shares available for future grants under the Plan, if all awards granted are Full Value Awards, as defined.

In the years ended December 31, 2013, 2012 and 2011, we recognized an aggregate of \$34,914,000, \$30,588,000 and \$28,853,000, respectively, of stock-based compensation expense, which is included as a component of “general and administrative” expenses on our consolidated statements of income. The details of the various components of our stock-based compensation are discussed below.

*Out-Performance Plans (“OPP Units”)*

On March 30, 2012 and March 15, 2013, the Committee approved the 2012 and 2013 Out-Performance Plans (the “OPPs”), respectively. The OPPs are multi-year, performance-based equity compensation plans under which participants, including our Chairman and Chief Executive Officer, have the opportunity to earn compensation payable in the form of equity awards if, and only if, we outperform a predetermined total shareholder return (“TSR”) and/or outperform the market with respect to a relative TSR in any year during the requisite performance periods as described below. The aggregate notional amount of each of the OPPs is \$40,000,000.



Awards under the 2012 OPP may be earned if we (i) achieve a TSR level greater than 7% per annum, or 21% over the three-year performance period (the “Absolute Component”), and/or (ii) achieve a TSR above that of the SNL US REIT Index (the “Index”) over a one-year, two-year or three-year performance period (the “Relative Component”). Awards under the 2013 OPP may be earned if we (i) achieve a TSR greater than 14% over the two-year performance measurement period, or 21% over the three-year performance measurement period (the “Absolute Component”), and/or (ii) achieve a TSR above that of the Index over a two-year or three-year performance measurement period (the “Relative Component”). To the extent awards would be earned under the Absolute Component of each of the OPPs, but we underperform the Index, such awards would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be fully earned under the Absolute Component, awards may still be earned or increased under the Relative Component. To the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 6% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. Dividends on awards issued accrue during the performance period.

If the designated performance objectives are achieved, OPP Units are subject to time-based vesting requirements. Awards earned under the OPPs vest 33% in year three, 33% in year four and 34% in year five. Our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold earned 2013 OPP awards for one year following vesting.

The fair value of the 2012 and 2013 OPPs on the date of grant was \$12,250,000, and \$6,814,000, respectively. Such amounts are being amortized into expense over a five-year period from the date of grant, using a graded vesting attribution model. In the years ended December 31, 2013, 2012 and 2011, we recognized \$3,226,000, \$2,826,000 and \$740,000, respectively, of compensation expense related to OPP Units. As of December 31, 2013, there was \$10,065,000 of total unrecognized compensation cost related to the OPPs, which will be recognized over a weighted-average period of 1.9 years.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. 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, 2013, 2012 and 2011, we recognized \$8,234,000, \$8,638,000 and \$8,794,000, respectively, of compensation expense related to stock options that vested during each year. As of December 31, 2013, there was \$5,398,000 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 1.3 years.

Below is a summary of our stock option activity for the year ended December 31, 2013.

|   | Shares    | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|---|-----------|---|--|---------------------------------|
| Outstanding at January 1, 2013                              | 3,360,072 | \$ 67.16                                  |  |                                 |
| Granted   | 49,972    | 83.11                                     |  |                                 |
| Exercised   | (107,835) | 55.85                                     |  |                                 |
| Cancelled or expired  | (53,510)  | 83.80                                     |  |                                 |
| Outstanding at December 31, 2013                            | 3,248,699 | \$ 67.51                                  | 5.2  | \$ 76,089,000                   |
| Options vested and expected to vest at<br>December 31, 2013 | 3,245,409 | \$ 67.50                                  | 5.2  | \$ 76,022,000                   |
| Options exercisable at December 31,<br>2013                 | 2,478,838 | \$ 67.12                                  | 4.8  | \$ 60,013,000                   |

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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, 2013, 2012 and 2011.

|                         | <b>December 31,</b> |             |             |
|-------------------------|---------------------|-------------|-------------|
|                         | <b>2013</b>         | <b>2012</b> | <b>2011</b> |
| Expected volatility     | 36.00%              | 36.00%      | 35.00%      |
| Expected life           | 5.0 years           | 5.0 years   | 7.1 years   |
| Risk free interest rate | 0.91%               | 1.05%       | 2.90%       |
| Expected dividend yield | 4.30%               | 4.30%       | 4.40%       |

The weighted average grant date fair value of options granted during the years ended December 31, 2013, 2012 and 2011 was \$17.18, \$17.50 and \$21.42, respectively. Cash received from option exercises for the years ended December 31, 2013, 2012 and 2011 was \$5,915,000, \$9,546,000 and \$23,736,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was \$3,386,000, \$40,887,000 and \$39,348,000, respectively.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**15. 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, 2013, 2012 and 2011, we recognized \$1,344,000, \$1,604,000 and \$1,814,000, respectively, of compensation expense related to restricted stock awards that vested during each year. As of December 31, 2013, there was \$1,781,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.6 years. Dividends paid on unvested restricted stock are charged directly to retained earnings and amounted to \$110,000, \$200,000 and \$185,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Below is a summary of our restricted stock activity under the Plan for the year ended December 31, 2013.

| <b>Unvested Shares</b>           | <b>Shares</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|----------------------------------|---------------|---|
| Unvested at January 1,<br>2013   | 48,020        | \$ 78.61  |
| Granted                          | 10,318        | 83.11   |
| Vested                           | (16,018)      | 74.51   |
| Cancelled or expired             | (12,656)      | 86.00   |
| Unvested at December 31,<br>2013 | 29,664        | 79.23   |

Restricted stock awards granted in 2013, 2012 and 2011 had a fair value of \$857,000, \$929,000 and \$1,042,000, respectively. The fair value of restricted stock that vested during the years ended December 31, 2013, 2012 and 2011 was \$1,194,000, \$1,864,000 and \$2,031,000, 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, 2013, 2012 and 2011, we recognized \$22,110,000, \$17,520,000 and \$17,505,000, respectively, of compensation expense related to OP Units that vested during each year. As of December 31, 2013, there was \$25,971,000 of total unrecognized compensation cost related to unvested OP Units, which is expected to be recognized over a weighted-average period of 1.8 years. Distributions paid on unvested OP Units are charged to “net income attributable to noncontrolling interests in the Operating Partnership” on our consolidated statements of income and amounted to \$2,598,000, \$3,203,000 and \$2,567,000 in the years ended December 31, 2013, 2012 and 2011, respectively.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2013.

| <b>Unvested Units</b>            | <b>Units</b> | <b>Weighted-Average<br/>Grant-Date<br/>Fair Value</b> |
|----------------------------------|--------------|---|
| Unvested at January 1,<br>2013   | 640,670      | \$ 69.61  |
| Granted                          | 400,500      | 79.77   |
| Vested                           | (252,052)    | 65.08   |
| Cancelled or expired             | (23,147)     | 74.31   |
| Unvested at December 31,<br>2013 | 765,971      | 76.27   |

OP Units granted in 2013, 2012 and 2011 had a fair value of \$31,947,000, \$16,464,000 and \$18,727,000, respectively. The fair value of OP Units that vested during the years ended December 31, 2013, 2012 and 2011 was \$16,404,000, \$15,014,000 and \$10,260,000, respectively.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**16. 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, |            |            |
|---------------------------------------|---------------------------------|------------|------------|
|                                       | 2013                            | 2012       | 2011       |
| BMS cleaning fees                     | \$ 66,505                       | \$ 67,584  | \$ 61,754  |
| Signage revenue                       | 32,866                          | 20,892     | 19,823     |
| Management and leasing fees           | 24,637                          | 21,849     | 21,783     |
| Lease termination fees <sup>(1)</sup> | 92,497                          | 2,361      | 16,334     |
| Other income                          | 34,727                          | 31,667     | 29,937     |
|                                       | \$ 251,232                      | \$ 144,353 | \$ 149,631 |

- (1) The year ended December 31, 2013 includes (i) \$59,599 of income pursuant to a settlement agreement with Stop & Shop, which terminates our right to receive \$6,000 of additional annual rent under a 1992 agreement, for a period potentially through 2031, (ii) \$19,500 from a tenant at 1290 Avenue of the Americas, of which our 70% share, net of a \$1,529 write-off of the straight lining of rents, was \$12,121, and (iii) \$3,000 from the termination of our subsidiaries' agreements with Cuyahoga County to operate the Cleveland Medical Mart Convention Center.

The above table excludes fee income from partially owned entities, which is included in "income from partially owned entities" (see Note 6 – *Investments in Partially Owned Entities*).

**17. Interest and Other Investment (Loss) Income, Net**

The following table sets forth the details of our interest and other investment (loss) income:

| (Amounts in thousands)   | For the Year Ended December 31, |              |        |
|--|---------------------------------|--------------|--------|
|  | 2013                            | 2012         | 2011   |
| Non-cash impairment loss on J.C. Penney common shares                    | \$ (39,487)                     | \$ (224,937) | \$ -   |
| (Loss) income from the mark-to-market of J.C. Penney derivative position | (33,487)                        | (75,815)     | 12,984 |
| Interest on mezzanine loans receivable                                   | 19,495                          | 13,861       | 14,023 |
| Dividends and interest on marketable securities                          | 11,446                          | 11,979       | 29,587 |
|  | 10,636                          | 6,809        | 1,658  |

Mark-to-market of investments in our deferred compensation plan <sup>(1)</sup>

Mezzanine loans loss reversal and net gain on disposition

Other, net

|             |              |            |
|-------------|--------------|------------|
| -           | -            | 82,744     |
| 6,698       | 7,158        | 7,787      |
| \$ (24,699) | \$ (260,945) | \$ 148,783 |

(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.

## 18. Interest and Debt Expense

The following table sets forth the details of our interest and debt expense.

(Amounts in thousands)

|  | <b>For the Year Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2013</b>                            | <b>2012</b> | <b>2011</b> |
| Interest expense                         | \$ 499,900                             | \$ 486,875  | \$ 500,897  |
| Amortization of deferred financing costs | 25,593                                 | 23,639      | 19,457      |
| Capitalized interest                     | (42,303)                               | (16,801)    | (1,197)     |
|  | \$ 483,190                             | \$ 493,713  | \$ 519,157  |

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**19. 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 includes 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 and restricted stock.

| (Amounts in thousands, except per share amounts)  | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2013</b>                    | <b>2012</b> | <b>2011</b> |
| <b>Numerator:</b>   |                                |             |             |
| Income from continuing operations, net of income attributable to noncontrolling interests   | \$ 78,193                      | \$ 340,877  | \$ 507,428  |
| Income from discontinued operations, net of income attributable to noncontrolling interests | 397,778                        | 276,383     | 154,874     |
| Net income attributable to Vornado  | 475,971                        | 617,260     | 662,302     |
| Preferred share dividends   | (82,807)                       | (76,937)    | (65,531)    |
| Preferred unit and share redemptions  | (1,130)                        | 8,948       | 5,000       |
| Net income attributable to common shareholders  | 392,034                        | 549,271     | 601,771     |
| Earnings allocated to unvested participating securities                                     | (110)                          | (202)       | (221)       |
| Numerator for basic income per share  | 391,924                        | 549,069     | 601,550     |
| Impact of assumed conversions:  |                                |             |             |
| Convertible preferred share dividends   | -                              | 113         | 124         |
| Numerator for diluted income per share  | \$ 391,924                     | \$ 549,182  | \$ 601,674  |
| <b>Denominator:</b>   |                                |             |             |
| Denominator for basic income per share – weighted average shares                            | 186,941                        | 185,810     | 184,308     |
| Effect of dilutive securities <sup>(1)</sup> :  |                                |             |             |
| Employee stock options and restricted share awards  | 768                            | 670         | 1,658       |
| Convertible preferred shares  | -                              | 50          | 55          |
| Denominator for diluted income per share – weighted average shares and assumed conversions  | 187,709                        | 186,530     | 186,021     |
| <b>INCOME PER COMMON SHARE – BASIC:</b>   |                                |             |             |
| (Loss) income from continuing operations, net   | \$ (0.03)                      | \$ 1.46     | \$ 2.42     |
| Income from discontinued operations, net  | 2.13                           | 1.49        | 0.84        |
| Net income per common share   | \$ 2.10                        | \$ 2.95     | \$ 3.26     |
| <b>INCOME PER COMMON SHARE – DILUTED:</b>   |                                |             |             |



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|   |           |         |         |
|---|-----------|---------|---------|
| (Loss) income from continuing operations, net | \$ (0.03) | \$ 1.46 | \$ 2.40 |
| Income from discontinued operations, net      | 2.12      | 1.48    | 0.83    |
| Net income per common share                   | \$ 2.09   | \$ 2.94 | \$ 3.23 |

- (1) The effect of dilutive securities in the years ended December 31, 2013, 2012 and 2011 excludes an aggregate of 11,752, 14,400 and 18,896 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

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**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****20. 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, 2013, 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, are as follows:

| (Amounts in thousands)          |              |
|---------------------------------|--------------|
| <b>Year Ending December 31:</b> |              |
| 2014                            | \$ 1,811,280 |
| 2015                            | 1,648,957    |
| 2016                            | 1,535,967    |
| 2017                            | 1,406,377    |
| 2018                            | 1,272,529    |
| Thereafter                      | 6,529,277    |

These amounts do not include percentage rentals based on tenants' sales. These percentage rents approximated \$8,796,000, \$8,466,000 and \$7,995,000, for the years ended December 31, 2013, 2012 and 2011, respectively.

Excluding the \$59,599,000 of income pursuant to a settlement agreement with Stop & Shop in the year ended December 31, 2013, none of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2013, 2012 and 2011.

*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, 2013 are as follows.

(Amounts in thousands)

**Year Ending December 31:**

|            |    |           |
|------------|----|-----------|
| 2014       | \$ | 42,845    |
| 2015       |    | 41,997    |
| 2016       |    | 41,404    |
| 2017       |    | 42,530    |
| 2018       |    | 40,301    |
| Thereafter |    | 1,277,370 |

Rent expense was \$51,186,000, \$43,274,000 and \$35,553,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

**VORNADO REALTY TRUST****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****20. Leases - continued**

We are also a lessee under a capital lease under which we will redevelop the retail and signage components of the Marriot Marquis Times Square Hotel. The lease has put/call options, which if exercised would lead to our ownership. 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. Depreciation expense on capital leases is included in “depreciation and amortization” on our consolidated statements of income. As of December 31, 2013, future minimum lease payments under this capital lease are as follows:

|                                       |            |
|---------------------------------------|------------|
| (Amounts in thousands)                |            |
| <b>Year Ending December 31:</b>       |            |
| 2014                                  | \$ 12,500  |
| 2015                                  | 12,500     |
| 2016                                  | 12,500     |
| 2017                                  | 12,500     |
| 2018                                  | 12,500     |
| Thereafter                            | 347,292    |
| Total minimum obligations             | 409,792    |
| Interest portion                      | (169,792)  |
| Present value of net minimum payments | \$ 240,000 |

At December 31, 2013, the carrying amount of the property leased under the capital lease was \$292,101,000, which is included as a component of “development costs and construction in progress” on our consolidated balance sheet and present value of net minimum payments of \$240,000,000 is included in “other liabilities” on our consolidated balance sheet.

**21. 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, 2013, our subsidiaries' participation in these plans were not significant to our consolidated financial statements.

In the years ended December 31, 2013, 2012 and 2011, our subsidiaries contributed \$10,223,000, \$10,683,000 and \$10,168,000, 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, 2013, 2012 and 2011.

*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, 2013, 2012 and 2011, our subsidiaries contributed \$26,262,000, \$26,759,000 and \$23,847,000, 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)**

**22. 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, 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. We maintain coverage for terrorism acts with limits of \$4.0 billion per occurrence and in the aggregate, and \$2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. 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. For NBCR acts, 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 incurred 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 the future.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes 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*

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 is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

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.

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, 2013, the aggregate dollar amount of these guarantees and master leases is approximately \$342,000,000.

At December 31, 2013, \$33,121,000 of letters of credit were outstanding under one of our revolving credit facilities. Our revolving 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 revolving 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, 2013, we expect to fund additional capital to certain of our partially owned entities aggregating approximately \$145,000,000.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**23. Related Party Transactions**

*Alexander's*

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board and Chief Executive Officer is also the Chairman of the Board and Chief Executive Officer of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 6 - *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, 2013, Interstate and its partners beneficially owned an aggregate of approximately 6.6% of the common shares of beneficial interest of Vornado and 26.3% 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 \$606,000, \$794,000, and \$787,000 of management fees under the agreement for the years ended December 31, 2013, 2012 and 2011.

**24. Summary of Quarterly Results (Unaudited)**

The following summary represents the results of operations for each quarter in 2013 and 2012:



| (Amounts in thousands, except per share amounts) | Revenues   | Net (Loss) Income Attributable to Common Shareholders |           | Net (Loss) Income Per Common Share (2) |  |
|--|------------|---|-----------|--|--|
|  |            | (1)   | Basic     | Diluted                                |  |
| <b>2013</b>                                      |            |   |           |  |  |
| December 31                                      | \$ 673,308 | \$ (68,887)   | \$ (0.37) | \$ (0.37)                              |  |
| September 30                                     | 679,435    | 83,005  | 0.44      | 0.44                                   |  |
| June 30  | 681,699    | 145,926   | 0.78      | 0.78                                   |  |
| March 31   | 726,467    | 231,990   | 1.24      | 1.24                                   |  |
| <b>2012</b>                                      |            |   |           |  |  |
| December 31                                      | \$ 686,693 | \$ 62,633   | \$ 0.34   | \$ 0.33                                |  |
| September 30                                     | 700,991    | 232,393   | 1.25      | 1.24                                   |  |
| June 30  | 674,007    | 20,510  | 0.11      | 0.11                                   |  |
| March 31   | 674,541    | 233,735   | 1.26      | 1.25                                   |  |

(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)**

**25. Subsequent Events**

*2014 Out-Performance Plan*

On January 10, 2014, the Compensation Committee approved the 2014 Outperformance Plan, a multi-year, performance-based equity compensation plan and related form of award agreement (the “2014 OPP”). Under the 2014 OPP, participants have the opportunity to earn compensation payable in the form of operating partnership units during a three-year performance measurement period, if and only if we outperform a predetermined total shareholder return (“TSR”) and/or outperform the market with respect to relative TSR. Awards under the 2014 OPP may be earned if we (i) achieve a TSR level greater than 7% per annum, or 21% over the three-year performance measurement period (the “Absolute Component”), and/or (ii) achieve a TSR above that of the SNL US REIT Index (the “Index”) over a three-year performance measurement period (the “Relative Component”). To the extent awards would be earned under the Absolute Component but we underperform the Index, such awards earned under the Absolute Component would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be earned under the Absolute Component, awards may be increased under the Relative Component. To the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 6% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. If the designated performance objectives are achieved, OPP Units are also subject to time-based vesting requirements. Awards earned under the 2014 OPP vest 33% in year three, 33% in year four and 34% in year five. Dividends on awards earned accrue during the performance measurement period. In addition, our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold any earned OPP awards (or related equity) for at least one year following vesting.

*220 Central Park South Development Site*

On January 31, 2014, we completed a \$600,000,000 loan secured by our 220 Central Park South development site. The loan bears interest at LIBOR plus 2.75% and matures in January 2016, with three one-year extension options.

*Broadway Mall*

On February 14, 2014, we entered into an agreement to sell the Broadway Mall in Hicksville, Long Island, New York for \$94,000,000. The sale will result in net proceeds of approximately \$92,000,000 after closing costs. In the fourth quarter of 2013, we recognized a \$13,443,000 non-cash impairment loss related to this property, which is included in “impairment losses, acquisition related costs and tenant buy-outs” on our consolidated statements of income.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. Segment Information

As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer met the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets were reclassified to "Other." We have also reclassified the prior period segment financial results to conform to the current year presentation. Below is a summary of net income and a reconciliation of net income to EBITDA<sup>(1)</sup> by segment for the years ended December 31, 2013, 2012 and 2011.

(Amounts in thousands)

|   | For the Year Ended December 31, 2013 |              |                   |                      |           |            |
|---|--------------------------------------|--------------|-------------------|----------------------|-----------|------------|
|   | Total                                | New York     | Washington,<br>DC | Retail<br>Properties | Toys      | Other      |
| Total revenues  | \$ 2,760,909                         | \$ 1,509,266 | \$ 541,161        | \$ 425,716           | \$ -      | \$ 284,766 |
| Total expenses  | 1,886,719                            | 926,963      | 347,686           | 251,516              | -         | 360,554    |
| Operating income (loss)                                     | 874,190                              | 582,303      | 193,475           | 174,200              | -         | (75,788)   |
| (Loss) income from partially owned entities, including Toys | (338,785)                            | 15,527       | (6,968)           | 2,097                | (362,377) | 12,936     |
| Income from Real Estate Fund                                | 102,898                              | -            | -                 | -                    | -         | 102,898    |
| Interest and other investment (loss) income, net            | (24,699)                             | 5,532        | 129               | 13                   | -         | (30,373)   |
| Interest and debt expense                                   | (483,190)                            | (181,966)    | (102,277)         | (44,203)             | -         | (154,744)  |

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|  |               |                             |                           |                           |             |                          |
|--|---------------|-----------------------------|---------------------------|---------------------------|-------------|--------------------------|
| Net gain on disposition of wholly owned and partially owned assets | 3,407         | -                           | -                         | 1,377                     | -           | 2,030                    |
| Income (loss) before income taxes                                  | 133,821       | 421,396                     | 84,359                    | 133,484                   | (362,377)   | (143,041)                |
| Income tax benefit (expense)                                       | 6,406         | (2,794)                     | 14,031                    | (2,311)                   | -           | (2,520)                  |
| Income (loss) from continuing operations                           | 140,227       | 418,602                     | 98,390                    | 131,173                   | (362,377)   | (145,561)                |
| Income (loss) from discontinued operations                         | 424,513       | 138,245                     | -                         | 287,536                   | -           | (1,268)                  |
| Net income (loss)  | 564,740       | 556,847                     | 98,390                    | 418,709                   | (362,377)   | (146,829)                |
| Less net (income) attributable to noncontrolling interests         | (88,769)      | (10,786)                    | -                         | (3,065)                   | -           | (74,918)                 |
| Net income (loss) attributable to Vornado                          | 475,971       | 546,061                     | 98,390                    | 415,644                   | (362,377)   | (221,747)                |
| Interest and debt expense <sup>(2)</sup>                           | 758,781       | 236,645                     | 116,131                   | 50,901                    | 181,586     | 173,518                  |
| Depreciation and amortization <sup>(2)</sup>                       | 732,757       | 293,974                     | 142,409                   | 72,161                    | 135,178     | 89,035                   |
| Income tax expense (benefit) <sup>(2)</sup>                        | 26,371        | 3,002                       | (15,707)                  | 2,311                     | 33,532      | 3,233                    |
| EBITDA <sup>(1)</sup>  | \$ 1,993,880  | \$ 1,079,682 <sup>(3)</sup> | \$ 341,223 <sup>(4)</sup> | \$ 541,017 <sup>(5)</sup> | \$ (12,081) | \$ 44,039 <sup>(6)</sup> |
| <b>Balance Sheet Data:</b>   |               |                             |                           |                           |             |                          |
| Real estate at cost  | \$ 18,354,626 | \$ 8,591,026                | \$ 4,243,048              | \$ 2,827,044              | \$ -        | \$ 2,693,508             |
| Investments in partially owned entities                            | 1,249,667     | 904,278                     | 100,543                   | 6,640                     | 83,224      | 154,982                  |
| Total assets   | 20,097,224    | 9,255,964                   | 4,107,636                 | 3,387,798                 | 83,224      | 3,262,602                |

See notes on  
page 142.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. Segment Information – continued

(Amounts in thousands)

For the Year Ended December 31, 2012  
Retail

|  | Total        | New York     | Washington,<br>DC | Properties | Toys   | Other      |
|--|--------------|--------------|-------------------|------------|--------|------------|
| Total revenues   | \$ 2,736,232 | \$ 1,354,874 | \$ 554,028        | \$ 370,177 | \$ -   | \$ 457,153 |
| Total expenses   | 2,071,663    | 851,512      | 360,056           | 324,096    | -      | 535,999    |
| Operating income (loss)  | 664,569      | 503,362      | 193,972           | 46,081     | -      | (78,846)   |
| Income (loss) from partially owned entities, including Toys        | 423,126      | 207,773      | (5,612)           | 1,458      | 14,859 | 204,648    |
| Income from Real Estate Fund                                       | 63,936       | -            | -                 | -          | -      | 63,936     |
| Interest and other investment (loss) income, net                   | (260,945)    | 4,230        | 126               | 27         | -      | (265,328)  |
| Interest and debt expense  | (493,713)    | (146,350)    | (115,574)         | (57,057)   | -      | (174,732)  |
| Net gain on disposition of wholly owned and partially owned assets | 13,347       | -            | -                 | 8,491      | -      | 4,856      |
| Income (loss) before income taxes                                  | 410,320      | 569,015      | 72,912            | (1,000)    | 14,859 | (245,466)  |
|  | (8,132)      | (3,491)      | (1,650)           | -          | -      | (2,991)    |

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|   |               |                             |                           |                           |            |                          |
|---|---------------|-----------------------------|---------------------------|---------------------------|------------|--------------------------|
| Income tax expense  |               |                             |                           |                           |            |                          |
| Income (loss) from continuing operations                        | 402,188       | 565,524                     | 71,262                    | (1,000)                   | 14,859     | (248,457)                |
| Income from discontinued operations                             | 292,353       | 10,610                      | 167,766                   | 39,357                    | -          | 74,620                   |
| Net income (loss)   | 694,541       | 576,134                     | 239,028                   | 38,357                    | 14,859     | (173,837)                |
| Less net (income) loss attributable to noncontrolling interests | (77,281)      | (2,138)                     | -                         | 1,812                     | -          | (76,955)                 |
| Net income (loss) attributable to Vornado                       | 617,260       | 573,996                     | 239,028                   | 40,169                    | 14,859     | (250,792)                |
| Interest and debt expense <sup>(2)</sup>                        | 760,523       | 187,855                     | 133,625                   | 73,828                    | 147,880    | 217,335                  |
| Depreciation and amortization <sup>(2)</sup>                    | 735,293       | 252,257                     | 157,816                   | 86,529                    | 135,179    | 103,512                  |
| Income tax expense (benefit) <sup>(2)</sup>                     | 7,026         | 3,751                       | 1,943                     | -                         | (16,629)   | 17,961                   |
| EBITDA <sup>(1)</sup>   | \$ 2,120,102  | \$ 1,017,859 <sup>(3)</sup> | \$ 532,412 <sup>(4)</sup> | \$ 200,526 <sup>(5)</sup> | \$ 281,289 | \$ 88,016 <sup>(6)</sup> |
| <b>Balance Sheet Data:</b>                                      |               |                             |                           |                           |            |                          |
| Real estate at cost   | \$ 18,238,218 | \$ 8,855,243                | \$ 4,171,879              | \$ 2,812,911              | \$ -       | \$ 2,398,185             |
| Investments in partially owned entities                         | 1,704,297     | 576,336                     | 95,670                    | 7,083                     | 478,041    | 547,167                  |
| Total assets  | 22,065,049    | 9,215,438                   | 4,196,694                 | 3,589,633                 | 478,041    | 4,585,243                |
| See notes on page 142.  |               |                             |                           |                           |            |                          |



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. Segment Information – continued

(Amounts in thousands)

For the Year Ended December 31, 2011  
Retail

|  | Total        | New York     | Washington,<br>DC | Properties | Toys   | Other      |
|--|--------------|--------------|-------------------|------------|--------|------------|
| Total revenues   | \$ 2,702,808 | \$ 1,333,280 | \$ 603,317        | \$ 374,482 | \$ -   | \$ 391,729 |
| Total expenses   | 1,890,582    | 841,863      | 369,255           | 215,075    | -      | 464,389    |
| Operating income (loss)  | 812,226      | 491,417      | 234,062           | 159,407    | -      | (72,660)   |
| Income (loss) from partially owned entities, including Toys        | 118,612      | 12,062       | (6,381)           | 2,700      | 48,540 | 61,691     |
| Income from Real Estate Fund                                       | 22,886       | -            | -                 | -          | -      | 22,886     |
| Interest and other investment income (loss), net                   | 148,783      | 4,245        | 199               | (33)       | -      | 144,372    |
| Interest and debt expense  | (519,157)    | (151,728)    | (115,456)         | (64,592)   | -      | (187,381)  |
| Net gain on disposition of wholly owned and partially owned assets | 15,134       | -            | -                 | 4,278      | -      | 10,856     |
| Income (loss) before income taxes                                  | 598,484      | 355,996      | 112,424           | 101,760    | 48,540 | (20,236)   |
|  | (23,925)     | (2,084)      | (2,690)           | (34)       | -      | (19,117)   |

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|   |               |                           |                           |                           |            |                           |
|---|---------------|---------------------------|---------------------------|---------------------------|------------|---------------------------|
| Income tax expense  |               |                           |                           |                           |            |                           |
| Income (loss) from continuing operations                        | 574,559       | 353,912                   | 109,734                   | 101,726                   | 48,540     | (39,353)                  |
| Income from discontinued operations                             | 165,441       | 11,155                    | 52,390                    | 27,557                    | -          | 74,339                    |
| Net income  | 740,000       | 365,067                   | 162,124                   | 129,283                   | 48,540     | 34,986                    |
| Less net (income) loss attributable to noncontrolling interests | (77,698)      | (10,042)                  | -                         | 237                       | -          | (67,893)                  |
| Net income (loss) attributable to Vornado                       | 662,302       | 355,025                   | 162,124                   | 129,520                   | 48,540     | (32,907)                  |
| Interest and debt expense <sup>(2)</sup>                        | 797,920       | 181,740                   | 134,270                   | 82,608                    | 157,135    | 242,167                   |
| Depreciation and amortization <sup>(2)</sup>                    | 777,421       | 247,630                   | 181,560                   | 91,040                    | 134,967    | 122,224                   |
| Income tax expense (benefit) <sup>(2)</sup>                     | 4,812         | 2,170                     | 3,123                     | 34                        | (1,132)    | 617                       |
| EBITDA <sup>(1)</sup>   | \$ 2,242,455  | \$ 786,565 <sup>(3)</sup> | \$ 481,077 <sup>(4)</sup> | \$ 303,202 <sup>(5)</sup> | \$ 339,510 | \$ 332,101 <sup>(6)</sup> |
| <b>Balance Sheet Data:</b>                                      |               |                           |                           |                           |            |                           |
| Real estate at cost   | \$ 16,421,701 | \$ 6,991,960              | \$ 4,176,894              | \$ 2,898,501              | \$ -       | \$ 2,354,346              |
| Investments in partially owned entities                         | 1,740,459     | 536,393                   | 113,536                   | 7,747                     | 506,809    | 575,974                   |
| Total assets  | 20,446,487    | 7,130,240                 | 4,150,140                 | 3,748,303                 | 506,809    | 4,910,995                 |
| See notes on the following page.                                |               |                           |                           |                           |            |                           |

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. 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 (benefit) in the reconciliation of net income (loss) to EBITDA includes our share of these items from partially owned entities.
- (3) The elements of "New York" EBITDA are summarized below.

**For the Year Ended December 31,**

| (Amounts in thousands)     | 2013         | 2012         | 2011       |
|----------------------------|--------------|--------------|------------|
| Office <sup>(a)</sup>      | \$ 759,941   | \$ 568,518   | \$ 539,734 |
| Retail                     | 246,808      | 189,484      | 163,033    |
| Alexander's <sup>(b)</sup> | 42,210       | 231,402      | 53,663     |
| Hotel Pennsylvania         | 30,723       | 28,455       | 30,135     |
| Total New York             | \$ 1,079,682 | \$ 1,017,859 | \$ 786,565 |

(a) 2013 includes a \$127,512 net gain on sale of real estate.

(b) 2012 includes \$179,934 for our share of net gain on sale of Kings Plaza.

- (4) The elements of "Washington, DC" EBITDA are summarized below.

**For the Year Ended December 31,**

| (Amounts in thousands)                   | 2013       | 2012       | 2011       |
|--|------------|------------|------------|
| Office, excluding the Skyline Properties |            |            |            |
| (a)                                      | \$ 268,373 | \$ 449,448 | \$ 385,285 |
| Skyline properties                       | 29,499     | 40,037     | 56,148     |
| Total Office                             | 297,872    | 489,485    | 441,433    |
| Residential                              | 43,351     | 42,927     | 39,644     |
| Total Washington, DC                     | \$ 341,223 | \$ 532,412 | \$ 481,077 |

(a) 2012 includes a \$163,367 net gain on sale of real estate.

- (5) The elements of "Retail Properties" EBITDA are summarized below.

**For the Year Ended December 31,**

| (Amounts in thousands)                | 2013       | 2012       | 2011       |
|---------------------------------------|------------|------------|------------|
| Strip shopping centers <sup>(a)</sup> | \$ 285,612 | \$ 172,708 | \$ 210,022 |
| Regional malls <sup>(b)</sup>         | 255,405    | 27,818     | 93,180     |
| Total Retail properties               | \$ 541,017 | \$ 200,526 | \$ 303,202 |

(a) 2013 includes \$81,806 of net gains on sale of real estate, \$59,599 of income pursuant to a settlement agreement with Stop & Shop and a \$19,000 real estate impairment loss. 2012 includes \$15,821 of net gains on sale of real estate and a \$33,775 real estate impairment loss.

(b)

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2013 includes a \$202,275 net gain on sale of the Green Acres Mall and a \$13,443 real estate impairment loss. 2012 includes a \$70,100 real estate impairment loss.

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. Segment Information – continued

## Notes to preceding tabular information:

(6) The elements of "other" EBITDA from continuing operations are summarized below.

(Amounts in thousands)

|  | For the Year Ended December 31, |           |          |
|--|---------------------------------|-----------|----------|
|  | 2013                            | 2012      | 2011     |
| Our share of Real Estate Fund:   |                                 |           |          |
| Income before net realized/unrealized gains                                      | \$ 1,676                        | \$ 4,926  | \$ 4,205 |
| Net unrealized gains   | 21,443                          | 13,840    | 2,999    |
| Net realized gains   | 2,046                           | -         | 1,348    |
| Carried interest   | 24,306                          | 5,838     | 736      |
| Total  | 49,471                          | 24,604    | 9,288    |
| Merchandise Mart Building, 7 West 34th Street and trade shows                    | 74,270                          | 62,470    | 50,406   |
| 555 California Street  | 42,667                          | 46,167    | 44,724   |
| India real estate ventures   | 5,841                           | 3,654     | 7,037    |
| LNR <sup>(a)</sup>   | 20,443                          | 75,202    | 47,614   |
| Lexington <sup>(b)</sup>   | 6,931                           | 32,595    | 34,779   |
| Other investments  | 18,981                          | 25,612    | 26,092   |
|  | 218,604                         | 270,304   | 219,940  |
| Corporate general and administrative expenses <sup>(c)</sup>                     | (94,904)                        | (89,082)  | (85,922) |
| Investment income and other, net <sup>(c)</sup>                                  | 46,525                          | 45,563    | 55,202   |
| Net gain on sale of marketable securities, land parcels and residential          |                                 |           |          |
| condominiums   | 56,868                          | 4,856     | 10,904   |
| Loss on sale of J.C. Penney common shares  | (54,914)                        | -         | -        |
| Non-cash impairment loss on J.C. Penney common shares                            | (39,487)                        | (224,937) | -        |
| (Loss) income from the mark-to-market of J.C. Penney derivative position         | (33,487)                        | (75,815)  | 12,984   |
| Acquisition related costs and impairment losses                                  | (24,857)                        | (17,386)  | (5,925)  |
| Severance costs (primarily reduction in force at the Merchandise Mart)           | (5,492)                         | (3,005)   | (4,226)  |
| Purchase price fair value adjustment and accelerated amortization of             |                                 |           |          |
| discount on investment in subordinated debt of Independence Plaza                | -                               | 105,366   | -        |
| Merchandise Mart discontinued operations (including net gains on sale of assets) | -                               | 93,588    | 97,272   |
| Net gain resulting from Lexington's stock issuance and asset acquisition         | -                               | 28,763    | 9,760    |

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|  |           |           |            |
|--|-----------|-----------|------------|
| Verde Realty impairment loss   | -         | (4,936)   | -          |
| Mezzanine loans loss reversal and net gain on disposition                        | -         | -         | 82,744     |
| Non-cash impairment loss on India land parcel                                    | -         | -         | (13,794)   |
| Net gain from Suffolk Downs' sale of a partial interest                          | -         | -         | 12,525     |
| Real Estate Fund placement fees  | -         | -         | (3,451)    |
| Net income attributable to noncontrolling interests in the Operating Partnership | (23,659)  | (35,327)  | (41,059)   |
| Preferred unit distributions of the Operating Partnership                        | (1,158)   | (9,936)   | (14,853)   |
|  | \$ 44,039 | \$ 88,016 | \$ 332,101 |

(a) On April 19, 2013, LNR was sold (see page 113 for details).

(b) In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale. This investment was previously accounted for under the equity method (see page 110 for details).

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

**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, 2013, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework (1992)* 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, 2013 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, 2013 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 145, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2013.



**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, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* 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, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* 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, 2013 of the Company and our report dated February 24, 2014 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 24, 2014

**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, 2013, 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**

| <b>Name</b>        | <b>Age</b> | <b>(Current and during past five years with Vornado unless otherwise stated)</b>   |
|--------------------|------------|--|
| Steven Roth        | 72         | Chairman of the Board; Chief Executive Officer since April 2013 and 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 J. Franco  | 45         | 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 | 62         | President of the New York 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      | 68         | Executive Vice President - Finance and Chief Administrative Officer since June 2013; Executive Vice President - Finance and Administration from January 1998 to June 2013, and Chief Financial Officer from March 2001 to June 2013; 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. |
| Robert Minutoli    | 63         |  |

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|                    |    |   |
|--------------------|----|---|
|                    |    | Executive Vice President - Retail since April 2013; Senior Vice President - Retail from April 2009 to April 2013.   |
| Mitchell N. Schear | 55 | President of Vornado/Charles E. Smith L.P. (our Washington, DC division) since April 2003; President of the Kaempfer Company from 1998 to April 2003 (date acquired by us).   |
| Wendy Silverstein  | 53 | 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. |
| Stephen W. Theriot | 54 | Chief Financial Officer since June 2013; Partner at Deloitte & Touche LLP (1994 - 2013) and most recently, leader of its Northeast Real Estate practice (2011 - 2013).  |

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Steven Roth, its principal executive officer, and Stephen W. Theriot, its principal financial and accounting officer. This Code is available on our website at [www.vno.com](http://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, 2013 regarding our equity compensation plans.

| <b>Plan Category</b>  | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted-average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)</b> |
|---|--|--|---|
| Equity compensation plans approved                          |  |  |   |
| by security holders   | 4,732,733 <sup>(1)</sup>   | \$ 67.51   | 4,672,329 <sup>(2)</sup>  |
| Equity compensation awards not approved by security holders | -  | -  | -   |
| <b>Total</b>  | <b>4,732,733</b>   | <b>\$ 67.51</b>  | <b>4,672,329</b>  |

- (1) Includes an aggregate of 1,484,034 shares/units, comprised of (i) 29,664 restricted common shares, (ii) 978,232 restricted Operating Partnership units and (iii) 476,138 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 9,344,658.

**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.

|   | <b>Pages in this<br/>Annual Report<br/>on Form 10-K</b> |
|---|---|
| II--Valuation and Qualifying Accounts--years ended December 31, 2013, 2012 and 2011 | 150   |
| III--Real Estate and Accumulated Depreciation as of December 31, 2013               | 151   |

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 |
| 101.INS | XBRL Instance Document                                    |
| 101.SCH | XBRL Taxonomy Extension Schema                            |

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|         |   |
|---------|---|
| 101.CAL | <a href="#">XBRL Taxonomy Extension Calculation Linkbase</a>  |
| 101.DEF | <a href="#">XBRL Taxonomy Extension Definition Linkbase</a>   |
| 101.LAB | <a href="#">XBRL Taxonomy Extension Label Linkbase</a>        |
| 101.PRE | <a href="#">XBRL Taxonomy Extension Presentation Linkbase</a> |



**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 24, 2014

By: /s/ Stephen W. Theriot  
Stephen W. Theriot, 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:

| <b>Signature</b>  | <b>Title</b>   | <b>Date</b>       |
|---|--|-------------------|
| By: /s/Steven Roth<br>(Steven Roth)                     | Chairman of the Board of Trustees<br>and Chief Executive Officer | February 24, 2014 |
| By: /s/Michael D. Fascitelli<br>(Michael D. Fascitelli) | Trustee  | February 24, 2014 |
| By: /s/Candace K. Beinecke<br>(Candace K. Beinecke)     | Trustee  | February 24, 2014 |
| By: /s/Robert P. Kogod<br>(Robert P. Kogod)             | Trustee  | February 24, 2014 |
| By: /s/Michael Lynne<br>(Michael Lynne)                 | Trustee  | February 24, 2014 |
| By: /s/David Mandelbaum<br>(David Mandelbaum)           | Trustee  | February 24, 2014 |
| By: /s/Ronald G. Targan<br>(Ronald G. Targan)           | Trustee  | February 24, 2014 |
| By: /s/Daniel R. Tisch<br>(Daniel R. Tisch)             | Trustee  | February 24, 2014 |

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By: /s/Richard R. West                      Trustee    February 24, 2014  
    (Richard R. West)

By: /s/Russell B. Wight                      Trustee    February 24, 2014  
    (Russell B. Wight, Jr.)

By: /s/ Stephen W. Theriot                      Chief Financial Officer    February 24, 2014  
    (Stephen W. Theriot)                      (Principal Financial and Accounting Officer)

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**VORNADO REALTY TRUST  
SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS**

**December 31, 2013**

(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    |
| 2013:                                | of Year    | Against     | Written-off   | of Year   |
| Allowance for doubtful accounts      | \$ 40,839  | \$ 11,417   | \$ (20,187)   | \$ 32,069 |
| <b>Year Ended December 31, 2012:</b> |            |             |               |           |
| Allowance for doubtful accounts      | \$ 46,531  | \$ 9,697    | \$ (15,389)   | \$ 40,839 |
| <b>Year Ended December 31, 2011:</b> |            |             |               |           |
| Allowance for doubtful accounts      | \$ 140,780 | \$ (56,995) | \$ (37,254)   | \$ 46,531 |

**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   | Land       | Initial cost to company (1) |                  | Costs capitalized subsequent to acquisition | Gross amount at which carried at close of period |               |              | Accumulated depreciation and amortization | Date of construction (3) | Date acquired | is       |
|   |            | Building                    | and improvements |   | Land improvements                                | Buildings and | Total (2)    |   |                          |               |          |
| New York New York Manhattan 1290 Avenue of the Americas | \$ 950,000 | \$ 515,539                  | \$ 923,653       | \$ 113,956                                  | \$ 515,539                                       | \$ 1,037,609  | \$ 1,553,148 | \$ 177,161                                | 1963                     | 2007          |          |
| 350 Park Avenue 666 Fifth Avenue (Retail) Cond          | \$ 100,000 | 265,889                     | 363,381          | 34,075                                      | 265,889  | 397,456       | 663,345      | 70,876                                    | 1960                     | 2006          |          |
| One Penn Plaza 100 West 33rd Street (Manhattan) Mal     | \$ 100,000 | 189,005                     | 471,072          | -   | 189,005  | 471,072       | 660,077      | 13,011                                    |                          | 2012          |          |
| 1540 Broadway 655 Fifth Avenue                          | -          | -                           | 412,169          | 181,159                                     | -  | 593,328       | 593,328      | 227,919                                   | 1972                     | 1998          |          |
|   | \$ 23,242  | 242,776                     | 247,970          | 12,661                                      | 242,776  | 260,631       | 503,407      | 44,717                                    | 1911                     | 2007          |          |
|   | -          | 105,914                     | 214,208          | 25,955                                      | 105,914  | 240,163       | 346,077      | 28,847                                    |                          | 2006          |          |
|   | -          | 102,594                     | 231,903          | -   | 102,594  | 231,903       | 334,497      | 1,461                                     |                          | 2013          |          |

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|  |   |   |   |   |  |   |   |   |  |  |
|--|---|---|---|---|--|---|---|---|--|--|
| Two Penn Plaza 1535 Broadway (Marriott Marquis) - Manhattan Mall 770 Broadway 90 Park Avenue 888 Seventh Avenue 909 Third Avenue 1104 Eleventh Penn Plaza 640 Fifth Avenue 1740 Broadway 150 East 58th Street 595 Madison Avenue 828-850 Madison Avenue 4 Union Square South 510 Fifth Avenue 478-482 Broadway 20 Broad Street - - | 425,000<br>-<br>101,758<br>253,000<br>-<br>118,554<br>104,910<br>450,000<br>-<br>-<br>39,303<br>-<br>80,000<br>120,000<br>30,740<br>-<br>-<br>- | 53,615<br>-<br>88,595<br>52,898<br>8,000<br>-<br>-<br>40,333<br>38,224<br>26,971<br>39,303<br>62,731<br>107,937<br>24,079<br>34,602<br>20,000<br>-<br>- | 164,903<br>249,285<br>113,473<br>95,686<br>175,890<br>117,269<br>120,723<br>85,259<br>25,992<br>102,890<br>80,216<br>62,888<br>28,261<br>55,220<br>18,728<br>13,375<br>28,760<br>26,388 | 84,924<br>42,816<br>72,225<br>90,361<br>40,927<br>105,383<br>85,724<br>61,146<br>113,404<br>38,868<br>31,394<br>19,656<br>10<br>2,233<br>18,737<br>27,843<br>27,401<br>12,411 | 52,689<br>-<br>88,595<br>52,898<br>8,000<br>-<br>-<br>40,333<br>38,224<br>26,971<br>39,303<br>62,731<br>107,937<br>24,079<br>34,602<br>20,000<br>- | 250,753<br>292,101<br>185,698<br>186,047<br>216,817<br>222,652<br>206,447<br>146,405<br>139,396<br>141,758<br>111,610<br>82,544<br>28,271<br>57,453<br>37,465<br>41,218<br>56,161<br>38,799 | 303,442<br>292,101<br>274,293<br>238,945<br>224,817<br>222,652<br>206,447<br>186,738<br>177,620<br>168,729<br>150,913<br>145,275<br>136,208<br>81,532<br>72,067<br>61,218<br>56,161<br>54,531 | 117,909<br>-<br>38,089<br>73,059<br>90,125<br>90,120<br>62,044<br>62,040<br>62,664<br>56,364<br>45,234<br>28,720<br>6,124<br>13,383<br>3,269<br>5,419<br>18,774<br>14,314 | 1968<br>-<br>2009<br>1907<br>1964<br>1980<br>1969<br>1923<br>1950<br>1950<br>1969<br>1968<br>-<br>1965/2004<br>-<br>2009<br>1956<br>1987 | 1997<br>2012<br>2007<br>1998<br>1997<br>1998<br>1999<br>1997<br>1997<br>1998<br>1999<br>1997<br>1993<br>2010<br>2007<br>1998<br>1998 |
|--|---|---|---|---|--|---|---|---|--|--|

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|   |        |        |        |        |        |        |        |       |      |      |
|---|--------|--------|--------|--------|--------|--------|--------|-------|------|------|
| 40<br>Fulton<br>Street<br>443<br>Broadway | -      | 11,187 | 41,186 | -      | 11,187 | 41,186 | 52,373 | 608   |      | 2013 |
| 40<br>East<br>66th<br>Street              | -      | 13,616 | 34,635 | 121    | 13,616 | 34,756 | 48,372 | 6,957 |      | 2005 |
| 155<br>Spring<br>Street                   | -      | 13,700 | 30,544 | 2,545  | 13,700 | 33,089 | 46,789 | 5,780 |      | 2007 |
| 689<br>Fifth<br>Avenue                    | -      | 19,721 | 13,446 | 10,237 | 19,721 | 23,683 | 43,404 | 8,387 | 1925 | 1998 |
| 435<br>Seventh<br>Avenue                  | 18,000 | 19,893 | 19,091 | 43     | 19,893 | 19,134 | 39,027 | 5,480 | 2002 | 1997 |
| 3040<br>M<br>Street                       | -      | 7,830  | 27,490 | 3,256  | 7,830  | 30,746 | 38,576 | 5,996 |      | 2006 |
| 692<br>Broadway                           | -      | 6,053  | 22,908 | 3,388  | 6,053  | 26,296 | 32,349 | 5,369 |      | 2005 |
| 715<br>Lexington<br>Avenue                | -      | -      | 26,903 | -      | -      | 26,903 | 26,903 | 5,864 | 1923 | 2001 |
| 677-679<br>Madison<br>Avenue              | -      | 13,070 | 9,640  | 388    | 13,070 | 10,028 | 23,098 | 1,890 |      | 2006 |
| 330<br>West<br>34th<br>Street             | -      | -      | 8,599  | 13,610 | -      | 22,209 | 22,209 | 2,764 | 1925 | 1998 |
| 484-486<br>Broadway                       | -      | 10,000 | 6,688  | 5,054  | 10,000 | 11,742 | 21,742 | 1,432 | 2009 | 2007 |
| 1135<br>Third<br>Avenue                   | -      | 7,844  | 7,844  | 4,173  | 7,844  | 12,017 | 19,861 | 33    |      | 1997 |
| 431<br>Seventh<br>Avenue                  | -      | 16,700 | 2,751  | -      | 16,700 | 2,751  | 19,451 | 464   |      | 2007 |
| 267<br>West<br>34th<br>Street             | -      | 5,099  | 10,037 | -      | 5,099  | 10,037 | 15,136 | 42    |      | 2013 |
| 334<br>Canal<br>Street                    | -      | 1,693  | 6,507  | 4,815  | -      | 13,015 | 13,015 | -     |      | 2011 |



**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                                    |                  |                  |   |                          |               |
| 1540 Broadway Garage      | - \$             | 4,086 \$                    | 8,914 \$         | - \$  | 4,086 \$   | 8,914 \$         | 13,000 \$        | 1,687                                     | 1990                     | 200           |
| 966 Third Avenue          | -                | 8,869                       | 3,631            | -   | 8,869  | 3,631            | 12,500           | 30  |                          | 201           |
| 148 Spring Street         | -                | 3,200                       | 8,112            | 374   | 3,200  | 8,486            | 11,686           | 1,159                                     |                          | 200           |
| 608 Fifth Avenue          | -                | -                           | -                | 10,572                                      | -  | 10,572           | 10,572           | -   | 1932                     | 201           |
| 150 Spring Street         | -                | 3,200                       | 5,822            | 192   | 3,200  | 6,014            | 9,214            | 860                                       |                          | 200           |
| 488 Eighth Avenue         | -                | 10,650                      | 1,767            | (4,671)                                     | 6,862  | 884              | 7,746            | 134                                       |                          | 200           |
| 484 Eighth Avenue         | -                | 3,856                       | 762              | 299   | 3,856  | 1,061            | 4,917            | 324                                       |                          | 199           |
| 825 Seventh Avenue        | -                | 1,483                       | 697              | 33  | 1,483  | 730              | 2,213            | 302                                       |                          | 199           |
| Other (Primarily Signage) | -                | -                           | 5,548            | 43,641                                      | -  | 49,189           | 49,189           | 9,669                                     |                          |               |
| <b>Total New York</b>     | <b>4,035,204</b> | <b>2,216,487</b>            | <b>4,733,084</b> | <b>1,341,339</b>                            | <b>2,210,080</b>                                 | <b>6,080,830</b> | <b>8,290,910</b> | <b>1,416,874</b>                          |                          |               |
| <b>New Jersey</b>         |                  |                             |                  |   |  |                  |                  |   |                          |               |



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|   |           |           |           |           |           |           |           |           |           |     |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----|
| Paramus   | -         | -         | -         | 27,673    | 1,033     | 26,640    | 27,673    | 15,897    | 1967      | 198 |
| <b>Other Properties</b>                             |           |           |           |           |           |           |           |           |           |     |
| Hotel Pennsylvania                                  | -         | 29,903    | 121,712   | 78,876    | 29,903    | 200,588   | 230,491   | 80,180    | 1919      | 199 |
| Total New York                                      | 4,035,204 | 2,246,390 | 4,854,796 | 1,447,888 | 2,241,016 | 6,308,058 | 8,549,074 | 1,512,951 |           |     |
| Washington, DC                                      |           |           |           |           |           |           |           |           |           |     |
| <b>Washington, DC</b>                               |           |           |           |           |           |           |           |           |           |     |
| 2011-2451 Crystal Drive                             | 226,855   | 100,935   | 409,920   | 132,550   | 100,228   | 543,177   | 643,405   | 181,658   | 1984-1989 | 200 |
| 2001 Jefferson Davis Highway, 2100/2200             |           |           |           |           |           |           |           |           |           |     |
| Crystal Drive, 223                                  |           |           |           |           |           |           |           |           |           |     |
| 23rd Street, 2221                                   |           |           |           |           |           |           |           |           |           |     |
| South Clark Street, Crystal City Shops at 2100, 220 |           |           |           |           |           |           |           |           |           |     |
| 20th Street   | 72,579    | 57,213    | 131,206   | 183,233   | 57,070    | 314,582   | 371,652   | 73,439    | 1964-1969 | 200 |
| 1550-1750 Crystal Drive/ 241-251                    |           |           |           |           |           |           |           |           |           |     |
| 18th Street   | 112,987   | 64,817    | 218,330   | 74,331    | 64,652    | 292,826   | 357,478   | 90,441    | 1974-1980 | 200 |
| Riverhouse Apartments                               | 59,546    | 118,421   | 125,078   | 64,211    | 138,696   | 169,014   | 307,710   | 29,476    |           | 200 |
| Skyline Place (6 buildings)                         | 458,569   | 41,986    | 221,869   | 29,071    | 41,862    | 251,064   | 292,926   | 78,373    | 1973-1984 | 200 |
| 1215, 1225  |           |           |           |           |           |           |           |           |           |     |

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|  |         |         |         |         |        |         |         |        |           |     |
|--|---------|---------|---------|---------|--------|---------|---------|--------|-----------|-----|
| S. Clark Street/ 200, 201 12th Street S. 1229-1231   | 60,674  | 47,594  | 177,373 | 32,917  | 47,465 | 210,419 | 257,884 | 66,549 | 1983-1987 | 200 |
| 25th Street (West End 25) 2101 L Street 1800, 1851 and 1901 South Bell Street 2200 / 2300 Clarendon Blvd Met Park / Warehouses Bowen Building - 875 15th Street, NW One Skyline Tower 1875 Connecticut Ave, NW | 101,671 | 67,049  | 5,039   | 106,456 | 68,198 | 110,346 | 178,544 | 11,499 |           | 200 |
|  | 150,000 | 32,815  | 51,642  | 83,379  | 39,768 | 128,068 | 167,836 | 26,103 | 1975      | 200 |
|  | -       | 37,551  | 118,806 | (9,349) | 37,551 | 109,457 | 147,008 | 30,997 | 1968      | 200 |
|  | 41,279  | -       | 105,475 | 40,977  | -      | 146,452 | 146,452 | 47,179 | 1988-1989 | 200 |
|  | -       | 106,946 | 1,326   | 26,591  | 82,897 | 51,966  | 134,863 | 1,237  |           | 200 |
|  | 115,022 | 30,077  | 98,962  | 1,712   | 30,176 | 100,575 | 130,751 | 21,759 | 2004      | 200 |
|  | 139,536 | 12,266  | 75,343  | 35,222  | 12,231 | 110,600 | 122,831 | 34,684 | 1988      | 200 |
|  | -       | 36,303  | 82,004  | 4,447   | 35,886 | 86,868  | 122,754 | 18,030 | 1963      | 200 |



**VORNADO REALTY TRUST**  
**SCHEDULE III**  
**REAL ESTATE AND ACCUMULATED DEPRECIATION**  
(Amounts in thousands)

| COLUMN<br>A                            | COLUMN<br>B  | COLUMN C                       |              | COLUMN<br>D   | COLUMN E  |              |            | COLUMN<br>F  | COLUMN<br>G                    |
|--|--------------|--------------------------------|--------------|---|---|--------------|------------|--|--------------------------------|
| Description                            | Encumbrances | Initial cost to company<br>(1) |              | Costs<br>capitalized<br>subsequent<br>to<br>acquisition | Gross amount at which<br>carried at close of period |              |            | Accumulated<br>depreciation<br>and<br>amortization | Date of<br>construction<br>(3) |
|  |              | Land                           | improvements |   | Land  | improvements | Total (2)  |  |                                |
| 1399 New York Avenue, NW               | \$ -         | \$ 33,481                      | \$ 67,363    | \$ 4,236  | \$ 34,178   | \$ 70,902    | \$ 105,080 | \$ 4,880   |                                |
| 1825 Connecticut Ave, NW               | -            | 33,090                         | 61,316       | (5,122)   | 32,726  | 56,558       | 89,284     | 11,695   | 1956                           |
| 1235 S. Clark Street                   | -            | 15,826                         | 53,894       | 17,221  | 15,826  | 71,115       | 86,941     | 20,001   | 1981                           |
| Commerce Executive Seven Skyline Place | 104,419      | 10,292                         | 58,351       | 2,210   | 10,262  | 60,591       | 70,853     | 16,367   | 2001                           |
| Crystal City Hotel                     | -            | 8,000                          | 47,191       | 8,993   | 8,000   | 56,184       | 64,184     | 12,890   | 1968                           |
| 1150 17th Street                       | 28,728       | 23,359                         | 24,876       | 15,276  | 24,723  | 38,788       | 63,511     | 13,523   | 1970                           |
| 1750 Pennsylvania Avenue               | -            | 20,020                         | 30,032       | 5,410   | 21,170  | 34,292       | 55,462     | 9,446  | 1964                           |
| H Street - North 10-1D Land Parcel     | -            | 104,473                        | 55           | (49,301)  | 46,866  | 8,361        | 55,227     | -  |                                |
| 1730 M Street                          | 14,853       | 10,095                         | 17,541       | 9,867   | 10,687  | 26,816       | 37,503     | 10,017   | 1963                           |
| Democracy Plaza One                    | -            | -                              | 33,628       | 2,772   | -   | 36,400       | 36,400     | 15,039   | 1987                           |
| 1726 M Street                          | -            | 9,450                          | 22,062       | 3,588   | 9,455   | 25,645       | 35,100     | 5,270  | 1964                           |
| Crystal Drive Retail                   | -            | -                              | 20,465       | 5,753   | -   | 26,218       | 26,218     | 9,985  | 2004                           |

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|                                       |           |           |           |          |         |           |           |         |      |
|---------------------------------------|-----------|-----------|-----------|----------|---------|-----------|-----------|---------|------|
| 1109 South Capitol Street             | -         | 11,541    | 178       | (205)    | 11,597  | (83)      | 11,514    | -       |      |
| South Capitol H Street                | -         | 4,009     | 6,273     | (2,078)  | -       | 8,204     | 8,204     | -       |      |
| Other                                 | -         | 1,763     | 641       | 41       | 1,763   | 682       | 2,445     | 143     |      |
| Total                                 | -         | -         | 51,767    | (42,411) | -       | 9,356     | 9,356     | 45      |      |
| Washington, DC                        | 1,886,718 | 1,052,773 | 2,376,711 | 796,471  | 997,073 | 3,228,882 | 4,225,955 | 865,303 |      |
| <b>Retail Properties California</b>   |           |           |           |          |         |           |           |         |      |
| Los Angeles (Beverly Connection)      | -         | 72,996    | 131,510   | 25,162   | 72,995  | 156,673   | 229,668   | 26,727  | 2008 |
| Walnut Creek (1149 S. Main St)        | -         | 2,699     | 19,930    | -        | 2,699   | 19,930    | 22,629    | 4,088   |      |
| Signal Hill                           | -         | 9,652     | 2,940     | 1        | 9,652   | 2,941     | 12,593    | 533     |      |
| Walnut Creek (1556 Mount Diablo Blvd) | -         | 5,909     | -         | 1,536    | 5,908   | 1,537     | 7,445     | 73      |      |
| Vallejo                               | -         | -         | 2,945     | 221      | -       | 3,166     | 3,166     | 549     |      |
| Colton (1904 North Rancho Avenue)     | -         | 1,239     | 954       | -        | 1,239   | 954       | 2,193     | 225     |      |
| Riverside (5571 Mission Blvd)         | -         | 209       | 704       | -        | 209     | 704       | 913       | 166     |      |
| Total California                      | -         | 92,704    | 158,983   | 26,920   | 92,702  | 185,905   | 278,607   | 32,361  |      |
| <b>Connecticut</b>                    |           |           |           |          |         |           |           |         |      |
| Waterbury                             | 13,941    | 667       | 4,504     | 4,111    | 667     | 8,615     | 9,282     | 5,746   | 1969 |
| Newington                             | 11,206    | 2,421     | 1,200     | 691      | 2,421   | 1,891     | 4,312     | 720     | 1965 |
| Total Connecticut                     | 25,147    | 3,088     | 5,704     | 4,802    | 3,088   | 10,506    | 13,594    | 6,466   |      |
| <b>Illinois</b>                       |           |           |           |          |         |           |           |         |      |
| Lansing                               | -         | 2,135     | 1,064     | 71       | 2,135   | 1,135     | 3,270     | 205     |      |

**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 | Costs capitalized subsequent to acquisition | Land     | Improvements | Total (2) | Accumulated depreciation and amortization | Date of construction (3) | Date acquired |
| <b>Iowa</b>                  |              |          |              |   |          |              |           |   |                          |               |
| Dubuque                      | \$ -         | \$ -     | \$ 1,479     | \$ -  | \$ -     | \$ 1,479     | \$ 1,479  | 266                                       |                          | 2009          |
| <b>Maryland</b>              |              |          |              |   |          |              |           |   |                          |               |
| Rockville                    | -            | 3,470    | 20,599       | 93  | 3,470    | 20,692       | 24,162    | 4,559                                     |                          | 2009          |
| Baltimore (Towson)           | 15,581       | 581      | 3,227        | 10,134                                      | 581      | 13,361       | 13,942    | 5,281                                     | 1968                     | 1990          |
| Annapolis                    | -            | -        | 9,652        | -   | -        | 9,652        | 9,652     | 2,705                                     |                          | 2009          |
| Wheaton                      | -            | -        | 5,367        | -   | -        | 5,367        | 5,367     | 973                                       |                          | 2009          |
| Glen Burnie                  | -            | 462      | 2,571        | 1,262                                       | 462      | 3,833        | 4,295     | 2,959                                     | 1958                     | 1990          |
| Total Maryland               | 15,581       | 4,513    | 41,416       | 11,489                                      | 4,513    | 52,905       | 57,418    | 16,477                                    |                          |               |
| <b>Massachusetts</b>         |              |          |              |   |          |              |           |   |                          |               |
| Springfield                  | 5,713        | 2,797    | 2,471        | 592   | 2,797    | 3,063        | 5,860     | 982                                       | 1993                     | 1990          |
| Chicopee                     | 8,282        | 895      | -            | -   | 895      | -            | 895       | -   | 1969                     | 1990          |
| Cambridge                    | -            | -        | -            | 260   | -        | 260          | 260       | 149                                       |                          |               |
| Total Massachusetts          | 13,995       | 3,692    | 2,471        | 852   | 3,692    | 3,323        | 7,015     | 1,131                                     |                          |               |
| <b>Michigan</b>              |              |          |              |   |          |              |           |   |                          |               |
| Roseville                    | -            | 30       | 6,128        | 1,461                                       | 30       | 7,589        | 7,619     | 2,223                                     |                          | 2009          |
| Battle Creek                 | -            | 1,264    | 2,144        | (2,443)                                     | 264      | 701          | 965       | 127                                       |                          | 2009          |
| Midland                      | -            | -        | 133          | -   | -        | 133          | 133       | 24  |                          | 2009          |
| Total Michigan               | -            | 1,294    | 8,405        | (982)                                       | 294      | 8,423        | 8,717     | 2,374                                     |                          |               |
| <b>New Hampshire</b>         |              |          |              |   |          |              |           |   |                          |               |
| Salem                        | -            | 6,083    | -            | -   | 6,083    | -            | 6,083     | -   |                          | 2009          |
| <b>New Jersey</b>            |              |          |              |   |          |              |           |   |                          |               |
| Paramus (Bergen Town Center) | 300,000      | 19,884   | 81,723       | 372,514                                     | 37,635   | 436,486      | 474,121   | 69,290                                    | 1957/2009                | 2009          |
| North Bergen (Tonnelle       | 75,000       | 24,493   | -            | 63,816                                      | 31,806   | 56,503       | 88,309    | 7,814                                     | 2009                     | 2009          |

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|  |        |        |        |        |        |        |        |        |           |       |
|--|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-------|
| Ave)<br>Union<br>(Springfield<br>Avenue) | 28,428 | 19,700 | 45,090 | -      | 19,700 | 45,090 | 64,790 | 7,421  |           | 20    |
| Wayne Towne<br>Center<br>East            | -      | -      | 26,137 | 11,926 | -      | 38,063 | 38,063 | 3,651  |           | 20    |
| Rutherford<br>Garfield                   | 13,558 | -      | 36,727 | 60     | -      | 36,787 | 36,787 | 4,582  | 2007      | 20    |
| East Hanover I<br>and II                 | -      | 45     | 8,068  | 25,807 | 45     | 33,875 | 33,920 | 5,413  | 2009      | 19    |
| Lodi<br>(Washington<br>Street)           | 42,696 | 2,232  | 18,241 | 11,224 | 2,671  | 29,026 | 31,697 | 14,988 | 1962      | 1962/ |
| Bricktown                                | 8,433  | 7,606  | 13,125 | 2,252  | 7,606  | 15,377 | 22,983 | 3,043  |           | 20    |
| Hazlet                                   | 31,872 | 1,391  | 11,179 | 6,224  | 1,391  | 17,403 | 18,794 | 11,699 | 1968      | 19    |
| Totowa                                   | -      | 7,400  | 9,413  | -      | 7,400  | 9,413  | 16,813 | 1,549  |           | 20    |
| Carlstadt<br>East                        | 24,710 | 120    | 11,994 | 4,561  | 120    | 16,555 | 16,675 | 12,369 | 1957/1999 | 19    |
| Brunswick II<br>(339-341<br>Route 18 S.) | -      | -      | 16,457 | 1      | -      | 16,458 | 16,458 | 2,546  |           | 20    |
| Marlton                                  | 11,754 | 2,098  | 10,949 | 2,938  | 2,098  | 13,887 | 15,985 | 8,842  | 1972      | 19    |
|  | 17,221 | 1,611  | 3,464  | 9,961  | 1,454  | 13,582 | 15,036 | 7,905  | 1973      | 19    |

**VORNADO REALTY TRUST**  
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(Amounts in thousands)

| COLUMN A                                   | COLUMN B          | COLUMN C                    | COLUMN D   | COLUMN E                                    | COLUMN F          | COLUMN G      | COLUMN H     |   |                          |               |
|--|-------------------|-----------------------------|--|---|-------------------|---------------|--------------|---|--------------------------|---------------|
| Description                                |                   | Initial cost to company (1) | Gross amount at which carried at close of period |   |                   |               |              | Accumulated depreciation and amortization | Date of construction (3) | Date acquired |
|  |                   |                             | Building and                                     | Costs capitalized subsequent to acquisition | Land improvements | Buildings and | Total (2)    |   |                          |               |
| Improvements                               | Land improvements | Building and                | Costs capitalized subsequent to acquisition      | Land improvements                           | Buildings and     | Total (2)     | amortization | (3)                                       | acquired                 |               |
| Hackensack Union (Route 22 and Morris Ave) | 40,455 \$         | 692 \$                      | 10,219 \$  | 2,911 \$                                    | 692 \$            | 13,130 \$     | 13,822 \$    | 9,301                                     | 1963                     | 1963          |
| Manalapan Cherry Hill                      | 32,255            | 3,025                       | 7,470  | 2,618                                       | 3,025             | 10,088        | 13,113       | 5,037                                     | 1962                     | 1962          |
| South Plainfield                           | 20,993            | 725                         | 7,189  | 4,924                                       | 1,046             | 11,792        | 12,838       | 7,868                                     | 1971                     | 1971          |
| Watchung                                   | 13,831            | 5,864                       | 2,694  | 3,821                                       | 4,864             | 7,515         | 12,379       | 3,807                                     | 1964                     | 1964          |
| Englewood                                  | 5,112             | -                           | 10,044   | 1,562                                       | -                 | 11,606        | 11,606       | 1,825                                     |                          | 2007          |
| Eatontown                                  | 15,034            | 4,178                       | 5,463  | 1,526                                       | 4,441             | 6,726         | 11,167       | 3,980                                     | 1994                     | 1959          |
| Dover                                      | 11,760            | 2,300                       | 17,245   | (8,390)                                     | 1,495             | 9,660         | 11,155       | 285                                       |                          | 2007          |
| Lodi (Route 17 N.)                         | -                 | 4,653                       | 4,999  | 326   | 4,653             | 5,325         | 9,978        | 1,210                                     |                          | 2005          |
| North Plainfield                           | 13,121            | 559                         | 6,363  | 2,962                                       | 559               | 9,325         | 9,884        | 6,380                                     | 1964                     | 1964          |
| Jersey City                                | 11,316            | 238                         | 9,446  | -   | 238               | 9,446         | 9,684        | 3,363                                     | 1999                     | 1975          |
| Morris Plains                              | -                 | 500                         | 13,983   | (5,785)                                     | 500               | 8,198         | 8,698        | 2,709                                     | 1955                     | 1989          |
| Middletown East Brunswick                  | 20,227            | 652                         | 7,495  | 468   | 652               | 7,963         | 8,615        | 2,621                                     | 1965                     | 1965          |
| I (325-333 Route 18 S.)                    | 21,321            | 1,104                       | 6,411  | 915   | 1,104             | 7,326         | 8,430        | 6,810                                     | 1961                     | 1985          |
| Woodbridge                                 | 17,330            | 283                         | 5,248  | 1,947                                       | 283               | 7,195         | 7,478        | 5,542                                     | 1963                     | 1963          |
|  | 24,820            | 319                         | 6,220  | 586   | 319               | 6,806         | 7,125        | 6,712                                     | 1957                     | 1957          |
|  | 20,610            | 1,509                       | 2,675  | 1,867                                       | 1,539             | 4,512         | 6,051        | 2,600                                     | 1959                     | 1959          |



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|  |         |         |         |          |         |         |           |         |      |      |
|--|---------|---------|---------|----------|---------|---------|-----------|---------|------|------|
| Delran                                       | -       | 756     | 4,468   | 724      | 756     | 5,192   | 5,948     | 5,192   | 1972 | 1972 |
| Lawnside                                     | 10,660  | 851     | 3,164   | 1,351    | 851     | 4,515   | 5,366     | 4,198   | 1969 | 1969 |
| Kearny                                       | -       | 309     | 3,376   | 1,211    | 309     | 4,587   | 4,896     | 3,530   | 1938 | 1959 |
| Bordentown                                   | -       | 498     | 3,176   | 1,178    | 713     | 4,139   | 4,852     | 4,058   | 1958 | 1958 |
| Turnersville                                 | -       | 900     | 1,342   | 1,094    | 900     | 2,436   | 3,336     | 2,195   | 1974 | 1974 |
| North Bergen (Kennedy Blvd)                  | 5,084   | 2,308   | 636     | 48       | 2,308   | 684     | 2,992     | 458     | 1993 | 1959 |
| Montclair                                    | 2,624   | 66      | 419     | 381      | 66      | 800     | 866       | 684     | 1972 | 1972 |
| Total New Jersey                             | 840,225 | 118,869 | 432,312 | 529,529  | 143,239 | 937,471 | 1,080,710 | 251,477 |      |      |
| New York Bronx (Bruckner Blvd)               | -       | 66,100  | 259,503 | (18,471) | 62,243  | 244,889 | 307,132   | 45,494  |      | 2007 |
| Hicksville (Broadway Mall)                   | -       | 126,324 | 48,904  | (79,777) | 64,513  | 30,938  | 95,451    | 2,748   |      | 2005 |
| Huntington Mt.                               | 16,619  | 21,200  | 33,667  | 1,377    | 21,200  | 35,044  | 56,244    | 5,292   |      | 2007 |
| Kisco  | 28,206  | 22,700  | 26,700  | 442      | 23,297  | 26,545  | 49,842    | 4,002   |      | 2007 |
| Poughkeepsie Bronx (1750-1780 Gun Hill Road) | -       | 6,427   | 11,885  | 19,156   | 6,428   | 31,040  | 37,468    | 4,109   | 2009 | 2005 |
| Staten Island                                | 17,000  | 11,446  | 21,262  | 959      | 11,446  | 22,221  | 33,667    | 5,454   |      | 2004 |
| Inwood Queens (99-01 Queens Blvd)            | -       | 12,419  | 19,097  | 588      | 12,419  | 19,685  | 32,104    | 4,413   |      | 2004 |
| West Babylon                                 | -       | 7,839   | 20,392  | 2,123    | 7,839   | 22,515  | 30,354    | 5,567   |      | 2004 |
| Buffalo (Amherst)                            | -       | 6,720   | 13,786  | 27       | 6,720   | 13,813  | 20,533    | 2,347   |      | 2007 |
| Freeport (437 E. Sunrise Highway)            | 21,321  | 1,231   | 4,747   | 1,453    | 1,231   | 6,200   | 7,431     | 5,178   | 1981 | 1981 |
| Dewitt                                       | -       | -       | 7,116   | -        | -       | 7,116   | 7,116     | 1,277   |      | 2006 |
| Oceanside                                    | -       | 2,710   | 2,306   | -        | 2,710   | 2,306   | 5,016     | 379     |      | 2007 |



**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                                  |                          |
|---|---------------|-----------------------------|----------------|---|--|----------------|----------------|---|--------------------------|
| Description                                   | Encumbrances  | Land                        | improvements   | Costs capitalized subsequent to acquisition | Land improvements                                | Buildings and  | Total (2)      | Accumulated depreciation and amortization | Date of construction (3) |
|   |               | Initial cost to company (1) |                |   | Gross amount at which carried at close of period |                |                |   |                          |
|   |               | Building and                | improvements   | Costs capitalized subsequent to acquisition | Land improvements                                | Buildings and  | Total (2)      | Accumulated depreciation and amortization | Date of construction (3) |
| Albany (Menands)                              | \$ -          | \$ 460                      | \$ 2,091       | \$ 2,389                                    | \$ 460   | \$ 4,480       | \$ 4,940       | 3,620                                     | 1965                     |
| Rochester (Henrietta)                         | -             | -                           | 2,647          | 892   | -  | 3,539          | 3,539          | 3,229                                     | 1971                     |
| Rochester Freeport (240 West Sunrise Highway) | 4,374         | 2,172                       | -              | -   | 2,172  | -              | 2,172          | -   | 1966                     |
| Commack                                       | -             | -                           | 43             | 184   | -  | 227            | 227            | 88  |                          |
| New Hyde Park                                 | -             | -                           | 4              | -   | -  | 4              | 4              | 126                                       | 1970                     |
| <b>Total New York</b>                         | <b>87,520</b> | <b>306,224</b>              | <b>490,232</b> | <b>(41,876)</b>                             | <b>236,254</b>                                   | <b>518,326</b> | <b>754,580</b> | <b>104,208</b>                            |                          |
| <b>Pennsylvania</b>                           |               |                             |                |   |  |                |                |   |                          |
| Wilkes-Barre                                  | 19,898        | 6,053                       | 26,646         | 424   | 6,053  | 27,070         | 33,123         | 4,129                                     |                          |
| Allentown                                     | 29,904        | 187                         | 15,580         | 1,584                                       | 187  | 17,164         | 17,351         | 13,169                                    | 1957                     |
| Bensalem                                      | 14,843        | 2,727                       | 6,698          | 1,895                                       | 2,727  | 8,593          | 11,320         | 3,443                                     | 1972/199                 |
| Bethlehem                                     | 5,576         | 827                         | 5,200          | 960   | 839  | 6,148          | 6,987          | 5,530                                     | 1966                     |
| Wyomissing                                    | -             | -                           | 2,646          | 2,381                                       | -  | 5,027          | 5,027          | 3,139                                     |                          |
| York  | 5,194         | 409                         | 2,568          | 1,566                                       | 409  | 4,134          | 4,543          | 3,609                                     | 1970                     |
| Broomall                                      | 10,660        | 850                         | 2,171          | 1,224                                       | 850  | 3,395          | 4,245          | 2,696                                     | 1966                     |
| Lancaster                                     | 5,385         | 3,140                       | 63             | 711   | 3,140  | 774            | 3,914          | 491                                       | 1966                     |
| Glenolden                                     | 6,834         | 850                         | 1,820          | 568   | 850  | 2,388          | 3,238          | 2,022                                     | 1975                     |
| Springfield                                   | -             | -                           | -              | 80  | -  | 80             | 80             | 44  |                          |
| <b>Total Pennsylvania</b>                     | <b>98,294</b> | <b>15,043</b>               | <b>63,392</b>  | <b>11,393</b>                               | <b>15,055</b>                                    | <b>74,773</b>  | <b>89,828</b>  | <b>38,272</b>                             |                          |
| <b>South Carolina</b>                         |               |                             |                |   |  |                |                |   |                          |
| Charleston                                    | -             | -                           | 3,634          | -   | -  | 3,634          | 3,634          | 659                                       |                          |
| <b>Tennessee</b>                              |               |                             |                |   |  |                |                |   |                          |
| Antioch                                       | -             | 1,521                       | 2,386          | -   | 1,521  | 2,386          | 3,907          | 432                                       |                          |
| <b>Virginia</b>                               |               |                             |                |   |  |                |                |   |                          |

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|                                      |           |         |           |         |         |           |           |         |      |
|--------------------------------------|-----------|---------|-----------|---------|---------|-----------|-----------|---------|------|
| Springfield<br>(Springfield<br>Mall) | -         | 49,516  | 265,964   | 17,936  | 849     | 332,567   | 333,416   | 830     |      |
| Norfolk                              | -         | -       | 3,927     | 15      | -       | 3,942     | 3,942     | 2,684   |      |
| Total<br>Virginia                    | -         | 49,516  | 269,891   | 17,951  | 849     | 336,509   | 337,358   | 3,514   |      |
| <b>Wisconsin</b>                     |           |         |           |         |         |           |           |         |      |
| Fond Du Lac                          | -         | -       | 174       | 102     | -       | 276       | 276       | 93      |      |
| <b>Puerto Rico</b>                   |           |         |           |         |         |           |           |         |      |
| Las Catalinas                        | -         | 15,280  | 64,370    | 9,015   | 15,280  | 73,385    | 88,665    | 28,700  | 1996 |
| Montehiedra                          | 120,000   | 9,182   | 66,751    | 7,874   | 9,267   | 74,540    | 83,807    | 29,843  | 1996 |
| Total Puerto<br>Rico                 | 120,000   | 24,462  | 131,121   | 16,889  | 24,547  | 147,925   | 172,472   | 58,543  |      |
| Other                                | -         | -       | -         | 3,861   | -       | 3,861     | 3,861     | 487     |      |
| Total Retail<br>Properties           | 1,200,762 | 629,144 | 1,612,664 | 581,001 | 533,972 | 2,288,837 | 2,822,809 | 516,965 |      |

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**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             |
|----------------------------------|-------------------|-----------------------------|----------------------------|---|--|----------------------------|------------|---|----------------------|
| Description                      | Intangible Assets | Land                        | Buildings and improvements | Costs capitalized subsequent to acquisition | Land   | Buildings and improvements | Total (2)  | Accumulated depreciation and amortization | Date constructed (3) |
|                                  |                   | Initial cost to company (1) |                            |   | Gross amount at which carried at close of period |                            |            |   |                      |
| Merchandise                      |                   |                             |                            |   |  |                            |            |   |                      |
| Mart                             |                   |                             |                            |   |  |                            |            |   |                      |
| <b>Illinois</b>                  |                   |                             |                            |   |  |                            |            |   |                      |
| Merchandise                      |                   |                             |                            |   |  |                            |            |   |                      |
| Mart,                            |                   |                             |                            |   |  |                            |            |   |                      |
| Chicago                          | \$ 550,000        | \$ 64,528                   | \$ 319,146                 | \$ 247,014                                  | \$ 64,535  | \$ 566,153                 | \$ 630,688 | \$ 186,040                                | 1930                 |
| 527 W. Kinzie, Chicago           | -                 | 5,166                       | -                          | -   | 5,166  | -                          | 5,166      | -   |                      |
| Total Illinois                   | 550,000           | 69,694                      | 319,146                    | 247,014                                     | 69,701   | 566,153                    | 635,854    | 186,040                                   |                      |
| <b>New York</b>                  |                   |                             |                            |   |  |                            |            |   |                      |
| 7 West 34th Street               | -                 | 34,614                      | 94,167                     | 35,522                                      | 34,614   | 129,689                    | 164,303    | 38,836                                    | 1900                 |
| MMPI Piers                       | -                 | -                           | -                          | 11,702                                      | -  | 11,702                     | 11,702     | 749                                       |                      |
| Total New York                   | -                 | 34,614                      | 94,167                     | 47,224                                      | 34,614   | 141,391                    | 176,005    | 39,585                                    |                      |
| Total Merchandise                | 550,000           | 104,308                     | 413,313                    | 294,238                                     | 104,315  | 707,544                    | 811,859    | 225,625                                   |                      |
| <b>New Jersey</b>                |                   |                             |                            |   |  |                            |            |   |                      |
| East Hanover                     | -                 | 576                         | 7,752                      | 9,039                                       | 691  | 16,676                     | 17,367     | 13,996                                    | 1970                 |
| Total Warehouse/Industrial Other | -                 | 576                         | 7,752                      | 9,039                                       | 691  | 16,676                     | 17,367     | 13,996                                    |                      |

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|  |           |           |            |           |           |            |            |           |          |
|--|-----------|-----------|------------|-----------|-----------|------------|------------|-----------|----------|
| 555<br>California<br>Street                            | 600,000   | 221,903   | 893,324    | 49,758    | 221,903   | 943,082    | 1,164,985  | 169,495   | 1922/196 |
| 220<br>Central<br>Park                                 |           |           |            |           |           |            |            |           |          |
| South  | -         | 115,720   | 16,420     | 367,471   | -         | 499,611    | 499,611    | -         |          |
| Borgata<br>Land,<br>Atlantic<br>City,<br>NJ            | 59,309    | 83,089    | 7          | (7)       | 83,089    | -          | 83,089     | -         |          |
| 40 East<br>66th<br>Residential                         | -         | 29,199    | 85,798     | (82,151)  | 12,765    | 20,081     | 32,846     | 3,777     |          |
| 677-679<br>Madison                                     | -         | 1,462     | 1,058      | 285       | 1,627     | 1,178      | 2,805      | 283       |          |
| Other  | -         | 28,052    | -          | (16,349)  | 9,364     | 2,339      | 11,703     | -         |          |
| <b>Total</b>   |           |           |            |           |           |            |            |           |          |
| Other  | 659,309   | 479,425   | 996,607    | 319,007   | 328,748   | 1,466,291  | 1,795,039  | 173,555   |          |
| Leasehold<br>Improvements<br>Equipment<br>and<br>Other | -         | -         | -          | 132,523   | -         | 132,523    | 132,523    | 102,538   |          |
| <b>Total</b>   |           |           |            |           |           |            |            |           |          |
| <b>December</b>  | \$        | \$        | \$         | \$        | \$        | \$         | \$         | \$        |          |
| <b>31,</b>   |           |           |            |           |           |            |            |           |          |
| <b>2013</b>  | 8,331,993 | 4,512,616 | 10,261,843 | 3,580,167 | 4,205,815 | 14,148,811 | 18,354,626 | 3,410,933 |          |

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**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:

|  | <b>Year Ended December 31,</b> |              |              |
|--|--------------------------------|--------------|--------------|
|  | <b>2013</b>                    | <b>2012</b>  | <b>2011</b>  |
| <b>Real Estate</b>   |                                |              |              |
| Balance at beginning of period                                   | \$18,238,218                   | \$16,421,701 | \$16,193,864 |
| Additions during the period:                                     |                                |              |              |
| Land   | 131,646                        | 514,950      | 33,481       |
| Buildings & improvements   | 1,014,876                      | 1,615,077    | 315,762      |
|  | 19,384,740                     | 18,551,728   | 16,543,107   |
| Less: Assets sold, written-off and<br>deconsolidated             | 1,030,114                      | 313,510      | 121,406      |
| Balance at end of period   | \$18,354,626                   | \$18,238,218 | \$16,421,701 |
| <b>Accumulated Depreciation</b>                                  |                                |              |              |
| Balance at beginning of period                                   | \$ 3,072,269                   | \$ 2,874,529 | \$ 2,520,818 |
| Additions charged to operating expenses                          | 423,844                        | 427,189      | 452,793      |
|  | 3,496,113                      | 3,301,718    | 2,973,611    |
| Less: Accumulated depreciation on<br>assets sold and written-off | 85,180                         | 229,449      | 99,082       |
| Balance at end of period   | \$ 3,410,933                   | \$ 3,072,269 | \$ 2,874,529 |

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**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, 5.40% Series L Cumulative Redeemable Preferred Shares of   | * |
|     |   | Beneficial Interest, liquidation preference \$25.00 per share, no par value – Incorporated by reference to Exhibit 3.6 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on January 25, 2013                      |   |
| 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   |   |

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- |      |   |   |   |
|------|---|---|---|
| 3.7  | - | Third Amendment to the Partnership Agreement, dated as of November 12, 1998 -<br><br>Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998 | * |
| 3.8  | - | Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 -<br><br>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 -<br><br>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.

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|      |   |   |
|------|---|---|
| 3.14 | <p>Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 -</p> <p>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</p>             | * |
| 3.15 | <p>Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 -</p> <p>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</p>         | * |
| 3.16 | <p>Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated</p> <p>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</p>                     | * |
| 3.17 | <p>Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 -</p> <p>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</p>                | * |
| 3.18 | <p>Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 -</p> <p>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</p>        | * |
| 3.19 | <p>Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 -</p> <p>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</p> | * |
| 3.20 | <p>Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated</p> <p>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</p>             | * |
| 3.21 | <p>Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 -</p> <p>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</p>      | * |
| 3.22 | <p>-</p>  | * |

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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 \*

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

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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

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(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, 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

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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 \*



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- 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
- 3.48 - Forty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, \*  
dated as of July 18, 2012 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 001-34482), filed on July 18, 2012
- 3.49 - Forty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, \*  
dated as of January 25, 2013 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 001-34482), filed on January 25, 2013
- 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 Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 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*

\*

Incorporated by reference.



- 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 \*
- 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, \*

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- divinidually, 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 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 \*
- \* Incorporated by reference.
- \*\* Management contract or compensatory agreement.



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- 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
- 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

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- 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 (Filed 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 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 \*

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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. \*  
 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 \*
- 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 \*
- \*  
 \*\* Incorporated by reference. Management contract or compensatory agreement.



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- 10.36 \*\* - Form of Vornado Realty Trust 2010 Omnibus Share Plan Incentive / Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012 \*
- 10.37 \*\* - Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted Stock Agreement. Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012 \*
- 10.38 \*\* - Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted LTIP Unit Agreement. Incorporated by reference to Exhibit 99.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012 \*
- 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,

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- 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 \*
- 10.45 \*\* - Form of Vornado Realty Trust 2012 Outperformance Plan Award 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, 2012 (File No. 001-11954) filed on February 26, 2013 \*
- 10.46 \*\* - Letter Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013 \*
- \*  
\*\*
- 
- Incorporated by reference.  
Management contract or compensatory agreement.

- 10.47 \*\* - Waiver and Release between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013 \*
- 10.48 - Amendment to June 2011 Revolving Credit Agreement dated as of March 28, 2013, by and among Vornado Realty L.P., as Borrower, the banks listed on the signature pages, and J.P. Morgan Chase Bank N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 001-11954), filed on May 6, 2013 \*
- 10.49 - Amendment to November 2011 Revolving Credit Agreement dated as of March 28, 2013, by and among Vornado Realty L.P., as Borrower, the banks listed on the signature pages, and J.P. Morgan Chase Bank N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 001-11954), filed on May 6, 2013 \*
- 10.50 \*\* - Form of Vornado Realty Trust 2013 Outperformance Plan Award Agreement. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 001-11954), filed on May 6, 2013 \*
- 10.51 \*\* - Employment agreement between Vornado Realty Trust and Stephen W. Theriot dated June 1, 2013. Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (File No. 001-11954), filed on August 5, 2013 \*

\* Incorporated by reference.  
\*\* Management contract or compensatory agreement.

- 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