

VORNADO REALTY TRUST  
Form 10-Q  
November 03, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark one)

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

For the quarterly period **September 30, 2014**  
ended:

**Or**

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

**For the transition period from:** \_\_\_\_\_ **to** \_\_\_\_\_

**Commission File Number:** **001-11954**

**VORNADO REALTY TRUST**

(Exact name of registrant as specified in its charter)

**Maryland**

**22-1657560**

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**888 Seventh Avenue, New York, New York**  
(Address of principal executive offices)

**10019**  
(Zip Code)

**(212) 894-7000**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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 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

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

As of September 30, 2014, 187,735,229 of the registrant's common shares of beneficial interest are outstanding.



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

**VORNADO REALTY TRUST  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

(Amounts in thousands, except share and per share amounts)	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$ 4,137,278	\$ 4,066,837
Buildings and improvements	12,609,463	12,466,244
Development costs and construction in progress	1,680,202	1,353,103
Leasehold improvements and equipment	128,982	132,483
Total	18,555,925	18,018,667
Less accumulated depreciation and amortization	(3,613,098)	(3,372,207)
Real estate, net	14,942,827	14,646,460
Cash and cash equivalents	1,683,142	583,290
Restricted cash	160,848	262,440
Marketable securities	184,154	191,917
Tenant and other receivables, net of allowance for doubtful accounts of \$18,307 and \$21,869	118,636	115,862
Investments in partially owned entities	1,268,066	1,166,443
Investment in Toys "R" Us	-	83,224
Real Estate Fund investments	495,392	667,710
Mortgage and mezzanine loans receivable, net of allowance of \$5,811 and \$5,845	17,085	170,972
Receivable arising from the straight-lining of rents, net of allowance of \$3,396 and \$4,355	873,901	817,314
Deferred leasing and financing costs, net of accumulated amortization of \$299,542 and \$264,421	483,902	411,922
Identified intangible assets, net of accumulated amortization of \$223,786 and \$277,998	280,207	311,963
Assets related to discontinued operations	-	316,219
Other assets	492,355	351,488
	<b>\$ 21,000,515</b>	<b>\$ 20,097,224</b>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Mortgages payable	\$ 9,273,212	\$ 8,331,993
Senior unsecured notes	1,791,987	1,350,855
Revolving credit facility debt	88,138	295,870
Accounts payable and accrued expenses	498,565	422,276
Deferred revenue	489,250	529,048
Deferred compensation plan	113,549	116,515
Liabilities related to discontinued operations	-	13,950
Other liabilities	380,843	438,353

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Total liabilities	12,635,544	11,498,860
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,395,068 and 11,292,038 units outstanding	1,139,052	1,002,620
Series D cumulative redeemable preferred unit - 1 unit outstanding	1,000	1,000
Total redeemable noncontrolling interests	1,140,052	1,003,620
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,678,939 and 52,682,807 shares	1,277,026	1,277,225
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,735,229 and 187,284,688 shares	7,487	7,469
Additional capital	7,040,538	7,143,840
Earnings less than distributions	(1,878,125)	(1,734,839)
Accumulated other comprehensive income	69,580	71,537
Total Vornado shareholders' equity	6,516,506	6,765,232
Noncontrolling interests in consolidated subsidiaries	708,413	829,512
Total equity	7,224,919	7,594,744
	\$ 21,000,515	\$ 20,097,224

See notes to consolidated financial statements (unaudited).

**VORNADO REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

	<b>For the Three</b>		<b>For the Nine</b>	
	<b>Months Ended September 30,</b>		<b>Months Ended September 30,</b>	
(Amounts in thousands, except per share amounts)	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES:</b>				
Property rentals	\$ 538,168	\$ 521,433	\$ 1,606,120	\$ 1,589,038
Tenant expense reimbursements	86,330	81,814	248,964	229,938
Cleveland Medical Mart development project	-	4,893	-	34,026
Fee and other income	46,411	60,849	142,618	205,523
Total revenues	670,909	668,989	1,997,702	2,058,525
<b>EXPENSES:</b>				
Operating	268,450	261,776	802,505	785,992
Depreciation and amortization	130,208	122,119	406,868	394,579
General and administrative	44,547	44,186	141,273	145,871
Cleveland Medical Mart development project	-	3,239	-	29,764
Impairment losses, acquisition and transaction related costs	7,105	2,818	32,972	6,769
Total expenses	450,310	434,138	1,383,618	1,362,975
Operating income	220,599	234,851	614,084	695,550
(Loss) applicable to Toys "R" Us	(18,418)	(34,209)	(74,162)	(69,311)
(Loss) income from partially owned entities	(7,245)	1,453	(3,264)	23,691
Income from Real Estate Fund	24,160	22,913	142,418	73,947
Interest and other investment income (loss), net	7,602	(10,275)	28,930	(32,935)
Interest and debt expense	(115,120)	(119,676)	(341,613)	(360,679)
Net gain (loss) on disposition of wholly owned and partially owned assets	2,665	15,138	13,205	(20,581)
Income before income taxes	114,243	110,195	379,598	309,682
Income tax expense	(3,177)	(2,222)	(8,358)	(6,172)
Income from continuing operations	111,066	107,973	371,240	303,510
Income from discontinued operations	58,131	24,278	61,800	299,989
Net income	169,197	132,251	433,040	603,499
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(9,685)	(23,833)	(85,239)	(50,049)
Operating Partnership	(7,975)	(5,032)	(16,514)	(27,814)
Preferred unit distributions of the Operating Partnership	(13)	(12)	(38)	(1,146)
Net income attributable to Vornado	151,524	103,374	331,249	524,490
Preferred share dividends	(20,365)	(20,369)	(61,099)	(62,439)

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Preferred unit and share redemptions	-	-	-	(1,130)
<b>NET INCOME attributable to common shareholders</b>	\$ 131,159	\$ 83,005	\$ 270,150	\$ 460,921
<b>INCOME PER COMMON SHARE - BASIC:</b>				
Income from continuing operations, net	\$ 0.41	\$ 0.33	\$ 1.13	\$ 0.97
Income from discontinued operations, net	0.29	0.11	0.31	1.50
Net income per common share	\$ 0.70	\$ 0.44	\$ 1.44	\$ 2.47
Weighted average shares outstanding	187,671	186,969	187,503	186,885
<b>INCOME PER COMMON SHARE - DILUTED:</b>				
Income from continuing operations, net	\$ 0.40	\$ 0.33	\$ 1.12	\$ 0.96
Income from discontinued operations, net	0.29	0.11	0.31	1.50
Net income per common share	\$ 0.69	\$ 0.44	\$ 1.43	\$ 2.46
Weighted average shares outstanding	188,812	187,724	188,592	187,679
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 0.73	\$ 0.73	\$ 2.19	\$ 2.19

See notes to consolidated financial statements (unaudited).



**VORNADO REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	<b>For the Three</b>		<b>For the Nine</b>	
	<b>Months Ended September 30,</b>		<b>Months Ended September 30,</b>	
(Amounts in thousands)	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 169,197	\$ 132,251	\$ 433,040	\$ 603,499
Other comprehensive income (loss):				
Change in unrealized net (loss) gain on available-for-sale securities	(22,764)	(8,252)	(7,761)	160,886
Amounts reclassified from accumulated other comprehensive income related to sale of available-for-sale securities	-	(42,404)	-	(42,404)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(6,028)	(1,669)	(151)	(25,023)
Change in value of interest rate swap	4,781	(295)	5,846	14,265
Other	1	1	-	531
Comprehensive income	145,187	79,632	430,974	711,754
Less comprehensive income attributable to noncontrolling interests	(16,304)	(25,825)	(101,682)	(84,991)
Comprehensive income attributable to Vornado	\$ 128,883	\$ 53,807	\$ 329,292	\$ 626,763

See notes to consolidated financial statements (unaudited).

**VORNADO REALTY TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Comprehensive Income Distributions	Other Comprehensive Income	Non-controlling	Total
	Shares	Amount	Shares	Amount				Interests in Consolidated Subsidiaries	
<b>Balance, December 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
Net income attributable to Vornado	-	-	-	-	-	331,249	-	-	331,249
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	85,239	85,239
Dividends on common shares	-	-	-	-	-	(410,724)	-	-	(410,724)
Dividends on preferred shares	-	-	-	-	-	(61,099)	-	-	(61,099)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	227	9	22,659	-	-	-	22,668
Under employees' share option plan	-	-	199	8	12,342	-	-	-	12,350
Under dividend reinvestment plan	-	-	13	-	1,387	-	-	-	1,387
Contributions:									
Real Estate Fund	-	-	-	-	-	-	-	5,297	5,297

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Other	-	-	-	-	-	-	-	5,000	5,000
Distributions:									
Real Estate									
Fund	-	-	-	-	-	-	-	(182,964)	(182,964)
Other	-	-	-	-	-	-	-	(643)	(643)
Transfer of noncontrolling interest in Real Estate Fund	-	-	-	-	-	-	-	(33,028)	(33,028)
Conversion of Series A preferred shares to common shares	(4)	(193)	6	-	193	-	-	-	-
Deferred compensation shares and options	-	-	5	1	4,645	(340)	-	-	4,306
Change in unrealized net loss on available-for-sale securities	-	-	-	-	-	-	(7,761)	-	(7,761)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(151)	-	(151)
Change in value of interest rate swap	-	-	-	-	-	-	5,846	-	5,846
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(144,231)	-	-	-	(144,231)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	109	-	109
Other	-	(6)	-	-	(297)	(2,372)	-	-	(2,675)
<b>Balance, September 30, 2014</b>	52,679	\$1,277,026	187,735	\$7,487	\$7,040,538	\$(1,878,125)	\$69,580	\$708,413	\$7,224,919

See notes to consolidated financial statements (unaudited).

**VORNADO REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED**  
**(UNAUDITED)**

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Other Comprehensive Income (Loss)	Non- Accumulatedcontrolling	Total Equity
	Shares	Amount	Shares	Amount				Interests in Consolidated Subsidiaries	
<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 attributable to Vornado	-	-	-	-	-	524,490	-	-	524,490
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	50,049	50,049
Dividends on common shares	-	-	-	-	-	(409,332)	-	-	(409,332)
Dividends on preferred shares	-	-	-	-	-	(62,439)	-	-	(62,439)
Issuance of Series L preferred shares	12,000	290,536	-	-	-	-	-	-	290,536
Redemption of Series F and									

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Series

H

preferred

shares (10,500)

(253,269)

-

-

-

-

-

-

(253,269)

Common

shares

issued:

Upon

redemption

of

Class

A