VORNADO REALTY TRUST
Form 10-K
February 13, 2017

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, 2016

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)**
Commission File Number:	**001 34482 (Vornado Realty L.P.)**

Vornado Realty Trust

Vornado Realty L.P.
(Exact name of Registrants as specified in its charter)

Vornado Realty Trust	**Maryland** (State or other jurisdiction of incorporation or organization)	**22-1657560** (I.R.S. Employer Identification Number)
Vornado Realty L.P.	**Delaware** (State or other jurisdiction of incorporation or organization)	**13-3925979** (I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York, 10019

(Address of principal executive offices) (Zip Code)

(212) 894-7000

(Registrants' telephone number, including area code)

N/A

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

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

Registrant	**Title of Each Class**	**Name of Exchange on Which Registered**
Vornado Realty Trust	Common Shares of beneficial interest, $.04 par value per share	New York Stock Exchange
	Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
Vornado Realty Trust	6.625% Series G	New York Stock Exchange
Vornado Realty Trust	6.625% Series I	New York Stock Exchange
Vornado Realty Trust	5.70% Series K	New York Stock Exchange

Vornado Realty Trust	5.40% Series L	New York Stock Exchange

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

Registrant	**Title of Each Class**
Vornado Realty L.P.	Class A Units of Limited Partnership Interest

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

Vornado Realty Trust: YES NO o Vornado Realty L.P.: 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.

Vornado Realty Trust: YES NO o Vornado Realty L.P.: 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.

Vornado Realty Trust: YES NO o Vornado Realty L.P.: YES NO o

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).

Vornado Realty Trust: YES NO o Vornado Realty L.P.: YES NO o

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.

Vornado Realty Trust:

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

Vornado Realty L.P.:

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).

Vornado Realty Trust: YES NO x Vornado Realty L.P.: YES NO

The aggregate market value of the voting and non-voting common shares held by non-affiliates of Vornado Realty Trust, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $17,294,426,000 at June 30, 2016.

As of December 31, 2016, there were 189,100,876 common shares of beneficial interest outstanding of Vornado Realty Trust.

There is no public market for the Class A units of limited partnership interest of Vornado Realty L.P. Based on the June 30, 2016 closing share price of Vornado Realty Trust's common shares, which are issuable upon redemption of the Class A units, the aggregate market value of the Class A units held by non-affiliates of Vornado Realty L.P., i.e. by persons other than Vornado Realty Trust and its officers and trustees, was $984,737,000 at June 30, 2016.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Vornado Realty Trust's Shareholders to be held on May 18, 2017.

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.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2016 of Vornado Realty Trust and Vornado Realty L.P. Unless stated otherwise or the context otherwise requires, references to "Vornado" refer to Vornado Realty Trust, a Maryland real estate investment trust ("REIT"), and references to the "Operating Partnership" refer to Vornado Realty L.P., a Delaware limited partnership. References to the "Company," "we," "us" and "our" mean collectively Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

The Operating Partnership is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. Vornado is the sole general partner and also a 93.7% limited partner of the Operating Partnership. As the sole general partner of the Operating Partnership, Vornado has exclusive control of the Operating Partnership's day-to-day management.

Under the limited partnership agreement of the Operating Partnership, unitholders may present their Class A units for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Class A units may be tendered for redemption to the Operating Partnership for cash; Vornado, at its 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. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. Vornado generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having the Operating Partnership pay cash. With each such exchange or redemption, Vornado's percentage ownership in the Operating Partnership will increase. In addition, whenever Vornado issues common shares other than to acquire Class A units of the Operating Partnership, Vornado must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to Vornado an equivalent number of Class A units of the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the Annual Reports on Form 10-K of Vornado and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of Vornado and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation because a substantial portion of the disclosure applies to both Vornado and the Operating Partnership; and
- creates time and cost efficiencies in the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between Vornado and the Operating Partnership in the context of how Vornado and the Operating Partnership operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of Vornado. Vornado does not have any other significant assets, liabilities or operations, other than its investment in the Operating Partnership. The Operating Partnership, not Vornado, generally executes all significant business relationships other than transactions involving the securities of Vornado. The Operating Partnership holds substantially all of the assets of Vornado. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by Vornado, which are contributed to the capital of the Operating Partnership in exchange for Class A units of partnership in the Operating Partnership, as applicable, the Operating Partnership generates all remaining capital required by the Company's business. These capital sources may include working capital, net cash provided by operating activities, borrowings under the revolving credit facility, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties.

To help investors better understand the key differences between Vornado and the Operating Partnership, certain information for Vornado and the Operating Partnership in this report has been separated, as set forth below:

- Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;
- Item 6. Selected Financial Data;
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable; and
- Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for Vornado Realty Trust and Vornado Realty L.P.:
  - Note 9. Redeemable Noncontrolling Interests/Redeemable Partnership Units
  - Note 10. Shareholders' Equity/Partners' Capital
  - Note 13. Stock-based Compensation
  - Note 17. Income Per Share/Income Per Class A Unit
  - Note 22. Summary of Quarterly Results (Unaudited)

This report also includes separate Part II, Item 9A. Controls and Procedures sections, separate Exhibit 12 computation of ratios, and separate Exhibits 31 and 32 certifications for each of Vornado and the Operating Partnership in order to establish that the requisite certifications have been made and that Vornado and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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(1) These items are omitted in whole or in part because Vornado, the Operating Partnership's sole general partner, 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, 2016, 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,” “inte “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 is a fully integrated REIT and conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership, a Delaware limited partnership. Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.7% of the common limited partnership interest in the Operating Partnership at December 31, 2016.

On October 31, 2016, Vornado's Board of Trustees approved the tax-free spin-off of our Washington, DC segment and we entered into a definitive agreement to merge it with the business and certain select assets of The JBG Companies ("JBG"), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, will be Chairman of the Board of Trustees of the new company, which will be named JBG SMITH Properties. Mitchell Schear, President of our Washington, DC business, will be a member of the Board of Trustees of the new company. The pro rata distribution to Vornado common shareholders and Class A Operating Partnership unitholders is intended to be treated as a tax-free spin-off for U.S. federal income tax purposes. It is expected to be made on a pro rata 1:2 basis. The initial Form 10 registration statement relating to the spin-off and merger was filed with the SEC on January 23, 2017 and the distribution and combination are expected to be completed in the second quarter of 2017. The distribution and combination are subject to certain conditions, including the SEC declaring the Form 10 registration statement effective, filing and approval of the new company's listing application, receipt of regulatory approvals and third party consents by each of the Company and JBG, and formal declaration of the distribution by Vornado's Board of Trustees. The distribution and combination are not subject to a vote by Vornado's shareholders or Operating Partnership unitholders. Vornado's Board of Trustees has approved the transaction. JBG has obtained all requisite approvals from its investment funds for this transaction. There can be no assurance that this transaction will be completed.

We currently own all or portions of:

<u>New York:</u>

- 20.2 million square feet of Manhattan office space in 36 properties;

- 2.7 million square feet of Manhattan street retail space in 70 properties;

- 2,004 units in twelve residential properties;

- The 1,700 room Hotel Pennsylvania located on Seventh Avenue at 33rd Street in the heart of the Penn Plaza district;

- A 32.4% interest in Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX), which owns seven 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:

- 11.1 million square feet of office space in 44 properties;

- 3,156 units in nine residential properties;

Other Real Estate and Related Investments:

- The 3.7 million square foot Mart (“theMART”) in Chicago;

- 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 32.5% interest in Toys “R” Us, Inc. (“Toys”); and

- Other real estate and other investments.

OBJECTIVES AND STRATEGY

Our business objective is to maximize Vornado 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, 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 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

There were no significant acquisitions during 2016.

DISPOSITIONS

On May 27, 2016, we sold a 47% ownership interest in 7 West 34th Street for net proceeds of $127.4 million.

On August 24, 2016, the Skyline properties, located in Fairfax, Virginia, were placed in receivership. On December 21, 2016, the final disposition of the Skyline properties was completed by the receiver. In connection therewith, the Skyline properties' assets (approximately $236.5 million) and liabilities (approximately $724.4 million), were removed from our consolidated balance sheet which resulted in a net gain of $487.9 million. There was no taxable income related to this transaction.

On December 19, 2016, we sold a 20% ownership interest in Fairfax Square for $15.5 million.

FINANCINGS

We completed the following financing transactions during 2016:

- $900 million refinancing of 280 Park Avenue (50% owned);
- $700 million refinancing of 770 Broadway for net proceeds of approximately $330 million;
- $675 million refinancing of theMART for net proceeds of approximately $124 million;
- $400 million refinancing of 350 Park Avenue for net proceeds of approximately $111 million;
- $300 million refinancing of One Park Avenue (55% owned);
- $300 million financing of 7 West 34th Street (53% owned as of May 27, 2016);
- $273 million refinancing of The Warner Building (55% owned);
- $ 80 million refinancing of 50-70 West 93rd Street (49.9% owned); and
- $247 million redemption of all of the outstanding 6.875% Series J cumulative redeemable preferred shares

We also extended one of our two $1.25 billion unsecured revolving credit facilities to February 2021 with two six-month extension options, lowering the interest rate from LIBOR plus 115 basis points to LIBOR plus 100 basis points. The facility fee remains unchanged at 20 basis points.

DEVELOPMENT AND REDEVELOPMENT EXPENDITURES

We are constructing a residential condominium tower containing 397,000 salable square feet on our 220 Central Park South development site. The incremental development cost of this project is estimated to be approximately $1.3 billion, of which $609,420,000 has been expended as of December 31, 2016.

We are developing a 173,000 square foot Class-A office building at 512 West 22nd Street, along the western edge of the High Line in the West Chelsea submarket of Manhattan (55.0% owned). The incremental development cost of this project is estimated to be approximately $130,000,000, of which our share is $72,000,000. As of December 31, 2016, $30,143,000 has been expended, of which our share is $16,579,000.

We are developing a 170,000 square foot office and retail building at 61 Ninth Avenue, located on the southwest corner of Ninth Avenue and 15th Street in the West Chelsea submarket of Manhattan. In February 2016, the venture purchased an adjacent five story loft building and air rights in exchange for a 10% common and preferred equity interest in the venture valued at $19,400,000, which reduced our ownership interest to 45.1% from 50.1%. On December 21, 2016, the venture obtained a $90,000,000 construction loan. The loan matures in December 2020 with two six-month extension options. The interest rate is LIBOR plus 3.05%. As of December 31, 2016, there was nothing drawn on this loan. The incremental development cost of this project is estimated to be approximately $150,000,000, of which our share is $68,000,000. As of December 31, 2016, $38,499,000 has been expended, of which our share is $17,363,000.

We are developing a 34,000 square foot office and retail building at 606 Broadway, located on the northeast corner of Broadway and Houston Street in Manhattan (50.0% owned). At closing, the joint venture obtained a $65,000,000 construction loan, of which approximately $25,800,000 was outstanding as of December 31, 2016. The loan, which bears interest at LIBOR plus 3.00% (3.66% at December 31, 2016), matures in May 2019 with two one-year extension options. The venture's incremental development cost of this project is estimated to be approximately $60,000,000, of which our share is $30,000,000. As of December 31, 2016, $20,833,000 has been expended, of which our share is $10,417,000.

We are in the process of demolishing two adjacent Washington, DC office properties, 1726 M Street and 1150 17th Street, and will replace them in the future with a new 335,000 square foot Class A office building, to be addressed 1700 M Street. The incremental development cost of the project is estimated to be approximately $170,000,000, of which $10,500,000 has been expended as of December 31, 2016.

In September 2016, a joint venture between the Related Companies and Vornado was designated by New York State to redevelop the historic Farley Post Office building. The building will include a new Moynihan Train Hall and approximately 850,000 rentable square feet of office space and ancillary train hall retail. The joint venture will enter

into a 99-year, triple-net lease and make a $230,000,000 contribution towards the construction of the train hall. Total costs for the redevelopment of the office and retail space are yet to be determined.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, including, in particular, the Penn Plaza District.

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.

SEGMENT DATA

We operate in the following business segments: New York and Washington, DC. Financial information related to these business segments for the years ended December 31, 2016, 2015 and 2014 is set forth in Note 23 – *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 New York and Washington, DC segments have historically experienced higher utility costs in the first and third quarters of the year.

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, 2016, 2015 and 2014.

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 Vornado's Board of Trustees without the vote of our shareholders or Operating Partnership unitholders.

Employees

As of December 31, 2016, we have approximately 4,225 employees, of which 284 are corporate staff. The New York segment has 3,265 employees, including 2,634 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 459 employees at the Hotel Pennsylvania. The Washington, DC segment and theMART properties have 456 and 220 employees, respectively. The foregoing does not include employees of partially owned entities.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of our Annual Report on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.vno.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies of these documents are also available directly from us free of charge. Our website also includes other financial information, including certain non-GAAP financial measures, none of which is a part of this Annual Report on Form 10-K. Copies of our filings under the Securities Exchange Act of 1934 are also available free of charge from us, upon request.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below. We refer to the equity and debt securities of both Vornado and the Operating Partnership as our "securities" and the investors who own shares or units, or both, as our "equity holders." 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 6.

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:

- global, 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;
- changes in space utilization by our tenants due to technology, economic conditions and business environment;
- 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;
- changes in zoning laws and taxation;
- government regulation;
- consequences of any armed conflict involving, or terrorist attacks against, the United States or individual acts of violence in public spaces including retail centers;
- 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 equity holders. 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 securities.

Real estate is a competitive business.

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, sales prices, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the global, national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, population and employment 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 equity holders 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.

We may be unable to renew leases or relet space as leases expire.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if tenants do renew or we can relet the space, the terms of renewal or reletting, taking into account among other things, the cost of improvements to the property and leasing commissions, may be less favorable than the terms in the expired leases. In addition, changes in space utilization by our tenants may impact our ability to renew or relet space without the need to incur substantial costs in renovating or redesigning the internal configuration of the relevant property. If we are unable to promptly renew the leases or relet the space at similar rates or if we incur substantial costs in renewing or reletting the space, our cash flow and ability to service debt obligations and pay dividends and distributions to equity holders could be adversely affected.

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. 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 equity holders.

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.

In addition, we may become subject to costs or taxes, or increases therein, associated with natural resource or energy usage (such as a "carbon tax"). These costs or taxes could increase our operating costs and decrease the cash available to pay our obligations or distribute to equity holders.

We face risks associated with our tenants being designated "Prohibited Persons" by the Office of Foreign Assets Control and similar requirements.

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 and thereby restricts our doing business with such persons. In addition, our leases, loans and other agreements may require us to comply with OFAC and related requirements, and any failure to do so may result in a breach of such agreements. If a tenant or other party with whom we conduct business is placed on the OFAC list or is otherwise a party with whom we are prohibited from doing business, 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 or reputation, all of which could negatively impact our financial results.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons who access our systems from inside or outside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems) and, in some

cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or which could expose us to damage claims by third-parties for disruptive, destructive or otherwise harmful purposes and outcomes; result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally. Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

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 per property, and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence and in the annual aggregate, subject to a deductible in the amount of 5% of the value of the affected property. 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 of 2015, which expires in December 2020.

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 acts of terrorism including 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 $1,622,000 ($1,976,000 for 2017) and 16% (17% for 2017) of the balance of a covered loss and the Federal government is responsible for the remaining portion 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 equity holders.

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 CURRENTLY IN THE NEW YORK CITY METROPOLITAN AREA AND WASHINGTON, DC/NORTHERN VIRGINIA AREA AND CIRCUMSTANCES AFFECTING THESE AREAS GENERALLY COULD ADVERSELY AFFECT OUR BUSINESS. UPON COMPLETION OF OUR PROPOSED SPIN-OFF OF OUR WASHINGTON, DC SEGMENT, OUR BUSINESS AND INVESTMENTS WILL BE LESS DIVERSIFIED AND MORE CONCENTRATED IN THE NEW YORK CITY METROPOLITAN AREA.

A significant portion of our properties are located currently 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 2016, approximately 91% of our EBITDA, as adjusted, came from properties located in the New York City metropolitan area 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;
- with respect to our Washington, DC segment, 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;
- changes in the number of domestic and international tourists to our markets (including, as a result of changes in the relative strengths of world currencies);
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

Assuming we complete the spin-off of our Washington, DC segment as expected, our real estate investments will be more concentrated in New York City and less diversified than prior to the spin-off. After giving effect to the spin-off and assuming it was completed as of January 1, 2016, 89% of our EBITDA, as adjusted, came from properties located in the New York City metropolitan area.

It is impossible for us to assess the future effects of trends in the economic and investment climates of the geographic areas in which we concentrate, and more generally of the United States, or the real estate markets in these areas. Local, national or global economic downturns, would negatively affect our businesses and profitability.

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

We have significant investments in large metropolitan areas, including the New York, Washington, DC, Chicago and San Francisco metropolitan areas. In response to a terrorist attack or the perceived threat of terrorism, 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 and the effects of climate change 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 securities.

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 securities.

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

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

We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs. 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, Inc. ("Toys"), Lexington Realty Trust ("Lexington"), Urban Edge Properties ("UE"), Pennsylvania Real Estate Investment Trust ("PREIT"), and other equity and loan 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 and New York City retail environments.

Certain of our properties are Manhattan street retail properties. As such, these properties are affected by the general and New York City retail environments, including the level of consumer spending and consumer confidence, change in relative strengths of world currencies, the threat of terrorism, increasing competition from retailers, outlet malls, retail websites and catalog companies and the impact of technological change upon the retail environment generally. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail locations, and in turn, adversely affect us.

Our investment in Toys has in the past and may in the future result in increased seasonality and volatility in our reported earnings.

We carry our Toys investment at zero. As a result, we no longer record our equity in Toys' income or loss. 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. It is possible that the value of Toys may increase and we could again resume recording our equity in Toys' income or loss, which would increase the seasonality and volatility of our reported earnings.

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. As of December 31, 2016, our marketable securities have an aggregate carrying amount of $203,704,000, 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.

We may be unable to achieve some or all of the benefits that we expect to achieve from the spin-off.

Although we believe that separating our Washington, DC segment will provide benefits to us and our shareholders, the spin-off may not provide such results on the scope or scale we anticipate, and neither we nor JBG SMITH may realize the intended benefits of the spin-off. In addition, we will incur one-time costs in connection with the spin-off that may exceed our estimates and negate some of the benefits we expect to achieve. Further, if the proposed spin-off is completed, our operational and financial profile will change upon the separation of

the Washington, DC segment from us. As a result, our diversification of revenue sources will diminish, and our results of operations, cash flows, working capital, and financing requirements may be subject to increased volatility.

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. This, in turn, requires the Operating Partnership to make distributions to its unitholders. 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.

We depend on dividends and distributions from our direct and indirect subsidiaries. The creditors and preferred equity holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to us.

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 its equity holders 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 its 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 the Operating Partnership's equity holders, including Vornado. Thus, Vornado's ability to pay cash dividends to its equity holders 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 its equity holders, including Vornado. As of December 31, 2016, there were four series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of $56,047,000.

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 equity holders, are satisfied.

We have a substantial amount of indebtedness that could affect our future operations.

As of December 31, 2016, our consolidated mortgages and unsecured indebtedness, excluding related premium, discount and deferred financing costs, net, totaled $10.7 billion. We are subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required debt service. Our debt service costs generally will not be reduced if developments at the property, such as the entry of new competitors or the loss of major tenants, cause a reduction in the income from the property. Should such events occur, our operations may be adversely affected. If a property is mortgaged to secure payment of indebtedness and income from such property is insufficient to pay that indebtedness, the property could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value.

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.

A downgrade in our credit ratings could materially adversely affect our business and financial condition.

Our credit rating and the credit ratings assigned to our debt securities and our preferred shares could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and any rating could be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant such action. Moreover, these credit ratings are not recommendations to buy, sell or hold our common shares or any other securities. If any of the credit rating agencies that have rated our securities downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a “watch list” for a possible downgrading or lowering, or otherwise indicates that its outlook for that rating is negative, such action could have a material adverse effect on our costs and availability of funding, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows, the trading/redemption price of our securities, and our ability to satisfy our debt service obligations and to pay dividends and distributions to our equity holders.

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 Vornado will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, Vornado 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, Vornado fails to maintain its qualification as a REIT and does not qualify under statutory relief provisions, Vornado could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on its taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If Vornado had to pay federal income tax, the amount of money available to distribute to equity holders and pay its indebtedness would be reduced for the year or years involved, and Vornado would not be required to make distributions to shareholders in that taxable year and in future years until it was able to qualify as a REIT. In addition, Vornado would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless Vornado 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 and distributions.

Loss of our key personnel could harm our operations and adversely affect the value of our common shares and Operating Partnership Class A units.

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 securities.

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

Vornado's Amended and Restated Declaration of Trust (the "declaration of trust") sets limits on the ownership of its 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 equity holders.

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, Vornado's Board of Trustees 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 of Trustees. Vornado's Board of Trustees 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 our equity holders. 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 our equity holders. The business combination statute may discourage others from trying to acquire control of Vornado and increase the difficulty of consummating any offer.

Until 2019, Vornado has a classified Board of Trustees and that may reduce the likelihood of certain takeover transactions.

Vornado's Board of Trustees is divided currently into three classes of trustees. Commencing this year, each class of trustees that is up for election will be elected for a one-year term with all trustees forming a single class elected annually commencing in 2019. Historically trustees of each class have been 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 our equity holders.

Vornado 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.

Vornado’s Board of Trustees could establish a series of preferred shares whose terms could delay, deter or prevent a change in control of Vornado, and therefore of the Operating Partnership, or other transaction that might involve a premium price or otherwise be in the best interest of our equity holders, although Vornado’s 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 equity holders.

We may change our policies without obtaining the approval of our equity holders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization, dividends and distributions, are exclusively determined by Vornado’s Board of Trustees. Accordingly, our equity holders 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 Vornado’s other trustees and officers have interests or positions in other entities that may compete with us.

As of December 31, 2016, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 7.1% of the common shares of Vornado and 26.3% of the common stock of Alexander’s, which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, the managing

general partner of Interstate Properties, and the Chairman of the Board of Directors 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 therefore over the Operating Partnership, 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 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 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 annual base rent and percentage rent. See Note 21 – *Related Party Transactions* to our 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, 2016, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has seven properties, which are located in the greater New York metropolitan area. In addition to the 2.3% 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, 2016. Mr. Roth is the Chairman of the Board of Trustees and Chief Executive Office of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board of Directors 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, and Stephen W. Theriot, our Chief Financial Officer, is the Assistant Treasurer 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 Note 21 – *Related Party Transactions* to our 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 Vornado's common shares has been volatile and may fluctuate.

The trading price of Vornado's 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 Vornado's common shares and the redemption price of the Operating Partnership's Class A units. Among those factors 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 Vornado 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 Vornado's stock price could result in substantial losses for our equity holders.

Vornado has many shares available for future sale, which could hurt the market price of its shares and the redemption price of the Operating Partnership's units.

The interests of equity holders could be diluted if we issue additional equity securities. As of December 31, 2016, Vornado had authorized but unissued, 60,899,124 common shares of beneficial interest, $.04 par value and 67,116,023 preferred shares of beneficial interest, no par value; of which 19,538,084 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 Vornado's common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our securities.

In addition, under Maryland law, Vornado's Board of Trustees 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 two business segments: New York and Washington, DC. The following pages provide details of our real estate properties as of December 31, 2016.

NEW YORK SEGMENT **Property**	**%** **Ownership**	**Type**	**%** **Occupancy**	**In Service**	**Square Feet Under Development or Not Available for Lease**	**Total Property**
One Penn Plaza (ground leased through 2098)	100.0%	Office/Retail	92.7%	2,522,000	-	2,522,000
1290 Avenue of the Americas	70.0%	Office/Retail	99.5%	2,110,000	-	2,110,000
Two Penn Plaza	100.0%	Office/Retail	98.9%	1,631,000	-	1,631,000
666 Fifth Avenue Office Condominium(1)	49.5%	Office/Retail	n/a	-	1,448,000	1,448,000
909 Third Avenue (ground leased through 2063)	100.0%	Office	100.0%	1,346,000	-	1,346,000
Independence Plaza, Tribeca (3 buildings) (1,327 units)(1)	50.1%	Retail/Residential	100.0%(2)	1,245,000	12,000	1,257,000
280 Park Avenue(1)	50.0%	Office/Retail	92.3%	1,249,000	-	1,249,000
770 Broadway	100.0%	Office/Retail	98.3%	1,158,000	-	1,158,000
Eleven Penn Plaza	100.0%	Office/Retail	99.1%	1,151,000	-	1,151,000
90 Park Avenue	100.0%	Office/Retail	95.9%	959,000	-	959,000
One Park Avenue(1)	55.0%	Office/Retail	93.4%	949,000	-	949,000
888 Seventh Avenue (ground leased through 2067)	100.0%	Office/Retail	94.6%	885,000	-	885,000
100 West 33rd Street	100.0%	Office	98.2%	855,000	-	855,000
330 Madison Avenue(1)	25.0%	Office/Retail	89.1%	842,000	-	842,000
330 West 34th Street (ground leased through 2149)	100.0%	Office/Retail	87.2%	718,000	-	718,000
85 Tenth Avenue(1)	49.9%	Office/Retail	100.0%	626,000	-	626,000
650 Madison Avenue(1)	20.1%	Office/Retail	95.5%	552,000	40,000	592,000
350 Park Avenue	100.0%	Office/Retail	100.0%	571,000	-	571,000
150 East 58th Street	100.0%	Office/Retail	97.9%	545,000	-	545,000
7 West 34th Street	53.0%	Office/Retail	100.0%	479,000	-	479,000
33-00 Northern Boulevard (Center Building)	100.0%	Office	99.5%	471,000	-	471,000
595 Madison Avenue	100.0%	Office/Retail	97.3%	323,000	-	323,000
640 Fifth Avenue	100.0%	Office/Retail	91.8%	313,000	-	313,000

50-70 W 93rd Street (326 units)[(1)]	49.9%	Residential	95.4%	283,000	-	283,000
Manhattan Mall	100.0%	Retail	97.6%	256,000	-	256,000
40 Fulton Street	100.0%	Office/Retail	92.7%	250,000	-	250,000
4 Union Square South	100.0%	Retail	100.0%	206,000	-	206,000
260 Eleventh Avenue (ground leased through 2114)	100.0%	Office	100.0%	184,000	-	184,000
512 W 22nd Street[(1)]	55.0%	Office	n/a	-	173,000	173,000
61 Ninth Avenue (ground leased through 2115)[(1)]	45.1%	Office/Retail	n/a	-	170,000	170,000
825 Seventh Avenue[(1)]	51.2%	Office/Retail	100.0%	169,000	-	169,000
1540 Broadway	100.0%	Retail	100.0%	160,000	-	160,000
608 Fifth Avenue (ground leased through 2033)	100.0%	Office/Retail	96.6%	137,000	-	137,000
Paramus	100.0%	Office	94.7%	129,000	-	129,000
666 Fifth Avenue Retail Condominium	100.0%	Retail	100.0%	114,000	-	114,000
1535 Broadway (Marriott Marquis - retail and signage) (ground and building leased through 2032)	100.0%	Retail/Theatre	77.2%	108,000	-	108,000
57th Street (2 buildings)[(1)]	50.0%	Office/Retail	94.3%	103,000	-	103,000
689 Fifth Avenue	100.0%	Office/Retail	91.8%	100,000	-	100,000
478-486 Broadway (2 buildings) (10 units)	100.0%	Retail/Residential	100.0%[(2)]	85,000	-	85,000
150 West 34th Street	100.0%	Retail	100.0%	78,000	-	78,000
510 Fifth Avenue	100.0%	Retail	100.0%	66,000	-	66,000
655 Fifth Avenue	92.5%	Retail	100.0%	57,000	-	57,000
155 Spring Street	100.0%	Retail	100.0%	50,000	-	50,000
3040 M Street	100.0%	Retail	86.7%	44,000	-	44,000
435 Seventh Avenue	100.0%	Retail	100.0%	43,000	-	43,000
692 Broadway	100.0%	Retail	100.0%	36,000	-	36,000
606 Broadway	50.0%	Office/Retail	n/a	-	34,000	34,000
697-703 Fifth Avenue (St. Regis - retail)	74.3%	Retail	100.0%	26,000	-	26,000
715 Lexington Avenue	100.0%	Retail	100.0%	23,000	-	23,000

Item 2. Properties - continued

NEW YORK SEGMENT - CONTINUED				Square Feet	Square Feet	Square Feet
					Under Development or Not	
Property	**% Ownership**	**Type**	**% Occupancy**	**In Service**	**Available for Lease**	**Total Property**
1131 Third Avenue	100.0%	Retail	100.0%	23,000	-	23,000
40 East 66th Street (5 units)	100.0%	Retail/Residential	100.0%(2)	23,000	-	23,000
131-135 West 33rd Street	100.0%	Retail	100.0%	23,000	-	23,000
828-850 Madison Avenue	100.0%	Retail	100.0%	18,000	-	18,000
443 Broadway	100.0%	Retail	100.0%	16,000	-	16,000
484 Eighth Avenue	100.0%	Retail	n/a	-	16,000	16,000
334 Canal Street (4 units)	100.0%	Retail/Residential	-(2)	15,000	-	15,000
304 Canal Street (4 units)	100.0%	Retail/Residential	n/a	-	13,000	13,000
677-679 Madison Avenue (8 units)	100.0%	Retail/Residential	100.0%(2)	13,000	-	13,000
431 Seventh Avenue	100.0%	Retail	100.0%	10,000	-	10,000
138-142 West 32nd Street	100.0%	Retail	67.4%	8,000	-	8,000
148 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000
150 Spring Street (1 unit)	100.0%	Retail/Residential	100.0%(2)	7,000	-	7,000
966 Third Avenue	100.0%	Retail	100.0%	7,000	-	7,000
488 Eighth Avenue	100.0%	Retail	100.0%	6,000	-	6,000
267 West 34th Street	100.0%	Retail	100.0%	6,000	-	6,000
968 Third Avenue (1)	50.0%	Retail	100.0%	6,000	-	6,000
265 West 34th Street	100.0%	Retail	100.0%	3,000	-	3,000
486 Eighth Avenue	100.0%	Retail	n/a	-	3,000	3,000
137 West 33rd Street	100.0%	Retail	100.0%	3,000	-	3,000
Other (4 buildings) (34 units)	82.0%	Retail/Residential	97.7%(2)	57,000	32,000	89,000
Hotel Pennsylvania	100.0%	Hotel	n/a	1,400,000	-	1,400,000

Alexander's, Inc.:						
731 Lexington Avenue[1]	32.4%	Office/Retail	100.0%	1,063,000	-	1,063,000
Rego Park II, Queens[1]	32.4%	Retail	99.9%	609,000	-	609,000
Rego Park I, Queens[1]	32.4%	Retail	100.0%	343,000	-	343,000
The Alexander Apartment Tower, Queens (312 units)[1]	32.4%	Residential	98.1%	255,000		255,000
Flushing, Queens[1]	32.4%	Retail	100.0%	167,000	-	167,000
Paramus, New Jersey (30.3 acres ground leased through 2041)[1]	32.4%	Retail	100.0%	-	-	-
Rego Park III, Queens (3.2 acres)[1]	32.4%	n/a	n/a	-	-	-
Total New York Segment			**96.5 %**	**28,295,000**	**1,941,000**	**30,236,000**
Our Ownership Interest			**96.5 %**	**22,442,000**	**967,000**	**23,409,000**

See notes on page 26.

Item 2. Properties - continued

WASHINGTON, DC SEGMENT Property	**% Ownership**	**Type**	**% Occupancy**	**In Service**	**Square Feet Under Development or Not Available for Lease**	**Total Property**
2011-2451 Crystal Drive (5 buildings)	100.0%	Office	89.7%	2,325,000	-	2,325,000
RiverHouse Apartments (3 buildings) (1,670 units)	100.0%	Residential	97.7%	1,802,000	-	1,802,000
S. Clark Street/12th Street (5 buildings)	100.0%	Office	83.2%	1,546,000	-	1,546,000
1550-1750 Crystal Drive/ 241-251 18th Street (4 buildings)	100.0%	Office	86.8%	1,452,000	30,000	1,482,000
1800, 1851 and 1901 South Bell Street (3 buildings)	100.0%	Office	100.0%	377,000	492,000	869,000
Rosslyn Plaza (4 buildings)[1]	46.2%	Office	64.0%	493,000	248,000	741,000
1825-1875 Connecticut Avenue, NW (Universal Buildings) (2 buildings)	100.0%	Office	99.0%	686,000	-	686,000
2200/2300 Clarendon Blvd (Courthouse Plaza) (ground leased through 2062) (2 buildings)	100.0%	Office	94.6%	639,000	-	639,000
1299 Pennsylvania Avenue, NW (Warner Building)[1]	55.0%	Office	92.4%	622,000	-	622,000
The Bartlett (699 units)	100.0%	Residential/Retail	100.0%[2]	477,000	143,000	620,000
	100.0%	Office	73.0%	532,000	-	532,000

2100/2200 Crystal Drive (2 buildings)						
Commerce Executive (3 buildings)	100.0%	Office	94.1%	393,000	14,000	407,000
1501 K Street, NW[(1)]	5.0%	Office	91.5%	402,000	-	402,000
2101 L Street, NW	100.0%	Office	99.0%	380,000	-	380,000
1700 M Street	100.0%	Office	n/a	-	333,000	333,000
WestEnd25 (283 units)	100.0%	Residential	97.2%	273,000	-	273,000
220 20th Street (265 units)	100.0%	Residential	97.7%	269,000	-	269,000
Crystal City Hotel	100.0%	Residential	100.0%	266,000	-	266,000
Rosslyn Plaza (196 units)[(1)]	43.7%	Residential	96.9%	253,000	-	253,000
875 15th Street, NW (Bowen Building)	100.0%	Office	84.5%	231,000	-	231,000
1101 17th Street, NW[(1)]	55.0%	Office	99.4%	216,000	-	216,000
Democracy Plaza One (ground leased through 2084)	100.0%	Office	97.6%	214,000	-	214,000
1730 M Street, NW (ground leased through 2061)	100.0%	Office	92.3%	205,000	-	205,000
2221 South Clark Street (216 units)	100.0%	Residential/ Office	100.0%(2)	171,000	-	171,000
2001 Jefferson Davis Highway	100.0%	Office	52.4%	162,000	-	162,000
223 23rd Street	100.0%	Office	n/a	-	147,000	147,000
Met Park/Warehouses	100.0%	Warehouses	100.0%	53,000	76,000	129,000
1399 New York Avenue, NW	100.0%	Office	75.2%	129,000	-	129,000
Crystal City Shops at 2100	100.0%	Office	94.6%	80,000	-	80,000
Crystal Drive Retail	100.0%	Retail	100.0%	57,000	-	57,000
Other (3 buildings)	100.0%	Other	100.0%	11,000	-	11,000
Total Washington, DC Segment			**90.2%**	**14,716,000**	**1,483,000**	**16,199,000**
Our Ownership Interest			**90.5%**	**13,556,000**	**1,344,000**	**14,900,000**

See notes on page 26.

Item 2. Properties - continued

OTHER	**%**		**%**		**Square Feet Under Development or Not Available**	**Total**
Property	**Ownership**	**Type**	**Occupancy**	**In Service**	**for Lease**	**Property**
theMART:						
theMART, Chicago	100.0%	Office/Retail/Showroom	98.9%	3,652,000	-	3,652,000
Other (2 properties)[1]	50.0%	Retail	100.0%	19,000	-	19,000
Total theMART			**98.9%**	**3,671,000**	**-**	**3,671,000**
Our Ownership Interest			**98.9%**	**3,662,000**	**-**	**3,662,000**
555 California Street:						
555 California Street	70.0%	Office	98.0%	1,505,000	-	1,505,000
315 Montgomery Street	70.0%	Office/Retail	55.6%	233,000	-	233,000
345 Montgomery Street	70.0%	Office/Retail	n/a	-	64,000	64,000
Total 555 California Street			**92.4%**	**1,738,000**	**64,000**	**1,802,000**
Our Ownership Interest			**92.4%**	**1,217,000**	**45,000**	**1,262,000**
Vornado Capital Partners Real Estate Fund ("the Fund")[3] :						
800 Corporate Pointe, Culver City, CA (2 buildings)	100.0%	Office	96.0%	246,000	-	246,000
Crowne Plaza Times Square, NY	75.3%	Office/Retail/Hotel	68.8%	240,000	-	240,000
Lucida, 86th Street and Lexington Avenue, NY (ground leased through 2082) (39 units)	100.0%	Retail/Residential	100.0%[2]	154,000	-	154,000
1100 Lincoln Road, Miami, FL	100.0%	Retail/Theatre	98.6%	128,000	-	128,000
11 East 68th Street Retail, NY	100.0%	Retail	100.0%	11,000	-	11,000
501 Broadway, NY	100.0%	Retail	100.0%	9,000	-	9,000
Total Real Estate Fund			**89.8%**	**788,000**	**-**	**788,000**
Our Ownership Interest			**86.3%**	**216,000**	**-**	**216,000**

Other:						
Wayne Town Center, Wayne (ground leased through 2064)	100.0%	Retail	100.0%	644,000	12,000	656,000
Annapolis (ground leased through 2042)	100.0%	Retail	100.0%	128,000	-	128,000
Fashion Centre Mall[(4)]	7.5%	Retail	96.9%	869,000	-	869,000
Washington Tower[(4)]	7.5%	Office	100.0%	170,000	-	170,000
Total Other			**98.5%**	**1,811,000**	**12,000**	**1,823,000**
Our Ownership Interest			**99.8%**	**850,000**	**12,000**	**862,000**

(1) Denotes property not consolidated in the accompanying consolidated financial statements and related financial data included in the Annual Report on Form 10-K.

(2) Excludes residential occupancy statistics.

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

(4) Reclassified to Other from Washington, DC segment.

New York

As of December 31, 2016, our New York segment consisted of 28.3 million square feet in 86 properties. The 28.3 million square feet is comprised of 20.2 million square feet of office space in 36 properties, 2.7 million square feet of retail space in 70 properties, 2,004 units in twelve residential properties, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, Inc. ("Alexander's"), which owns seven properties in the greater New York metropolitan area. The New York segment also includes 11 garages totaling 1.7 million square feet (4,970 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, 2016, the occupancy rate for our New York segment was 96.5%.

Occupancy and weighted average annual rent per square foot (in service):

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2016	20,227,000	16,962,000	96.3%	$ 68.90
2015	21,288,000	17,412,000	96.3%	66.62
2014	20,154,000	16,408,000	96.9%	65.34
2013	18,744,000	15,303,000	96.4%	62.20
2012	18,319,000	15,338,000	95.6%	60.45

Retail:

		Vornado's Ownership Interest		
	Total Property		**Occupancy**	**Weighted Average Annual Rent Per**

As of December 31,	Square Feet	Square Feet	Rate	Square Foot
2016	2,672,000	2,464,000	97.1%	$ 213.85
2015	2,641,000	2,408,000	96.2%	202.85
2014	2,469,000	2,162,000	96.5%	173.19
2013	2,349,000	2,116,000	97.4%	162.92
2012	2,171,000	2,001,000	96.8%	148.71

Occupancy and average monthly rent per unit (in service):

Residential:

		Vornado's Ownership Interest		
As of December 31,	Number of Units	Number of Units	Occupancy Rate	Average Monthly Rent Per Unit
2016(1)	2,004	977	95.7%	$ 3,576
2015	1,711	886	95.0%	3,495
2014	1,678	855	95.2%	3,146
2013	1,672	847	94.8%	2,920
2012	1,673	847	96.5%	2,770

(1) Includes The Alexander (32.4% ownership) from the date of stabilization in the third quarter of 2016.

NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased		2016 Revenues	Percentage of New York Total Revenues	Percentage of Total Revenues
IPG and affiliates	924,000	$	53,666,000	3.1%	2.1%
Swatch Group USA	32,000		53,263,000	3.1%	2.1%
AXA Equitable Life Insurance	481,000		40,955,000	2.4%	1.6%
Macy's	646,000		40,886,000	2.4%	1.6%
Neuberger Berman Group LLC	412,000		33,487,000	2.0%	1.3%

2016 rental revenue by tenants' industry:

Industry		Percentage
Office:		
	Financial Services	11%
	Real Estate	7%
	Communications	6%
	Family Apparel	6%
	Legal Services	5%
	Advertising/Marketing	5%
	Technology	4%
	Insurance	4%
	Publishing	3%
	Engineering, Architect & Surveying	3%
	Government	2%
	Banking	2%
	Home Entertainment & Electronics	2%
	Health Services	1%
	Pharmaceutical	1%
	Other	9%
		71%
Retail:		
	Family Apparel	7%
	Women's Apparel	6%
	Luxury Retail	6%
	Restaurants	2%
	Banking	2%
	Department Stores	2%

Discount Stores	1%
Other	3%
	29%
Total	100%

NEW YORK – CONTINUED

Lease expirations as of December 31, 2016, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Per Square Foot
Office:					
Month to month	12	25,000	0.2%	$ 1,254,000	$ 50.16
2017	72	489,000(1)	3.0%	31,770,000	64.97(1)
2018	106	1,153,000(2)	7.2%	85,505,000	74.16
2019	95	826,000	5.1%	57,322,000	69.40
2020	121	1,466,000	9.1%	99,053,000	67.57
2021	124	1,242,000	7.7%	86,776,000	69.87
2022	68	688,000	4.3%	37,809,000	54.95
2023	57	1,725,000	10.7%	132,048,000	76.55
2024	71	1,227,000	7.6%	93,797,000	76.44
2025	40	742,000	4.6%	53,343,000	71.89
2026	66	1,298,000	8.1%	92,625,000	71.36
Retail:					
Month to month	12	50,000	2.6%	$ 2,509,000	$ 50.18
2017	14	28,000(3)	1.4%	13,374,000	477.64(3)
2018	30	171,000	8.8%	44,423,000	259.78
2019	26	202,000	10.4%	34,039,000	168.51
2020	21	72,000	3.7%	10,588,000	147.06
2021	16	52,000	2.7%	10,283,000	197.75
2022	8	33,000	1.7%	3,855,000	116.82
2023	14	81,000	4.2%	20,523,000	253.37
2024	18	151,000	7.8%	59,881,000	396.56
2025	12	38,000	2.0%	18,428,000	484.95
2026	19	136,000	7.0%	42,233,000	310.54

(1) Based on current market conditions, we expect to re-lease this space at weighted average rents between $65 to $75 per square foot.

(2) Excludes 492,000 square feet leased at 909 Third Avenue to the U.S. Post Office through 2038 (including four 5-year renewal options) for which the annual escalated rent is $11.70 per square foot.

(3) Based on current market conditions, we expect to re-lease this space at weighted average rents between $550 to $600 per square foot.

Alexander’s

As of December 31, 2016, we own 32.4% of the outstanding common stock of Alexander's, which owns seven properties in the greater New York metropolitan area aggregating 2.4 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, net at December 31, 2016, of which our pro rata share was $341.0 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 at 33rd Street in the heart of the Penn Plaza district 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.

	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Hotel Pennsylvania:					
Average occupancy rate	84.7%	90.7%	92.0%	93.4%	89.1%
Average daily rate	$ 134.38	$ 147.46	$ 162.01	$ 158.01	$ 152.79
Revenue per available room	$ 113.84	$ 133.69	$ 149.04	$ 147.63	$ 136.21

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Washington, DC

On October 31, 2016, Vornado's Board of Trustees approved the tax-free spin-off of our Washington, DC segment and we entered into a definitive agreement to merge it with the business and certain select assets of The JBG Companies ("JBG"), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, will be Chairman of the Board of Trustees of the new company, which will be named JBG SMITH Properties. Mitchell Schear, President of our Washington, DC business, will be a member of the Board of Trustees of the new company. The pro rata distribution to Vornado common shareholders and Class A Operating Partnership unitholders is intended to be treated as a tax-free spin-off for U.S. federal income tax purposes. It is expected to be made on a pro rata 1:2 basis. The initial Form 10 registration statement relating to the spin-off and merger was filed with the SEC on January 23, 2017 and the distribution and combination are expected to be completed in the second quarter of 2017. The distribution and combination are subject to certain conditions, including the SEC declaring the Form 10 registration statement effective, filing and approval of the new company's listing application, receipt of regulatory approvals and third party consents by each of the Company and JBG, and formal declaration of the distribution by Vornado's Board of Trustees. The distribution and combination are not subject to a vote by Vornado's shareholders or Operating Partnership unitholders. Vornado's Board of Trustees has approved the transaction. JBG has obtained all requisite approvals from its investment funds for this transaction. There can be no assurance that this transaction will be completed.

On August 24, 2016, the Skyline properties, located in Fairfax, Virginia, were placed in receivership. On December 21, 2016, the final disposition of the Skyline properties was completed by the receiver. In connection therewith, the Skyline properties' assets (approximately $236,535,000) and liabilities (approximately $724,412,000), were removed from our consolidated balance sheet which resulted in a net gain of $487,877,000. There was no taxable income related to this transaction.

On December 19, 2016, we completed the sale of our 20% interest in Fairfax Square to our joint venture partner for $15,500,000, which resulted in a net gain of approximately $15,302,000.

Washington, DC – CONTINUED

As of December 31, 2016, our Washington, DC segment consisted of 58 properties aggregating 14.7 million square feet including 11.1 million square feet of office space in 44 properties, nine residential properties containing 3,156 units and a hotel property. The Washington, DC segment also includes 45 garages totaling approximately 7.0 million square feet (22,110 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 fixed percentage 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, 2016, the occupancy rate for our Washington DC segment was 90.5%, and 22.4% of the occupied space was leased to various agencies of the U.S. Government.

Occupancy and weighted average annual rent per square foot (in service):

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2016	11,141,000	10,123,000	88.3%	$ 44.05
2015	11,592,000	10,597,000	90.1%	43.99
2014	11,635,000	10,620,000	87.3%	44.03
2013	11,753,000	10,686,000	85.2%	44.03
2012	11,665,000	10,538,000	86.2%	42.91

Occupancy and average monthly rent per unit (in service):

Residential:

		Vornado's Ownership Interest		
	Number of Units	**Number of Units**	**Occupancy Rate**	**Average Monthly Rent Per Unit**

As of December 31,				
2016	3,156	3,046	97.8%	$ 2,064
2015	2,630	2,520	96.4%	2,044
2014	2,414	2,304	97.4%	2,053
2013	2,414	2,304	96.3%	2,075
2012	2,414	2,304	97.9%	2,122

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2016 Revenues	Percentage of Washington, DC Total Revenues	Percentage of Total Revenues
U.S. Government	2,748,000	$ 79,185,000	15.3%	3.4%
Family Health International	323,000	15,199,000	2.9%	0.7%
Arlington County	241,000	11,388,000	2.2%	0.5%

WASHINGTON, DC – CONTINUED

2016 rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	21%
Government Contractors	13%
Membership Organizations	9%
Legal Services	5%
Real Estate	4%
Business Services	4%
Management Consulting Services	3%
State and Local Government	3%
Health Services	2%
Food	2%
Computer and Data Processing	2%
Education	1%
Television Broadcasting	1%
Manufacturing	1%
Other	29%
	100%

Lease expirations as of December 31, 2016, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Weighted Average Annual Rent of Expiring Leases Per Square Foot
Month to month	32	93,000	1.1%	$ 2,516,000	$ 27.05
2017	108	955,000(1)	11.5%	36,265,000	37.97(1)
2018	105	943,000	11.3%	43,658,000	46.30
2019	94	1,143,000	13.7%	51,492,000	45.05
2020	85	845,000	10.1%	42,980,000	50.86
2021	60	793,000	9.5%	35,331,000	44.55
2022	59	1,149,000	13.8%	52,207,000	45.44
2023	20	225,000	2.7%	10,202,000	45.34
2024	35	377,000	4.5%	15,840,000	42.02
2025	26	319,000	3.8%	12,685,000	39.76
2026	16	192,000	2.3%	9,154,000	47.68

(1) Based on current market conditions, we expect to re-lease this space at weighted average rents between $38 to $42 per square foot.

OTHER INVESTMENTS

theMART

As of December 31, 2016, we own the 3.7 million square foot theMART in Chicago, whose largest tenant is Motorola Mobility at 609,000 square feet, the lease of which is guaranteed by Google. theMART is encumbered by a $675,000,000 mortgage loan that bears interest at a fixed rate of 2.70% and matures in September 2021. As of December 31, 2016, theMART had an occupancy rate of 98.9% and a weighted average annual rent per square foot of $40.39.

555 California Street

As of December 31, 2016, 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 $579,795,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2016, 555 California Street had an occupancy rate of 92.4% and a weighted average annual rent per square foot of $68.43.

Vornado Capital Partners Real Estate Fund (the "Fund") and Crowne Plaza Times Square Hotel Joint Venture (the "Crowne Plaza Joint Venture")

As of December 31, 2016, we own a 25.0% interest in the Fund which currently has six investments, one of which is the Crowne Plaza Times Square Hotel in which we also own an additional interest through a joint venture. We are the general partner and investment manager of the Fund. As of December 31, 2016, these six investments are carried on our consolidated balance sheet at an aggregate fair value of $462,132,000, including the Crowne Plaza Joint Venture. As of December 31, 2016, our share of unfunded commitments was $34,422,000.

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 Vornado's common shares and dividends paid per common share for the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31, 2016			Year Ended December 31, 2015		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
1st	$ 99.97	$ 78.91	$ 0.63	$ 126.62[(1)]	$ 104.11	$ 0.63
2nd	100.13	90.13	0.63	113.12	94.55	0.63
3rd	108.69	97.18	0.63	98.96	84.60	0.63
4th	105.91	86.35	0.63	103.41	89.32	0.63

(1) Achieved on January 15, 2015, prior to the spin-off of Urban Edge Properties (NYSE: UE).

As of February 1, 2017, there were 1,051 holders of record of Vornado common shares.

There is no established trading market for Class A units of the Operating Partnership. As of February 1, 2017, there were 997 Class A unitholders of record.

Recent Sales of Unregistered Securities

During 2016, the Operating Partnership issued 491,920 Class A units in connection with equity awards issued pursuant to Vornado's omnibus share plan, including with respect to grants of restricted Vornado common shares and restricted units of the Operating Partnership and upon conversion, surrender or exchange of the Operating Partnership's units or Vornado stock options, and consideration received included $8,540,019 in cash proceeds. Such units were issued in reliance on an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

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

Recent Purchases of Equity Securities

In December 2016, we received 2,755 Vornado common shares at a weighted average price of $103.62 per share as payment for the exercise price of certain employees' stock options.

Performance Graph

The following graph is a comparison of the five-year cumulative return of Vornado's 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, 2011 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.

	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Vornado Realty Trust	$ 100	$ 109	$ 125	$ 171	$ 163	$ 174
S&P 500 Index	100	116	154	175	177	198
The NAREIT All Equity Index	100	120	123	158	162	176

ITEM 6. SELECTED FINANCIAL DATA

Vornado Realty Trust

(Amounts in thousands, except per share amounts)	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Operating Data:					
Revenues:					
Property rentals	$ 2,103,728	$ 2,076,586	$ 1,911,487	$ 1,880,405	$ 1,771,264
Tenant expense reimbursements	260,667	260,976	245,819	226,831	207,149
Cleveland Medical Mart development project	-	-	-	36,369	235,234
Fee and other income	141,807	164,705	155,206	155,571	119,077
Total revenues	2,506,202	2,502,267	2,312,512	2,299,176	2,332,724
Expenses:					
Operating	1,024,336	1,011,249	953,611	928,565	891,637
Depreciation and amortization	565,059	542,952	481,303	461,627	435,545
General and administrative	179,279	175,307	169,270	177,366	167,194
Cleveland Medical Mart development project	-	-	-	32,210	226,619
Skyline properties impairment loss	160,700	-	-	-	-
Acquisition and transaction related costs	26,037	12,511	18,435	24,857	17,386
Total expenses	1,955,411	1,742,019	1,622,619	1,624,625	1,738,381
Operating income	550,791	760,248	689,893	674,551	594,343
(Loss) income from real estate fund investments	(23,602)	74,081	163,034	102,898	63,936
Income (loss) from partially owned entities	165,389	(12,630)	(59,861)	(340,882)	421,668
Interest and other investment income (loss), net	29,546	26,978	38,752	(24,887)	(261,200)
Interest and debt expense	(402,674)	(378,025)	(412,755)	(425,782)	(431,235)
Net gain on extinguishment of Skyline properties debt	487,877	-	-	-	-
Net gain on disposition of wholly owned and					

partially owned assets	175,735	251,821	13,568	2,030	4,856
Income (loss) before income taxes	983,062	722,473	432,631	(12,072)	392,368
Income tax (expense) benefit	(8,312)	84,695	(9,281)	8,717	(8,132)
Income (loss) from continuing operations	974,750	807,168	423,350	(3,355)	384,236
Income from discontinued operations	7,172	52,262	585,676	568,095	310,305
Net income	981,922	859,430	1,009,026	564,740	694,541
Less net income attributable to noncontrolling interests in:					
Consolidated subsidiaries	(21,351)	(55,765)	(96,561)	(63,952)	(32,018)
Operating Partnership	(53,654)	(43,231)	(47,613)	(24,817)	(45,263)
Net income attributable to Vornado	906,917	760,434	864,852	475,971	617,260
Preferred share dividends	(75,903)	(80,578)	(81,464)	(82,807)	(76,937)
Preferred unit and share redemptions	(7,408)	-	-	(1,130)	8,948
Net income attributable to common shareholders	$ 823,606	$ 679,856	$ 783,388	$ 392,034	$ 549,271
Per Share Data:					
Income (loss) from continuing operations, net - basic	$ 4.32	$ 3.35	$ 1.23	$ (0.75)	$ 1.37
Income (loss) from continuing operations, net - diluted	4.30	3.33	1.22	(0.75)	1.37
Net income per common share - basic	4.36	3.61	4.18	2.10	2.95
Net income per common share - diluted	4.34	3.59	4.15	2.09	2.94
Dividends per common share	2.52	2.52 (1)	2.92	2.92	3.76 (2)
Balance Sheet Data:					
Total assets	$ 20,814,847	$ 21,143,293	$ 21,157,980	$ 20,018,210	$ 21,978,802
Real estate, at cost	18,339,958	18,090,137	16,822,358	15,392,968	15,287,078
Accumulated depreciation and amortization	(3,513,574)	(3,418,267)	(3,161,633)	(2,829,862)	(2,524,718)

Debt, net	10,611,685	11,091,010	9,530,337	8,708,414	9,714,819
Total equity	7,618,496	7,476,078	7,489,382	7,594,744	7,904,144

(1) Post spin-off of Urban Edge Properties (NYSE: UE) on January 15, 2015.
(2) Includes a special long-term capital gain dividend of $1.00 per share.

ITEM 6. SELECTED FINANCIAL DATA - CONTINUED

Vornado Realty Trust

(Amounts in thousands)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Other Data:					
Funds From Operations ("FFO")[(1)]:					
Net income attributable to common shareholders	$ 823,606	$ 679,856	$ 783,388	$ 392,034	$ 549,271
FFO adjustments:					
Depreciation and amortization of real property	$ 531,620	$ 514,085	$ 517,493	$ 501,753	$ 504,407
Net gains on sale of real estate	(177,023)	(289,117)	(507,192)	(411,593)	(245,799)
Real estate impairment losses	160,700	256	26,518	37,170	129,964
Proportionate share of adjustments to equity in net income (loss) of partially owned entities to arrive at FFO:					
Depreciation and amortization of real property	154,795	143,960	117,766	157,270	154,680
Net gains on sale of real estate	(2,853)	(4,513)	(11,580)	(465)	(241,602)
Real estate impairment losses	6,328	16,758	-	6,552	11,673
Income tax effect of above adjustments	-	-	(7,287)	(26,703)	(27,493)
	673,567	381,429	135,718	263,984	285,830
Noncontrolling interests' share of above adjustments	(41,267)	(22,342)	(8,073)	(15,089)	(16,649)
FFO adjustments, net	$ 632,300	$ 359,087	$ 127,645	$ 248,895	$ 269,181
FFO attributable to common shareholders	$1,455,906	$1,038,943	$ 911,033	$ 640,929	$ 818,452
Convertible preferred share dividends	86	92	97	108	113
Earnings allocated to Out-Performance Plan units	1,591	-	-	-	-
FFO attributable to common shareholders plus assumed conversions[(1)]	$1,457,583	$1,039,035	$ 911,130	$ 641,037	$ 818,565

(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 gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are non-GAAP financial measures 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 flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

ITEM 6. SELECTED FINANCIAL DATA

Vornado Realty L.P.

(Amounts in thousands, except per unit amounts)	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Operating Data:					
Revenues:					
Property rentals	$ 2,103,728	$ 2,076,586	$ 1,911,487	$ 1,880,405	$ 1,771,264
Tenant expense reimbursements	260,667	260,976	245,819	226,831	207,149
Cleveland Medical Mart development project	-	-	-	36,369	235,234
Fee and other income	141,807	164,705	155,206	155,571	119,077
Total revenues	2,506,202	2,502,267	2,312,512	2,299,176	2,332,724
Expenses:					
Operating	1,024,336	1,011,249	953,611	928,565	891,637
Depreciation and amortization	565,059	542,952	481,303	461,627	435,545
General and administrative	179,279	175,307	169,270	177,366	167,194
Cleveland Medical Mart development project	-	-	-	32,210	226,619
Skyline properties impairment loss	160,700	-	-	-	-
Acquisition and transaction related costs	26,037	12,511	18,435	24,857	17,386
Total expenses	1,955,411	1,742,019	1,622,619	1,624,625	1,738,381
Operating income	550,791	760,248	689,893	674,551	594,343
(Loss) income from real estate fund investments	(23,602)	74,081	163,034	102,898	63,936
Income (loss) from partially owned entities	165,389	(12,630)	(59,861)	(340,882)	421,668
Interest and other investment income (loss), net	29,546	26,978	38,752	(24,887)	(261,200)
Interest and debt expense	(402,674)	(378,025)	(412,755)	(425,782)	(431,235)
Net gain on extinguishment of Skyline properties debt	487,877	-	-	-	-
Net gain on disposition of wholly owned and partially					

owned assets	175,735	251,821	13,568	2,030	4,856
Income (loss) before income taxes	983,062	722,473	432,631	(12,072)	392,368
Income tax (expense) benefit	(8,312)	84,695	(9,281)	8,717	(8,132)
Income (loss) from continuing operations	974,750	807,168	423,350	(3,355)	384,236
Income from discontinued operations	7,172	52,262	585,676	568,095	310,305
Net income	981,922	859,430	1,009,026	564,740	694,541
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(21,351)	(55,765)	(96,561)	(63,952)	(32,018)
Net income attributable to Vornado Realty L.P.	960,571	803,665	912,465	500,788	662,523
Preferred unit distributions	(76,097)	(80,736)	(81,514)	(83,965)	(86,873)
Preferred unit redemptions	(7,408)	-	-	(1,130)	8,948
Net income attributable to Class A unitholders	$ 877,066	$ 722,929	$ 830,951	$ 415,693	$ 584,598
Per Unit Data:					
Income (loss) from continuing operations, net - basic	$ 4.32	$ 3.35	$ 1.22	$ (0.79)	$ 1.37
Income (loss) from continuing operations, net - diluted	4.29	3.31	1.21	(0.78)	1.37
Net income per Class A unit - basic	4.36	3.61	4.17	2.09	2.95
Net income per Class A unit - diluted	4.32	3.57	4.14	2.08	2.93
Distributions per Class A unit	2.52	2.52 (1)	2.92	2.92	3.76 (2)
Balance Sheet Data:					
Total assets	$ 20,814,847	$ 21,143,293	$ 21,157,980	$ 20,018,210	$ 21,978,802
Real estate, at cost	18,339,958	18,090,137	16,822,358	15,392,968	15,287,078
Accumulated depreciation and amortization	(3,513,574)	(3,418,267)	(3,161,633)	(2,829,862)	(2,524,718)
Debt, net	10,611,685	11,091,010	9,530,337	8,708,414	9,714,819
Total equity	7,618,496	7,476,078	7,489,382	7,594,744	7,904,144

(1) Post spin-off of Urban Edge Properties (NYSE: UE) on January 15, 2015.
(2) Includes a special long-term capital gain distribution of $1.00 per unit.

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 93.7% of the common limited partnership interest in the Operating Partnership as of December 31, 2016. All references to the "Company," "we," "us" and "our" mean collectively Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

On October 31, 2016, Vornado's Board of Trustees approved the tax-free spin-off of our Washington, DC segment and we entered into a definitive agreement to merge it with the business and certain select assets of The JBG Companies ("JBG"), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, will be Chairman of the Board of Trustees of the new company, which will be named JBG SMITH Properties. Mitchell Schear, President of our Washington, DC business, will be a member of the Board of Trustees of the new company. The pro rata distribution to Vornado common shareholders and Class A Operating Partnership unitholders is intended to be treated as a tax-free spin-off for U.S. federal income tax purposes. It is expected to be made on a pro rata 1:2 basis. The initial Form 10 registration statement relating to the spin-off and merger was filed with the SEC on January 23, 2017 and the distribution and combination are expected to be completed in the second quarter of 2017. The distribution and combination are subject to certain conditions, including the SEC declaring the Form 10 registration statement effective, filing and approval of the new company's listing application, receipt of regulatory approvals and third party consents by each of the Company and JBG, and formal declaration of the distribution by Vornado's Board of Trustees. The distribution and combination are not subject to a vote by Vornado's shareholders or Operating Partnership unitholders. Vornado's Board of Trustees has approved the transaction. JBG has obtained all requisite approvals from its investment funds for this transaction. There can be no assurance that this transaction will be completed.

We own and operate office and retail properties 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. ("Alexander's") (NYSE: ALX), which owns seven properties in the greater New York metropolitan area, a 32.5% interest in Toys "R" Us, Inc. ("Toys") as well as interests in other real estate and related investments.

Our business objective is to maximize Vornado shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing Vornado's performance to the FTSE NAREIT Office Index ("Office REIT") and the MSCI US REIT Index ("MSCI") for the following periods ended December 31, 2016:

		Total Return[(1)]	
	Vornado	**Office REIT**	**MSCI**
Three-month	3.9%	0.6%	(3.0%)

One-year	7.3%	13.2%	8.6%
Three-year	40.6%	42.8%	45.2%
Five-year	76.0%	72.1%	75.2%
Ten-year	36.9%	31.0%	62.3%

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

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Overview – continued

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, 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 asset sales and by accessing the public and private capital markets. We may also offer Vornado common or preferred shares or Operating Partnership units in exchange for property and may repurchase or otherwise reacquire these securities in the future.

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

Vornado Realty Trust

Year Ended December 31, 2016 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2016 was $823,606,000, or $4.34 per diluted share, compared to $679,856,000, or $3.59 per diluted share, for the year ended December 31, 2015. The years ended December 31, 2016 and 2015 include certain items that impact net income attributable to common shareholders, which are listed in the table on the following page. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by $569,725,000 and $369,455,000, or $3.00 and $1.95 per diluted share, for the years ended December 31, 2016 and 2015, respectively.

Funds From Operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2016 was $1,457,583,000, or $7.66 per diluted share, compared to $1,039,035,000, or $5.48 per diluted share, for the year ended December 31, 2015. The years ended December 31, 2016 and 2015 include certain items that impact FFO, which are listed in the table on page 43. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO by $570,780,000 and $138,158,000, or $3.00 and $0.73 per diluted share, for the years ended December 31, 2016 and 2015, respectively.

Net income as adjusted and FFO as adjusted for the year ended December 31, 2016 include $41,373,000, or $0.20 per diluted share, for our 33.0% share of a non-cash unrealized loss and related reduction in our carried interest accrual, resulting from the fourth quarter mark-to-market fair value adjustment of our real estate funds' investment in the Crowne Plaza Times Square Hotel.

Overview – continued

Vornado Realty Trust – continued

Quarter Ended December 31, 2016 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2016 was $651,181,000, or $3.43 per diluted share, compared to $230,742,000, or $1.22 per diluted share, for the prior year's quarter. The quarters ended December 31, 2016 and 2015 include certain items that impact net income attributable to common shareholders, which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by $594,473,000 and $144,301,000, or $3.13 and $0.76 per diluted share, for the quarters ended December 31, 2016 and 2015, respectively.

FFO for the quarter ended December 31, 2016 was $797,734,000, or $4.20 per diluted share, compared to $259,528,000, or $1.37 per diluted share, for the prior year's quarter. The quarters ended December 31, 2016 and 2015 include certain items that impact FFO, which are listed in the table on the following page. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO by $582,996,000 and $21,469,000, or $3.07 and $0.11 per diluted share, for the quarters ended December 31, 2016 and 2015, respectively.

Net income as adjusted and FFO as adjusted for the quarter ended December 31, 2016 include $41,373,000, or $0.20 per diluted share, for our 33.0% share of a non-cash unrealized loss and related reduction in our carried interest accrual, resulting from the fourth quarter mark-to-market fair value adjustment of our real estate funds' investment in the Crowne Plaza Times Square Hotel.

(Amounts in thousands)	**For the Year Ended December 31,**		**For the Three Months Ended December 31,**	
	2016	**2015**	**2016**	**2015**
Certain items that impact net income attributable to common shareholders:				
Net gain on extinguishment of Skyline properties debt	$ 487,877	$ -	$ 487,877	$ -
Income from the repayment of our investments in 85 Tenth Avenue loans and preferred equity	160,843	-	160,843	-
Skyline properties impairment loss	(160,700)	-	-	-
Net gains on sale of real estate	159,511	255,964	-	142,693
Acquisition and transaction related costs	(26,037)	(12,511)	(14,743)	(4,951)
Net gain on sale of our 20% interest in Fairfax Square	15,302	-	15,302	-
Default interest on Skyline properties mortgage loan	(7,823)	-	(2,480)	-
Preferred share issuance costs (Series J redemption)	(7,408)	-	-	-
Net income (loss) from discontinued operations and sold properties	1,730	32,419	(117)	13,943
Net gains on sale of residential condominiums	714	6,724	-	4,231
Reversal of allowance for deferred tax assets (re: taxable REIT subsidiary's ability to utilize NOLs)	-	90,030	-	-
	-	33,153	-	-

Net gain on sale of our interest in Monmouth Mall				
Our share of partially owned entities:				
Real estate impairment losses	(20,290)	(21,260)	(14,754)	(4,141)
Net gains on sale of real estate	2,854	4,513	13	-
Other	183	3,004	208	1,671
	606,756	392,036	632,149	153,446
Noncontrolling interests' share of above adjustments	(37,031)	(22,581)	(37,676)	(9,145)
Certain items that impact net income attributable to common shareholders, net	$ 569,725	$ 369,455	$ 594,473	$ 144,301

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Overview – continued

Vornado Realty Trust – continued

(Amounts in thousands)	For the Year Ended December 31,		For the Three Months Ended December 31,	
	2016	2015	2016	2015
Certain items that impact FFO:				
Net gain on extinguishment of Skyline properties debt	$ 487,877	$ -	$ 487,877	$ -
Income from the repayment of our investments in 85 Tenth Avenue loans and preferred equity	160,843	-	160,843	-
Acquisition and transaction related costs	(26,037)	(12,511)	(14,743)	(4,951)
FFO from discontinued operations and sold properties	11,923	64,263	2,202	22,137
Default interest on Skyline properties mortgage loan	(7,823)	-	(2,480)	-
Preferred share issuance costs (Series J redemption)	(7,408)	-	-	-
Net gains on sale of residential condominiums	714	6,724	-	4,231
Reversal of allowance for deferred tax assets (re: taxable REIT subsidiary's ability to utilize NOLs)	-	90,030	-	-
Our share of partially owned entities:				
Real estate impairment losses	(13,962)	(4,502)	(13,962)	-
Other	183	3,004	208	1,671
	606,310	147,008	619,945	23,088
Noncontrolling interests' share of above adjustments	(35,530)	(8,850)	(36,949)	(1,619)
Certain items that impact FFO, net	$ 570,780	$ 138,158	$ 582,996	$ 21,469

Vornado Realty L.P.

Year Ended December 31, 2016 Financial Results Summary

Net income attributable to Class A unitholders for the year ended December 31, 2016 was $877,066,000, or $4.32 per diluted Class A unit, compared to $722,929,000, or $3.57 per diluted Class A unit, for the year ended December 31, 2015. The year ended December 31, 2016 and 2015 include certain items that impact net income attributable to Class

A unitholders which are listed in the table on the following page. The aggregate of these items increased net income attributable to Class A unitholders by $606,756,000, or $3.00 per diluted Class A unit, and $392,036,000, or $1.95 per diluted Class A unit, for the years ended December 31, 2016 and 2015, respectively.

Net income as adjusted for the year ended December 31, 2016 includes $41,373,000, or $0.20 per diluted Class A unit, for our 33.0% share of a non-cash unrealized loss and related reduction in our carried interest accrual, resulting from the fourth quarter mark-to-market fair value adjustment of our real estate funds' investment in the Crowne Plaza Times Square Hotel.

Quarter Ended December 31, 2016 Financial Results Summary

Net income attributable to Class A unitholders for the quarter ended December 31, 2016 was $693,377,000, or $3.43 per diluted Class A unit, compared to $245,735,000, or $1.21 per diluted Class A unit, for the prior year's quarter. The quarters ended December 31, 2016 and 2015 include certain items that impact net income attributable to Class A unitholders, which are listed in the table on the following page. The aggregate of these items increased net income attributable to Class A unitholders by $632,149,000, or $3.13 per diluted Class A unit, and $153,446,000, or $0.76 per diluted Class A unit, for the quarters ended December 31, 2016 and 2015, respectively.

Net income, as adjusted for the quarter ended December 31, 2016 includes $41,373,000, or $0.20 per diluted Class A unit, for our 33.0% share of a non-cash unrealized loss and related reduction in our carried interest accrual, resulting from the fourth quarter mark-to-market fair value adjustment of our real estate funds' investment in the Crowne Plaza Times Square Hotel.

Overview – continued

Vornado Realty L.P. – continued

(Amounts in thousands)	For the Year Ended December 31,		For the Three Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Certain items that impact net income attributable to Class A unitholders:				
Net gain on extinguishment of Skyline properties debt	$ 487,877	$ -	$ 487,877	$ -
Income from the repayment of our investments in 85 Tenth Avenue loans and preferred equity	160,843	-	160,843	-
Skyline properties impairment loss	(160,700)	-	-	-
Net gains on sale of real estate	159,511	255,964	-	142,693
Acquisition and transaction related costs	(26,037)	(12,511)	(14,743)	(4,951)
Net gain on sale of our 20% interest in Fairfax Square	15,302	-	15,302	-
Default interest on Skyline properties mortgage loan	(7,823)	-	(2,480)	-
Preferred unit issuance costs (Series J redemption)	(7,408)	-	-	-
Net income (loss) from discontinued operations and sold properties	1,730	32,419	(117)	13,943
Net gains on sale of residential condominiums	714	6,724	-	4,231
Reversal of allowance for deferred tax assets (re: taxable REIT subsidiary's ability to utilize NOLs)	-	90,030	-	-
Net gain on sale of our interest in Monmouth Mall	-	33,153	-	-
Our share of partially owned entities:				
Real estate impairment losses	(20,290)	(21,260)	(14,754)	(4,141)
Net gains on sale of real estate	2,854	4,513	13	-
Other	183	3,004	208	1,671
Certain items that impact net income attributable to Class A unitholders	$ 606,756	$ 392,036	$ 632,149	$ 153,446

Vornado Realty Trust and Vornado Realty L.P.

Same Store EBITDA and Cash Basis Same Store EBITDA

The percentage increase (decrease) in same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and cash basis same store EBITDA of our operating segments are summarized below.

	New York		Washington, DC
Same store EBITDA % increase (decrease):			
Year ended December 31, 2016 vs. December 31, 2015	6.3%	(1)	2.8%
Year ended December 31, 2015 vs. December 31, 2014	1.5%	(2)	(0.1%)
Three months ended December 31, 2016 vs. December 31, 2015	7.8%	(3)	2.3%
Three months ended December 31, 2016 vs. September 30, 2016	4.1%	(4)	(3.7%)
Cash basis same store EBITDA % increase (decrease):			
Year ended December 31, 2016 vs. December 31, 2015	8.6%	(1)	3.8%
Year ended December 31, 2015 vs. December 31, 2014	0.3%	(2)	(4.5%)
Three months ended December 31, 2016 vs. December 31, 2015	17.6%	(3)	4.4%
Three months ended December 31, 2016 vs. September 30, 2016	8.2%	(4)	(2.3%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 7.7% and by 10.3% on a cash basis.
(2) Excluding Hotel Pennsylvania, same store EBITDA increased by 2.4% and by 1.3% on a cash basis.
(3) Excluding Hotel Pennsylvania, same store EBITDA increased by 9.2% and by 19.8% on a cash basis.
(4) Excluding Hotel Pennsylvania, same store EBITDA increased by 3.6% and by 7.6% on a cash basis.

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

Washington, DC Segment

Excluding the Skyline Properties which were disposed of on December 21, 2016, our Washington, DC segment EBITDA as adjusted was $290,500,000 for the year ended December 31, 2016, which is flat to 2015 as a result of an increase in EBITDA from the core business of $3,100,000, offset by a decline in EBITDA from properties taken out-of-service of $3,100,000. These results are slightly ahead of the guidance we published for 2016.

We expect to complete the spin-off of our Washington, DC segment in the second quarter of 2017. We expect that Washington, DC's EBITDA as adjusted during the first half of 2017 will be lower than the first half of 2016 by approximately $1,000,000 to $5,000,000, comprised of:

(i) core business approximately $2,000,000 to $6,000,000 higher than 2016, offset by,

(ii) reduction in EBITDA of approximately $6,000,000 to $8,000,000 from 1700 M Street, 1800 South Bell and 1750 Crystal Drive being taken out-of-service for redevelopment.

Investments

On March 17, 2016, we entered into a joint venture, in which we own a 33.3% interest, which owns a $150,000,000 mezzanine loan with an interest rate of LIBOR plus 8.88% and an initial maturity date in November 2016, with two three-month extension options. On November 9, 2016, the mezzanine loan was extended to May 2017 with an interest rate of LIBOR plus 9.42% (10.08% at December 31, 2016) during the extension period. As of December 31, 2016, the joint venture has fully funded its commitments. The joint venture's investment is subordinate to $350,000,000 of third party debt. We account for our investment in the joint venture under the equity method.

On May 20, 2016, we contributed $19,650,000 for a 50.0% equity interest in a joint venture that will develop 606 Broadway, a 34,000 square foot office and retail building, located on Houston Street in Manhattan. The development cost of this project is estimated to be approximately $104,000,000. At closing, the joint venture obtained a $65,000,000 construction loan, of which approximately $25,800,000 was outstanding at December 31, 2016. The loan, which bears interest at LIBOR plus 3.00% (3.66% at December 31, 2016), matures in May 2019 with two one-year extension options. Because this joint venture is a VIE and we determined we are the primary beneficiary, we consolidate the accounts of this joint venture from the date of our investment.

Dispositions

On May 27, 2016, we sold a 47% ownership interest in 7 West 34th Street, a 479,000 square foot Manhattan office building leased to Amazon, and retained the remaining 53% interest. This transaction was based on a property value of approximately $561,000,000 or $1,176 per square foot. We received net proceeds of $127,382,000 from the sale and realized a net gain of $203,324,000, of which $159,511,000 was recognized in the second quarter of 2016 and is included in "net gain on disposition of wholly owned and partially owned assets" in our consolidated statements of income. The remaining net gain of $43,813,000 has been deferred until our guarantee of payment of loan principal and interest is removed or the loan is repaid. We realized a net tax gain of $90,017,000. We continue to manage and lease the property. We share control over major decisions with our joint venture partner. Accordingly, this property is accounted for under the equity method from the date of sale.

On December 19, 2016, we completed the sale of our 20% interest in Fairfax Square to our joint venture partner for $15,500,000, which resulted in a net gain of approximately $15,302,000.

On August 24, 2016, the Skyline properties, located in Fairfax, Virginia, were placed in receivership. On December 21, 2016, the final disposition of the Skyline properties was completed by the receiver. In connection therewith, the Skyline properties' assets (approximately $236,535,000) and liabilities (approximately $724,412,000), were removed from our consolidated balance sheet which resulted in a net gain of $487,877,000. There was no taxable income related to this transaction.

Overview – continued

Financings

Unsecured Revolving Credit Facility

On November 7, 2016, we extended one of our two $1.25 billion unsecured revolving credit facilities from June 2017 to February 2021 with two six-month extension options. The interest rate on the extended facility was lowered from LIBOR plus 115 basis points to LIBOR plus 100 basis points. The facility fee remains unchanged at 20 basis points.

Secured Debt

On February 8, 2016, we completed a $700,000,000 refinancing of 770 Broadway, a 1,158,000 square foot Manhattan office building. The five-year loan is interest only at LIBOR plus 1.75% (2.40% at December 31, 2016), which was swapped for four and a half years to a fixed rate of 2.56%. The Company realized net proceeds of approximately $330,000,000. The property was previously encumbered by a 5.65%, $353,000,000 mortgage which was scheduled to mature in March 2016.

On May 16, 2016, we completed a $300,000,000 recourse financing of 7 West 34th Street. The ten-year loan is interest only at a fixed rate of 3.65% and matures in June 2026.

On September 6, 2016, we completed a $675,000,000 refinancing of theMART, a 3,652,000 square foot commercial building in Chicago. The five-year loan is interest only and has a fixed rate of 2.70%. The Company realized net proceeds of approximately $124,000,000. The property was previously encumbered by a 5.57%, $550,000,000 mortgage which was scheduled to mature in December 2016.

On December 2, 2016, we completed a $400,000,000 refinancing of 350 Park Avenue, a 571,000 square foot Manhattan office building. The ten-year loan is interest only and has a fixed rate of 3.92%. The Company realized net proceeds of approximately $111,000,000. The property was previously encumbered by a 3.75%, $284,000,000 mortgage which was scheduled to mature in January 2017.

Preferred Securities

On September 1, 2016, we redeemed all of the outstanding 6.875% Series J cumulative redeemable preferred shares/units at their redemption price of $25.00 per share/unit, or $246,250,000 in the aggregate, plus accrued and unpaid dividends/distributions through the date of redemption. In connection therewith, we expensed $7,408,000 of issuance costs, which reduced net income attributable to common shareholders and net income attributable to Class A unitholders in the twelve months ended December 31, 2016. These costs had been initially recorded as a reduction of shareholders' equity and partners' capital.

Overview - continued

Leasing Activity

The leasing activity and related statistics in the tables below are based on leases signed during the period and are not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Second generation relet space represents square footage that has not been vacant for more than nine months and tenant improvements and leasing commissions are based on our share of square feet leased during the period.

(Square feet in thousands)	New York Office			Washington, DC
	Manhattan	Long Island City (Center Building)	New York Retail	Office
Quarter Ended December 31, 2016:				
Total square feet leased	609	17	10	329
Our share of square feet leased	432	17	10	311
Initial rent[1]	$ 78.29	$ 35.41	$ 906.91	$ 41.59
Weighted average lease term (years)	7.8	9.8	9.8	4.6
Second generation relet space:				
Square feet	358	-	7	272
GAAP basis:				
Straight-line rent[2]	$ 77.10	$ -	$ 178.19	$ 40.43
Prior straight-line rent	$ 71.95	$ -	$ 164.21	$ 39.11
Percentage increase	7.2%	-	8.5%	3.4%
Percentage increase inclusive of 3 square foot Dyson lease at 640 Fifth[3]			515.6%	
Cash basis:				
Initial rent[1]	$ 77.16	$ -	$ 160.47	$ 41.91
Prior escalated rent	$ 72.41	$ -	$ 170.45	$ 41.12
Percentage increase (decrease)	6.6%	-	(5.9%)	1.9%
Percentage increase inclusive of 3 square foot Dyson lease at 640 Fifth[3]			396.4%	
Tenant improvements and leasing commissions:				
Per square foot	$ 73.69	$ 75.81	$ 813.04	$ 23.20
Per square foot per annum:	$ 9.45	$ 7.74	$ 82.96	$ 5.04

Percentage of initial rent	12.1%	21.8%	9.1%	12.1%

(Square feet in thousands)	**New York Office**			
	Manhattan	**Long Island City (Center Building)**	**New York Retail**	**Washington, DC Office**
Year Ended December 31, 2016:				
Total square feet leased	1,939	302	111	1,427
Our share of square feet leased	1,541	302	90	1,350
Initial rent[1]	$ 78.97	$ 39.84	$ 285.17	$ 40.41
Weighted average lease term (years)	9.3	6.0	9.1	4.2
Second generation relet space:				
Square feet	1,382	285	69	1,072
GAAP basis:				
Straight-line rent[2]	$ 78.30	$ 38.68	$ 204.95	$ 38.56
Prior straight-line rent	$ 66.15	$ 28.69	$ 166.14	$ 39.53
Percentage increase (decrease)	18.4%	34.8%	23.4%	(2.5%)
Percentage increase inclusive of 3 square foot Dyson lease at 640 Fifth[3]			94.9%	
Cash basis:				
Initial rent[1]	$ 78.37	$ 40.10	$ 194.35	$ 41.08
Prior escalated rent	$ 68.03	$ 30.53	$ 173.70	$ 42.47
Percentage increase (decrease)	15.2%	31.4%	11.9%	(3.3%)
Percentage increase inclusive of 3 square foot Dyson lease at 640 Fifth[3]			70.1%	
Tenant improvements and leasing commissions:				
Per square foot	$ 72.81	$ 21.66	$ 184.74	$ 19.62
Per square foot per annum:	$ 7.83	$ 3.61	$ 20.30	$ 4.67
Percentage of initial rent	9.9%	9.1%	7.1%	11.6%

See notes on the following page.

Overview - continued

Leasing Activity - continued

(Square feet in thousands)	New York		Washington, DC
	Office	**Retail**	**Office**
Year Ended December 31, 2015:			
Total square feet leased	2,276	91	1,987
Our share of square feet leased:	1,838	82	1,847
Initial rent[(1)]	$ 78.55	$ 917.59	$ 40.20
Weighted average lease term (years)	9.2	13.7	8.6
Second generation relet space:			
Square feet	1,297	74	1,322
GAAP basis:			
Straight-line rent[(2)]	$ 77.03	$ 1,056.66	$ 39.57(4)
Prior straight-line rent	$ 62.73	$ 529.31	$ 43.08(4)
Percentage increase (decrease)	22.8%	99.6%	(8.2%)(4)
Cash basis:			
Initial rent[(1)]	$ 78.89	$ 907.49	$ 40.12(4)
Prior escalated rent	$ 66.21	$ 364.56	$ 43.99(4)
Percentage increase (decrease)	19.1%	148.9%	(8.8%)(4)
Tenant improvements and leasing commissions:			
Per square foot	$ 69.36	$ 688.42	$ 55.14
Per square foot per annum:	$ 7.54	$ 50.25	$ 6.41
Percentage of initial rent	9.6%	5.5%	15.9%

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

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

(3) The Dyson lease was signed after this space had been vacant for greater than nine months and therefore, by company policy, does not qualify as "second generation" relet space.

(4) Excluding 371 square feet of leasing activity with the U.S. Marshals Service (of which 293 square feet is second generation relet space), the initial rent and prior escalated rent on a GAAP basis was $42.30 and $43.89 per square foot, respectively (3.6% decrease), and the initial rent and prior escalated rent on a cash basis was $42.43 and $43.96 per square foot, respectively (3.5% decrease).

Overview - continued

Square footage (in service) and Occupancy as of December 31, 2016:

(Square feet in thousands)		Square Feet (in service)		
	Number of properties	**Total Portfolio**	**Our Share**	**Occupancy %**
New York:				
Office	36	20,227	16,962	96.3%
Retail	70	2,672	2,464	97.1%
Residential - 1,692 units	11	1,559	826	95.7%
Alexander's, including 312 residential units	7	2,437	790	99.8%
Hotel Pennsylvania	1	1,400	1,400	
		28,295	22,442	96.5%
Washington, DC:				
Office	44	11,141	10,123	88.3%
Residential - 3,156 units	9	3,245	3,103	97.8%
Other	5	330	330	100.0%
		14,716	13,556	90.5%
Other:				
theMART	3	3,671	3,662	98.9%
555 California Street	3	1,738	1,217	92.4%
Other	4	1,811	850	99.8%
		7,220	5,729	
Total square feet at December 31, 2016		50,231	41,727	

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Overview - continued

Square footage (in service) and Occupancy as of December 31, 2015:

(Square feet in thousands)		Square Feet (in service)		
	Number of properties	**Total Portfolio**	**Our Share**	**Occupancy %**
New York:				
Office	35	21,288	17,412	96.3%
Retail	65	2,641	2,408	96.2%
Residential - 1,711 units	11	1,561	827	95.0%
Alexander's, including 296 residential units	7	2,419	784	99.7%
Hotel Pennsylvania	1	1,400	1,400	
		29,309	22,831	96.4%
Washington, DC:				
Office	44	11,592	10,597	90.1%
Residential - 2,630 units	9	2,808	2,666	96.4%
Other	5	386	386	100.0%
		14,786	13,649	91.6%
Other:				
theMART	3	3,658	3,649	98.5%
555 California Street	3	1,736	1,215	93.3%
Other	4	1,749	837	99.8%
		7,143	5,701	
Total square feet at December 31, 2015		51,238	42,181	

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 – *Basis of Presentation and Significant Accounting Policies* to our 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. 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.

Upon the acquisition of real estate that meets the criteria of a business under ASU 2017-01, 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.

As of December 31, 2016 and 2015, the carrying amounts of real estate, net of accumulated depreciation, were $14.8 billion and $14.7 billion, respectively. As of December 31, 2016 and 2015, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were $192,731,000 and $227,901,000, respectively, and the carrying amounts of identified intangible liabilities, a component of “deferred revenue” on our consolidated balance sheets, were $263,786,000 and $318,148,000,

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 whether 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. 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, 2016 and 2015, the carrying amounts of investments in partially owned entities were $1.4 billion and $1.6 billion, respectively.

Allowance for Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts ($10,920,000 and $11,908,000 as of December 31, 2016 and 2015, respectively) 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 ($2,227,000 and $2,751,000 as of December 31, 2016 and 2015, 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.

Critical 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 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 recognized 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.

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

Income Taxes

Vornado operates in a manner intended to enable it 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. Vornado distributes to its shareholders 100% of its taxable income and therefore, no provision for Federal income taxes is required. If Vornado fails to distribute the required amount of income to its shareholders, or fails to meet other REIT requirements, it may fail to qualify as a REIT which may result in substantial adverse tax consequences.

Recent Accounting Pronouncements

See Note 2 – *Basis of Presentation and Significant Accounting Policies* to our consolidated financial statements in this Annual Report on Form 10-K for a discussion concerning recent accounting pronouncements.

Net Income and EBITDA by Segment for the Years Ended December 31, 2016, 2015 and 2014

Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the years ended December 31, 2016 and 2015.

(Amounts in thousands)	For the Year Ended December 31, 2016			
	Total	New York	Washington, DC	Other
Total revenues	$ 2,506,202	$ 1,713,374	$ 518,117	$ 274,711
Total expenses	1,955,411	1,093,587	528,863	332,961
Operating income (loss)	550,791	619,787	(10,746)	(58,250)
Income (loss) from partially owned entities	165,389	(2,379)	(7,227)	174,995
Loss from real estate fund investments	(23,602)	-	-	(23,602)
Interest and other investment income (loss), net	29,546	5,093	(2)	24,455
Interest and debt expense	(402,674)	(216,685)	(72,434)	(113,555)
Net gain on extinguishment of Skyline properties debt	487,877	-	487,877	-
Net gain on disposition of wholly owned and partially owned assets	175,735	159,511	15,302	922
Income before income taxes	983,062	565,327	412,770	4,965
Income tax expense	(8,312)	(5,508)	(1,083)	(1,721)
Income from continuing operations	974,750	559,819	411,687	3,244
Income from discontinued operations	7,172	-	-	7,172
Net income	981,922	559,819	411,687	10,416
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(21,351)	(13,558)	-	(7,793)
Net income attributable to the Operating Partnership	960,571	546,261	411,687	2,623
Interest and debt expense[2]	507,362	280,563	81,723	145,076
Depreciation and amortization[2]	694,214	435,961	158,720	99,533
Income tax expense[2]	11,838	5,911	2,979	2,948
EBITDA[1]	$ 2,173,985	$ 1,268,696[3]	$ 655,109[4]	$ 250,180[5]

(Amounts in thousands)	For the Year Ended December 31, 2015			
	Total	New York	Washington, DC	Other
Total revenues	$ 2,502,267	$ 1,695,925	$ 532,812	$ 273,530
Total expenses	1,742,019	1,032,015	390,921	319,083
Operating income (loss)	760,248	663,910	141,891	(45,553)

(Loss) income from partially owned entities	(12,630)	655	(6,020)	(7,265)
Income from real estate fund investments	74,081	-	-	74,081
Interest and other investment income (loss), net	26,978	7,722	(262)	19,518
Interest and debt expense	(378,025)	(194,278)	(68,727)	(115,020)
Net gain on disposition of wholly owned and partially owned assets	251,821	142,693	102,404	6,724
Income (loss) before income taxes	722,473	620,702	169,286	(67,515)
Income tax benefit (expense)	84,695	(4,379)	(317)	89,391
Income from continuing operations	807,168	616,323	168,969	21,876
Income from discontinued operations	52,262	-	-	52,262
Net income	859,430	616,323	168,969	74,138
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(55,765)	(13,022)	-	(42,743)
Net income attributable to the Operating Partnership	803,665	603,301	168,969	31,395
Interest and debt expense[2]	469,843	248,724	80,795	140,324
Depreciation and amortization[2]	664,637	394,028	178,021	92,588
Income tax (benefit) expense[2]	(85,379)	4,766	(1,610)	(88,535)
EBITDA[1]	$ 1,852,766	$ 1,250,819[3]	$ 426,175[4]	$ 175,772[5]

See notes on pages 56 and 57.

Net Income and EBITDA by Segment for the Years Ended December 31, 2016, 2015 and 2014 - continued

Below is a summary of net income and a reconciliation of net income to EBITDA[(1)] by segment for the year ended December 31, 2014.

(Amounts in thousands)	For the Year Ended December 31, 2014			
	Total	**New York**	**Washington, DC**	**Other**
Total revenues	$ 2,312,512	$ 1,520,845	$ 537,151	$ 254,516
Total expenses	1,622,619	946,466	358,019	318,134
Operating income (loss)	689,893	574,379	179,132	(63,618)
(Loss) income from partially owned entities	(59,861)	20,701	(4,767)	(75,795)
Income from real estate fund investments	163,034	-	-	163,034
Interest and other investment income, net	38,752	6,711	183	31,858
Interest and debt expense	(412,755)	(183,427)	(75,395)	(153,933)
Net gain on disposition of wholly owned and partially owned assets	13,568	-	-	13,568
Income (loss) before income taxes	432,631	418,364	99,153	(84,886)
Income tax expense	(9,281)	(4,305)	(242)	(4,734)
Income (loss) from continuing operations	423,350	414,059	98,911	(89,620)
Income from discontinued operations	585,676	463,163	-	122,513
Net income	1,009,026	877,222	98,911	32,893
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(96,561)	(8,626)	-	(87,935)
Net income (loss) attributable to the Operating Partnership	912,465	868,596	98,911	(55,042)
Interest and debt expense[(2)]	654,398	241,959	87,778	324,661
Depreciation and amortization[(2)]	685,973	324,239	144,124	217,610
Income tax expense[(2)]	24,248	4,395	288	19,565
EBITDA[(1)]	$ 2,277,084	$ 1,439,189[(3)]	$ 331,101[(4)]	$ 506,794[(5)]

See notes on the following pages.

Net Income and EBITDA by Segment for the Years Ended December 31, 2016, 2015 and 2014 - continued

Notes to preceding tabular information:

(1) We calculate EBITDA on an Operating Partnership basis which is before allocation to the noncontrolling interest of the Operating Partnership. We consider EBITDA a non-GAAP financial 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.

Our 7.5% interest in Fashion Centre Mall/Washington Tower will not be included in the spin-off of our Washington, DC segment and have been reclassified to Other. The prior year's presentation has been conformed to the current year.

(2) Interest and debt expense, depreciation and amortization and income tax expense (benefit) in the reconciliation of net income 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)	**For the Year Ended December 31,**		
	2016	**2015**	**2014**
Office	$ 805,708	$ 804,272	$ 1,063,355
Retail	381,739	358,379	281,428
Residential	25,060	22,266	21,907
Alexander's	46,182	42,858	41,746
Hotel Pennsylvania	10,007	23,044	30,753
Total New York EBITDA	1,268,696	1,250,819	1,439,189
Certain items that impact EBITDA:			
Net gains on sale of real estate	(159,511)	(142,693)	(440,537)
EBITDA from discontinued operations and sold properties	(3,120)	(35,985)	(39,743)
Other	-	(1,300)	(171)
Certain items that impact EBITDA	(162,631)	(179,978)	(480,451)
Total New York EBITDA, as adjusted	$ 1,106,065	$ 1,070,841	$ 958,738

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

(Amounts in thousands)	**For the Year Ended December 31,**		
	2016	**2015**	**2014**
Office, excluding the Skyline properties	$ 260,436	$ 359,063	$ 260,270
Skyline properties	348,016	26,325	29,250
Total Office	608,452	385,388	289,520
Residential	46,657	40,787	41,581

Total Washington, DC EBITDA	655,109	426,175	331,101
Certain items that impact EBITDA:			
Net gain on extinguishment of Skyline properties debt	(487,877)	-	-
Skyline properties impairment loss	160,700	-	-
EBITDA from discontinued operations and sold properties	(22,131)	(33,605)	(38,876)
Net gains on sale of real estate and a land parcel	(15,302)	(102,404)	(1,800)
Other	-	405	-
Certain items that impact EBITDA	(364,610)	(135,604)	(40,676)
Total Washington, DC EBITDA, as adjusted	$ 290,499	$ 290,571	$ 290,425

Net Income and EBITDA by Segment for the Years Ended December 31, 2016, 2015 and 2014 - continued

Notes to preceding tabular information:

(5) The elements of "Other" EBITDA are summarized below.

(Amounts in thousands)	For the Year Ended December 31,		
	2016	**2015**	**2014**
Our share of real estate fund investments:			
Income before net realized/unrealized (loss) gain	$ 8,607	$ 8,611	$ 8,056
Net realized/unrealized (loss) gain	(16,270)	14,657	37,535
Carried interest	(13,379)	10,696	24,715
Total (loss) income from real estate fund investments	(21,042)	33,964	70,306
theMART (including trade shows)	91,845	79,159	79,636
555 California Street	45,827	49,975	48,844
India real estate ventures	3,685	3,933	6,434
Our share of Toys[(a)]	2,000	2,500	103,632
Other investments	77,240	42,436	21,385
	199,555	211,967	330,237
Corporate general and administrative expenses[(b)(c)]	(100,594)	(106,416)	(94,929)
Investment income and other, net[(b)]	22,501	26,385	31,665
Income from the repayment of our investments in 85 Tenth Avenue loans and preferred equity	160,843	-	-
Acquisition and transaction related costs	(26,062)	(12,511)	(16,392)
Our share of impairment losses on India real estate ventures	(13,962)	(14,806)	(5,771)
Discontinued operations[(d)]	7,185	28,314	245,679
Net gains on sale of real estate	714	44,390	26,568
Impairment loss and loan loss reserve on investment in Suffolk Downs	-	(1,551)	(10,263)
Total Other	$ 250,180	$ 175,772	$ 506,794

(a) As a result of our investment being reduced to zero, we suspended equity method accounting in 2014. The year ended December 31, 2014 includes an impairment loss of $75,196.

(b) The amounts in these captions (for this table only) exclude the results of the mark-to-market of our deferred compensation plan of $5,213, $111, and $11,557 of income, respectively.

(c) The year ended December 31, 2015 includes a cumulative catch up of $4,542 from the acceleration of recognition of compensation expense related to the modification of the 2012-2014 Out-Performance Plans.

(d) The years ended December 31, 2015 and 2014 include $22,684 and $14,956, respectively, of transaction costs related to the spin-off of our strip shopping centers and malls.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region, excluding gains on sale of real estate, non-cash impairment losses, and operations of sold properties.

		For the Year Ended December 31,		
		2016	2015	2014
Region:				
	New York City metropolitan area	72%	72%	70%
	Washington, DC/Northern Virginia area	19%	20%	21%
	Chicago, IL	6%	5%	6%
	San Francisco, CA	3%	3%	3%
		100%	100%	100%

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015

Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,506,202,000 in the year ended December 31, 2016, compared to $2,502,267,000 in the prior year, an increase of $3,935,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Property rentals:				
Acquisitions, dispositions and other	$ (48,446)	$ (33,841)(1)	$ (14,605)(2)	$ -
Development and redevelopment	2,151	(150)	(195)	2,496
Hotel Pennsylvania	(12,837)	(12,837)(3)	-	-
Trade shows	(852)	-	-	(852)
Same store operations	87,126	77,676	6,622	2,828
	27,142	30,848	(8,178)	4,472
Tenant expense reimbursements:				
Acquisitions, dispositions and other	(5,074)	(4,698)	(377)	1
Development and redevelopment	244	(3)	(796)	1,043
Same store operations	4,521	10,170	(1,960)	(3,689)
	(309)	5,469	(3,133)	(2,645)
Fee and other income:				
BMS cleaning fees	(3,193)	(3,233)	-	40
Management and leasing fees	4,060	1,105	2,023	932
Lease termination fees	(16,717)	(13,878)(4)	(3,118)	279
Other income	(7,048)	(2,862)	(2,289)	(1,897)
	(22,898)	(18,868)	(3,384)	(646)
Total increase (decrease) in revenues	$ 3,935	$ 17,449	$ (14,695)	$ 1,181

(1) Primarily due to (i) $20,515 from the write-off of New York office straight-line rents recorded in 2016, (ii) $18,014 from the disposition of 20 Broad Street and (iii) $14,238 of income in 2015 from the acceleration of amortization of acquired below-market lease liabilities at 697-703 Fifth Avenue (St. Regis - retail), partially offset by asset acquisitions.

(2) Primarily from the disposition of 1750 Pennsylvania Avenue and higher vacancies at the Skyline properties. On December 21, 2016, the disposition of the Skyline properties was completed by the receiver.

(3) Average occupancy and revenue per available room were 84.7% and $113.84, respectively, for 2016 as compared to 90.7% and $133.69, respectively, for 2015.

(4) Primarily from a lease termination fee received from a tenant at 20 Broad Street in the fourth quarter of 2015.

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - continued

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,955,411,000 in the year ended December 31, 2016, compared to $1,742,019,000 in the prior year, an increase of $213,392,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Operating:				
Acquisitions, dispositions and other	$ (3,098)	$ 2,527	$ (5,625)(1)	$ -
Development and redevelopment	(701)	(99)	(2,090)	1,488
Non-reimbursable expenses, including bad-debt reserves	(1,975)	(2,296)	551	(230)
Hotel Pennsylvania	322	322	-	-
Trade shows	456	-	-	456
BMS expenses	(3,019)	(3,152)	-	133
Same store operations	21,102	25,224	(159)	(3,963)
	13,087	22,526	(7,323)	(2,116)
Depreciation and amortization:				
Acquisitions, dispositions and other	(4,077)	3,229	(7,306)(1)	-
Development and redevelopment	(22,207)	(296)	(23,232)(2)	1,321
Same store operations	48,391	35,275	11,425	1,691
	22,107	38,208	(19,113)	3,012
General and administrative:				
Mark-to-market of deferred compensation plan liability	5,102	-	-	5,102(3)
Same store operations	(1,130)	838	3,678	(5,646)(4)
	3,972	838	3,678	(544)

Skyline properties impairment loss		160,700		-		160,700(5)		-
Acquisition and transaction related costs		13,526		-		-		13,526
Total increase in expenses	$	213,392	$	61,572	$	137,942	$	13,878

(1) Primarily from the disposition of 1750 Pennsylvania Avenue and higher vacancies at the Skyline properties. On December 21, 2016, the disposition of the Skyline properties was completed by the receiver.

(2) Primarily due to the demolition of two adjacent office properties, 1726 M Street and 1150 17th Street.

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

(4) Results primarily from the acceleration of the recognition of compensation expense in 2015 of $4,542 related to 2012-2014 Out-Performance Plans due to the modification of the vesting criteria of awards such that they fully vest at age 65.

(5) On March 15, 2016, we notified the servicer of the $678,000 non-recourse mortgage loan on the Skyline properties in Virginia that cash flow will be insufficient to service the debt and pay other property related costs and expenses and that we were not willing to fund additional cash shortfalls. Accordingly, at our request, the loan was transferred to the special servicer. Consequently, based on the shortened holding period for the underlying assets, we concluded that the excess of carrying amount over our estimate of fair value was not recoverable and recognized a $160,700 non-cash impairment loss in the first quarter of 2016.

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - continued

(Loss) Income from Real Estate Fund Investments

Below are the components of the (loss) income from our real estate fund investments for the years ended December 31, 2016 and 2015.

(Amounts in thousands)	For the Year Ended December 31, 2016	2015
Net investment income	$ 17,053	$ 16,329
Net realized gain on exited investments	14,761	26,036
Previously recorded unrealized gain on exited investment	(14,254)	(23,279)
Net unrealized (loss) gain on held investments	(41,162)	54,995
(Loss) income from real estate fund investments	(23,602)	74,081
Less loss (income) attributable to noncontrolling interests in consolidated subsidiaries	2,560	(40,117)
(Loss) income from real estate fund investments attributable to the Operating Partnership[(1)]	(21,042)	33,964
Less loss (income) attributable to noncontrolling interests in the Operating Partnership	1,270	(2,011)
(Loss) income from real estate fund investments attributable to Vornado	$ (19,772)	$ 31,953

(1) Excludes $3,831, and $2,939 of management and leasing fees in the years ended December 31, 2016 and 2015, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Income (Loss) from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2016 and 2015.

(Amounts in thousands)	Percentage Ownership at December 31, 2016	For the Year Ended December 31, 2016	2015

Equity in Net Income (Loss):			
85 Tenth Avenue [(1)]	49.9%	$ 178,072	$ (1,015)
Alexander's	32.4%	34,240	31,078
Partially owned office buildings [(2)]	Various	(42,100)	(23,556)
India real estate ventures [(3)]	4.1%-36.5%	(18,122)	(18,746)
Urban Edge Properties ("UE")	5.4%	5,839	4,394
PREIT	8.0%	(5,213)	(7,450)
Toys [(4)]	32.5%	2,000	2,500
Other investments [(5)]	Various	10,673	165
		$ 165,389	$ (12,630)

(1) On December 1, 2016, the owner of 85 Tenth Avenue completed a 10-year, 4.55% $625,000 refinancing of the property and we received net proceeds of $191,779 in repayment of our existing loans and preferred equity investments. We recognized $160,843 of income as a result of this transaction.

(2) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue, 512 West 22nd Street and others. In 2016 and 2015, we recognized net losses of $47,000 and $39,600, respectively, from our 666 Fifth Avenue (Office) joint venture as a result of our share of depreciation expense. In addition, in 2015 we recognized our $12,800 share of a write-off of a below-market lease liability related to a tenant vacating at 650 Madison Avenue.

(3) Includes non-cash impairment losses of $13,962 and $14,806, respectively.

(4) Represents management fees earned and received from our investment in Toys.

(5) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, 50-70 West 93rd Street and others.

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - continued

Interest and Other Investment Income, net

Interest and other investment income, net was $29,546,000 in the year ended December 31, 2016, compared to $26,978,000 in the prior year, an increase of $2,568,000. This increase resulted primarily from an increase in the value of investments in our deferred compensation plan (offset by a corresponding decrease in the liability for plan assets in general and administrative expenses).

Interest and Debt Expense

Interest and debt expense was $402,674,000 in the year ended December 31, 2016, compared to $378,025,000 in the prior year, an increase of $24,649,000. This increase was primarily due to (i) $23,205,000 of higher interest expense from the full year effect of 2015 financings of the St. Regis Retail, 150 West 34th Street, 100 West 33rd Street, and from the $375,000,000 drawn on our $750,000,000 delayed draw term loan, (ii) $10,208,000 of lower capitalized interest, and (iii) $7,823,000 of default interest on our Skyline properties mortgage loan, partially offset by (iv) $13,127,000 of interest savings from the re-financings of 888 7th Avenue and 770 Broadway and (v) $4,177,000 of interest savings from the repayment of the Bowen Building loan.

Net Gain on Extinguishment of Skyline Properties Debt

In the year ended December 31, 2016, upon the final disposition of the Skyline properties, all assets (approximately $236,535,000) and liabilities (approximately $724,412,000), were removed from our consolidated balance sheet which resulted in a net gain of $487,877,000.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

The net gain of $175,735,000 in the year ended December 31, 2016, consists primarily of a $159,511,000 net gain on sale of our 47% ownership interest in 7 West 34th Street and a $15,302,000 net gain on sale of our 20% ownership interest in Fairfax Square. The net gain of $251,821,000 in the prior year, consists of a $142,693,000 net gain on sale of 20 Broad Street, a $102,404,000 net gain on sale of 1750 Pennsylvania Avenue and $6,724,000 from the sale of residential condominiums.

Income Tax (Expense) Benefit

In the year ended December 31, 2016, we had an income tax expense of $8,312,000, compared to a benefit of $84,695,000 in the prior year, an increase in expense of $93,007,000. This increase in expense resulted primarily from the prior year reversal of $90,030,000 of valuation allowances against certain of our deferred tax assets, as we concluded that it was more-likely-than-not that we will generate sufficient taxable income from the sale of 220 Central Park South residential condominium units to realize the deferred tax assets.

Income from Discontinued Operations

We have reclassified the revenues and expenses of our strip shopping center and mall business which was spun off to UE on January 15, 2015 and other related retail assets that were sold or are currently held for sale 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, 2016 and 2015.

(Amounts in thousands)	For the Year Ended December 31,	
	2016	**2015**
Total revenues	$ 3,998	$ 27,831
Total expenses	1,435	17,651
	2,563	10,180
Net gains on sale of real estate and a lease position	5,074	65,396
Impairment losses	(465)	(256)
UE spin-off transaction related costs	-	(22,972)
Pretax income from discontinued operations	7,172	52,348
Income tax expense	-	(86)
Income from discontinued operations	$ 7,172	$ 52,262

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - continued

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $21,351,000 in the year ended December 31, 2016, compared to $55,765,000 in the prior year, a decrease of $34,414,000. This decrease resulted primarily from lower net income allocated to the noncontrolling interests of our real estate fund investments.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership (Vornado Realty Trust)

Net income attributable to noncontrolling interests in the Operating Partnership was $53,654,000 in the year ended December 31, 2016, compared to $43,231,000 in the prior year, an increase of $10,423,000. This increase resulted primarily from higher net income subject to allocation to unitholders.

Preferred Share Dividends of Vornado Realty Trust

Preferred share dividends were $75,903,000 in the year ended December 31, 2016, compared to $80,578,000 in the prior year, a decrease of $4,675,000. This decrease resulted primarily from the redemption of the 6.875% Series J cumulative redeemable preferred shares on September 1, 2016.

Preferred Unit Distributions of Vornado Realty L.P.

Preferred unit distributions were $76,097,000 in the year ended December 31, 2016, compared to $80,736,000 in the prior year, a decrease of $4,639,000. This decrease resulted primarily from the redemption of the 6.875% Series J cumulative redeemable preferred units on September 1, 2016.

Preferred Share Issuance Costs

In the year ended December 31, 2016, we recognized a $7,408,000 expense in connection with the write-off of issuance costs upon redeeming all of the outstanding 6.875% Series J cumulative redeemable preferred shares on September 1, 2016.

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - 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 also present same store EBITDA on a cash basis (which excludes income from the straight-lining of rents, amortization of acquired below-market leases, net of above-market leases and other non-cash adjustments). We present these non-GAAP financial 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 for each of our segments for the year ended December 31, 2016, compared to the year ended December 31, 2015.

(Amounts in thousands)	New York	Washington, DC
EBITDA for the year ended December 31, 2016	$ 1,268,696	$ 655,109
Add-back:		
Non-property level overhead expenses included above	35,864	29,729
Less EBITDA from:		
Acquisitions	(24,809)	-
Dispositions, including net gains on sale	(159,498)	(525,223)
Properties taken out-of-service for redevelopment	(26,816)	(3,118)
Other non-operating expenses	6,568	159,860
Same store EBITDA for the year ended December 31, 2016	$ 1,100,005	$ 316,357
EBITDA for the year ended December 31, 2015	$ 1,250,819	$ 426,175
Add-back:		
Non-property level overhead expenses included above	35,026	26,051
Less EBITDA from:		
Acquisitions	(2,840)	-
	(173,843)	(135,929)

Dispositions, including net gains on sale		
Properties taken out-of-service for redevelopment	(21,171)	(2,851)
Other non-operating income	(52,762)	(5,746)
Same store EBITDA for the year ended December 31, 2015	$ 1,035,229	$ 307,700
Increase in same store EBITDA -		
Year ended December 31, 2016 vs. December 31, 2015	$ 64,776(1)	$ 8,657(3)
% increase in same store EBITDA	6.3%(2)	2.8%

(1) The $64,776 increase in New York same store EBITDA resulted primarily from increases in Office and Retail EBITDA of $43,187 and $33,360, respectively, partially offset by a decrease in Hotel Pennsylvania EBITDA of $13,037. The Office and Retail EBITDA increases resulted primarily from higher rents, including signage, partially offset by lower management and leasing fees and higher operating expenses, net of reimbursements.

(2) Excluding Hotel Pennsylvania, same store EBITDA increased by 7.7%.

(3) The $8,657 increase in Washington, DC same store EBITDA resulted primarily from higher rental revenue of $8,542, higher management and leasing fees of $2,023, partially offset by higher net operating expenses of $2,351.

Results of Operations – Year Ended December 31, 2016 Compared to December 31, 2015 - continued

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	**New York**		**Washington, DC**
Same store EBITDA for the year ended December 31, 2016	$ 1,100,005		$ 316,357
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(170,920)		(19,446)
Cash basis same store EBITDA for the year ended December 31, 2016	$ 929,085		$ 296,911
Same store EBITDA for the year ended December 31, 2015	$ 1,035,229		$ 307,700
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(179,403)		(21,641)
Cash basis same store EBITDA for the year ended December 31, 2015	$ 855,826		$ 286,059
Increase in cash basis same store EBITDA - Year ended December 31, 2016 vs. December 31, 2015	$ 73,259		$ 10,852
% increase in cash basis same store EBITDA	8.6%	**(1)**	3.8%

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 10.3% on a cash basis.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014

Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,502,267,000 in the year ended December 31, 2015, compared to $2,312,512,000 in the year ended December 31, 2014, an increase of $189,755,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Property rentals:				
Acquisitions, dispositions and other	$ 57,430	$ 62,316 (1)	$ (4,886)	$ -
Development and redevelopment	55,559	52,547 (2)	142	2,870
Hotel Pennsylvania	(6,501)	(6,501)	-	-
Trade shows	2,195	-	-	2,195
Same store operations	56,416	46,024	2,616	7,776
	165,099	154,386	(2,128)	12,841
Tenant expense reimbursements:				
Acquisitions, dispositions and other	4,521	5,098 (1)	(577)	-
Development and redevelopment	2,863	2,904 (2)	(41)	-
Same store operations	7,773	4,046	57	3,670
	15,157	12,048	(561)	3,670
Fee and other income:				
BMS cleaning fees	(3,545)	(4,271)	-	726
Management and leasing fees	(3,089)	(2,509)	(480)	(100)
Lease termination fees	10,307	12,207	(1,900)	-
Other income	5,826	3,219	730	1,877
	9,499	8,646	(1,650)	2,503
Total increase (decrease) in revenues	$ 189,755	$ 175,080	$ (4,339)	$ 19,014

(1) Includes the acquisitions of 33-00 Northern Boulevard (Center Building), 260 Eleventh Avenue, 697-703 Fifth Avenue (St. Regis - retail) and 150 West 34th Street.

(2) Primarily 330 West 34th Street, 7 West 34th Street and 1535 Broadway (Marriott Marquis - retail and signage).

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,742,019,000 in the year ended December 31, 2015, compared to $1,622,619,000 in the year ended December 31, 2014, an increase of $119,400,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Operating:				
Acquisitions, dispositions and other	$ 9,518	$ 11,729(1)	$ (2,211)	$ -
Development and redevelopment	19,761	14,289(2)	1,449	4,023
Non-reimbursable expenses, including bad-debt reserves	(3,397)	(3,026)	(538)	167
Hotel Pennsylvania	915	915	-	-
Trade shows	249	-	-	249
BMS expenses	(2,963)	(4,229)	-	1,266
Same store operations	33,555	22,718	2,061	8,776
	57,638	42,396	761	14,481
Depreciation and amortization:				
Acquisitions, dispositions and other	34,960	34,816(1)	144	-
Development and redevelopment	17,014	(6,120)(2)	30,599	(7,465)
Same store operations	9,675	7,910	2,686	(921)
	61,649	36,606	33,429	(8,386)
General and administrative:				
Mark-to-market of deferred compensation plan liability	(11,446)	-	-	(11,446)(3)
Same store operations	17,483	6,547(4)	(1,288)	12,224(5)
	6,037	6,547	(1,288)	778
Acquisition and transaction related costs	(5,924)	-	-	(5,924)

Total increase in expenses	$ 119,400	$ 85,549	$ 32,902	$ 949

(1) Includes the acquisitions of 33-00 Northern Boulevard (Center Building), 260 Eleventh Avenue, 697-703 Fifth Avenue (St. Regis - retail) and 150 West 34th Street.

(2) Primarily 330 West 34th Street, 7 West 34th Street and 1535 Broadway (Marriott Marquis - retail and signage).

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

(4) Results primarily from (i) the acceleration of the recognition of compensation expense of $1,555 related to 2013-2015 Out-Performance Plans due to the modification of the vesting criteria of awards such that they fully vest at age 65, and (ii) higher payroll and related costs.

(5) Results primarily from (i) the acceleration of the recognition of compensation expense of $6,217 related to 2013-2015 Out-Performance Plans due to the modification of the vesting criteria of awards such that they fully vest at age 65, (ii) higher payroll and related costs of $2,900 and (iii) higher professional fees and other of $2,400.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Income from Real Estate Fund Investments

Below are the components of the income from our real estate fund investments for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	For the Year Ended December 31,	
	2015	**2014**
Net investment income	$ 16,329	$ 12,895
Net realized gain on exited investments	26,036	126,653
Previously recorded unrealized gain on exited investment	(23,279)	(50,316)
Net unrealized gain on held investments	54,995	73,802
Income from real estate fund investments	74,081	163,034
Less income attributable to noncontrolling interests in consolidated subsidiaries	(40,117)	(92,728)
Income from real estate fund investments attributable to the Operating Partnership	33,964	70,306
Less income attributable to noncontrolling interests in the Operating Partnership	(2,011)	(4,047)
Income from real estate fund investments attributable to Vornado[(1)]	$ 31,953	$ 66,259

(1) Excludes $2,939, and $2,562 of management and leasing fees in the years ended December 31, 2015 and 2014, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Loss from Partially Owned Entities

Summarized below are the components of loss from partially owned entities for the years ended December 31, 2015 and 2014.

(Amounts in thousands) **Percentage**

	Ownership at December 31, 2015	For the Year Ended December 31, 2015	2014
Equity in Net (Loss) Income:			
Alexander's	32.4%	$ 31,078	$ 30,009
Partially owned office buildings[1]	Various	(24,571)	(6,138)
India real estate ventures[2]	4.1%-36.5%	(18,746)	(8,309)
PREIT	8.0%	(7,450)	-
UE	5.4%	4,394	-
Toys[3]	32.5%	2,500	(73,556)
Other investments[4]	Various	165	(1,867)
		$ (12,630)	$ (59,861)

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue, 85 Tenth Avenue, 512 West 22nd Street and others. In 2015, we recognized net losses of $39,600 from our 666 Fifth Avenue (Office) joint venture as a result of our share of depreciation expense. Also in 2015, we recognized our $12,800 share of a write-off of a below-market lease liability related to a tenant vacating at 650 Madison Avenue. In 2014, we recognized our $14,500 share of accelerated depreciation from our West 57th Street joint ventures in connection with the change in estimated useful life of those properties.

(2) Includes non-cash impairment losses of $14,806 and $5,771, respectively.

(3) For the year ended December 31, 2015, we recognized net income of $2,500 from our investment in Toys, representing management fees earned and received, compared to a net loss of $73,556 for the year ended December 31, 2014, which was primarily due to a $75,196 non-cash impairment loss.

(4) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, 50-70 West 93rd Street and others. In 2014, we recognized a $10,263 non-cash charge comprised of a $5,959 impairment loss and a $4,304 loan loss reserve on our equity and debt investments in Suffolk Downs.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Interest and Other Investment Income, net

Interest and other investment income, net, was $26,978,000 in the year ended December 31, 2015, compared to $38,752,000 in the year ended December 31, 2014, a decrease of $11,774,000. This decrease resulted primarily from a decrease 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).

Interest and Debt Expense

Interest and debt expense was $378,025,000 in the year ended December 31, 2015, compared to $412,755,000 in the year ended December 31, 2014, a decrease of $34,730,000. This decrease was primarily due to (i) $26,652,000 of interest savings from the redemption of the $445,000,000 principal amount of the outstanding 7.875% senior unsecured notes during the fourth quarter of 2014, (ii) $21,375,000 of interest savings from the redemption of the $500,000,000 principal amount of the outstanding 4.25% senior unsecured notes on January 1, 2015, partially offset by (iii) $5,297,000 of interest expense from the issuance of $450,000,000 of 2.50% senior unsecured notes in June 2014, (iv) $5,182,000 of interest expense from the current year's financings of 150 West 34th Street and the Center Building, and (v) $3,481,000 of lower capitalized interest.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

The net gain of $251,821,000 in year ended December 31, 2015, consists of a $142,693,000 net gain on sale of 20 Broad Street, a $102,404,000 net gain on sale of 1750 Pennsylvania Avenue and $6,724,000 from the sale of residential condominiums. The net gain of $13,568,000 in the year ended December 31, 2014 is from the sale of residential condominiums and a land parcel.

Income Tax Benefit (Expense)

In the year ended December 31, 2015, we had an income tax benefit of $84,695,000, compared to an expense of $9,281,000 in the year ended December 31, 2014, a decrease in expense of $93,976,000. This decrease in expense

resulted primarily from the reversal of the valuation allowances against certain of our deferred tax assets, as we concluded that it was more-likely than not that we will generate sufficient taxable income from the sale of 220 Central Park South residential condominium units to realize the deferred tax assets.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - 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, 2015 and 2014.

(Amounts in thousands)	For the Year Ended December 31,	
	2015	**2014**
Total revenues	$ 27,831	$ 395,786
Total expenses	17,651	274,107
	10,180	121,679
Net gains on sales of real estate	65,396	507,192
UE spin-off transaction related costs	(22,972)	(14,956)
Impairment losses	(256)	(26,518)
Pretax income from discontinued operations	52,348	587,397
Income tax expense	(86)	(1,721)
Income from discontinued operations	$ 52,262	$ 585,676

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $55,765,000 in the year ended December 31, 2015, compared to $96,561,000 in the year ended December 31, 2014, a decrease of $40,796,000. This decrease resulted primarily from lower net income allocated to the noncontrolling interests, including noncontrolling interests of our real estate fund investments.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership (Vornado Realty Trust)

Net income attributable to noncontrolling interests in the Operating Partnership was $43,231,000 in the year ended December 31, 2015, compared to $47,613,000 in the year ended December 31, 2014, a decrease of $4,382,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Share Dividends of Vornado Realty Trust

Preferred share dividends were $80,578,000 in the year ended December 31, 2015, compared to $81,464,000 in the year ended December 31, 2014, a decrease of $886,000.

Preferred Unit Distributions of Vornado Realty L.P.

Preferred unit distributions were $80,736,000 in the year ended December 31, 2015, compared to $81,514,000 in the year ended December 31, 2014, a decrease of $778,000.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Same Store EBITDA

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the year ended December 31, 2015, compared to the year ended December 31, 2014.

(Amounts in thousands)	New York	Washington, DC
EBITDA for the year ended December 31, 2015	$ 1,250,819	$ 426,175
Add-back:		
Non-property level overhead expenses included above	35,026	26,051
Less EBITDA from:		
Acquisitions	(61,369)	-
Dispositions, including net gains on sale	(169,362)	(135,930)
Properties taken out-of-service for redevelopment	(71,705)	2,271
Other non-operating income	(17,692)	(5,746)
Same store EBITDA for the year ended December 31, 2015	$ 965,717	$ 312,821
EBITDA for the year ended December 31, 2014	$ 1,439,189	$ 331,101
Add-back:		
Non-property level overhead expenses included above	28,479	27,339
Less EBITDA from:		
Acquisitions	(4,141)	-
Dispositions, including net gains on sale	(476,465)	(40,478)
Properties taken out-of-service for redevelopment	(26,832)	621
Other non-operating income	(8,815)	(5,446)
Same store EBITDA for the year ended December 31, 2014	$ 951,415	$ 313,137
Increase (decrease) in same store EBITDA - Year ended December 31, 2015 vs. December 31, 2014	$ 14,302(1)	$ (316)(3)
% increase (decrease) in same store EBITDA	1.5%(2)	(0.1%)

(1) The $14,302 increase in New York same store EBITDA resulted primarily from increases in Office and Retail EBITDA of $13,688 and $6,519, respectively, partially offset by a decrease in Hotel Pennsylvania EBITDA of $7,709. The Office and Retail EBITDA increases resulted primarily from higher rents, including signage, partially offset by lower management and leasing fees and higher net operating expenses.

(2) Excluding Hotel Pennsylvania, same store EBITDA increased by 2.4%.

(3) The $316 decrease in Washington, DC same store EBITDA resulted primarily from higher net operating expenses of $2,629 and lower fee and other income of $715, partially offset by higher rental revenue of $3,162.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York		Washington, DC
Same store EBITDA for the year ended December 31, 2015	$ 965,717		$ 312,821
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(131,561)		(19,726)
Cash basis same store EBITDA for the year ended December 31, 2015	$ 834,156		$ 293,095
Same store EBITDA for the year ended December 31, 2014	$ 951,415		$ 313,137
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(119,842)		(6,358)
Cash basis same store EBITDA for the year ended December 31, 2014	$ 831,573		$ 306,779
Increase (decrease) in cash basis same store EBITDA - Year ended December 31, 2015 vs. December 31, 2014	$ 2,583		$ (13,684)
% increase (decrease) in cash basis same store EBITDA	0.3%	(1)	(4.5%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 1.3% on a cash basis.

Supplemental Information

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2016 and 2015

Below is a summary of net income and a reconciliation of net income to EBITDA[(1)] by segment for the three months ended December 31, 2016.

(Amounts in thousands)	For the Three Months Ended December 31, 2016			
	Total	New York	Washington, DC	Other
Total revenues	$ 638,260	$ 443,910	$ 128,191	$ 66,159
Total expenses	463,156	275,168	92,436	95,552
Operating income (loss)	175,104	168,742	35,755	(29,393)
Income (loss) from partially owned entities	164,860	2,764	(1,097)	163,193
Loss from real estate fund investments	(52,352)	-	-	(52,352)
Interest and other investment income (loss), net	9,284	1,409	(143)	8,018
Interest and debt expense	(98,244)	(54,492)	(18,038)	(25,714)
Net gain on extinguishment of Skyline properties debt	487,877	-	487,877	-
Net gain on disposition of wholly owned and partially owned owned assets	15,510	-	15,302	208
Income before income taxes	702,039	118,423	519,656	63,960
Income tax benefit (expense)	1,493	(1,377)	(199)	3,069
Income from continuing operations	703,532	117,046	519,457	67,029
Income from discontinued operations	1,012	-	-	1,012
Net income	704,544	117,046	519,457	68,041
Less net loss (income) attributable to noncontrolling interests in consolidated subsidiaries	5,010	(3,747)	-	8,757
Net income attributable to the Operating Partnership	709,554	113,299	519,457	76,798
Interest and debt expense[(2)]	130,464	71,880	19,934	38,650
Depreciation and amortization[(2)]	173,071	104,513	41,007	27,551
Income tax (benefit) expense[(2)]	(1,229)	1,487	199	(2,915)
EBITDA[(1)]	$ 1,011,860	$ 291,179[(3)]	$ 580,597[(4)]	$ 140,084[(5)]

See notes on pages 74 and 75.

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2016 and 2015 – continued

Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the three months ended December 31, 2015.

(Amounts in thousands)	For the Three Months Ended December 31, 2015			
	Total	**New York**	**Washington, DC**	**Other**
Total revenues	$ 651,581	$ 452,717	$ 131,284	$ 67,580
Total expenses	443,878	265,152	97,149	81,577
Operating income (loss)	207,703	187,565	34,135	(13,997)
Loss from partially owned entities	(3,921)	(868)	(1,713)	(1,340)
Income from real estate fund investments	21,959	-	-	21,959
Interest and other investment income (loss), net	7,360	2,080	(322)	5,602
Interest and debt expense	(98,915)	(51,274)	(16,504)	(31,137)
Net gain on disposition of wholly owned and partially owned assets	146,924	142,693	-	4,231
Income (loss) before income taxes	281,110	280,196	15,596	(14,682)
Income tax benefit (expense)	450	(1,194)	(238)	1,882
Income (loss) from continuing operations	281,560	279,002	15,358	(12,800)
Income from discontinued operations	1,984	-	-	1,984
Net income (loss)	283,544	279,002	15,358	(10,816)
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(17,395)	(6,382)	-	(11,013)
Net income (loss) attributable to the Operating Partnership	266,149	272,620	15,358	(21,829)
Interest and debt expense[2]	121,118	64,347	19,574	37,197
Depreciation and amortization[2]	170,733	105,131	42,601	23,001
Income tax (benefit) expense[2]	(30)	1,398	246	(1,674)
EBITDA[1]	$ 557,970	$ 443,496[3]	$ 77,779[4]	$ 36,695[5]

See notes on the following pages.

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2016 and 2015 - continued

Notes to preceding tabular information:

(1) We calculate EBITDA on an Operating Partnership basis which is before allocation to the noncontrolling interest of the Operating Partnership. We consider EBITDA a non-GAAP financial 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.

Our 7.5% interest in Fashion Centre Mall/Washington Tower will not be included in the spin-off of our Washington, DC segment and have been reclassified to Other. The prior year's presentation has been conformed to the current year.

(2) Interest and debt expense, depreciation and amortization and income tax expense in the reconciliation of net income 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)	For the Three Months Ended December 31,			
	2016		2015	
Office	$	170,469	$	323,765
Retail		97,528		93,319
Residential		6,160		6,011
Alexander's		11,302		11,708
Hotel Pennsylvania		5,720		8,693
Total New York EBITDA		291,179		443,496
Certain items that impact EBITDA:				
Net gains on sale of 20 Broad Street		-		(142,693)
EBITDA from discontinued operations and sold properties		-		(18,734)
Certain items that impact EBITDA		-		(161,427)
Total New York EBITDA, as adjusted	$	291,179	$	282,069

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

(Amounts in thousands)	For the Three Months Ended December 31,			
	2016		2015	
Office, excluding the Skyline properties	$	74,242	$	61,661
Skyline properties		492,964		5,712
Total Office		567,206		67,373
Residential		13,391		10,406
Total Washington, DC EBITDA		580,597		77,779

Certain items that impact EBITDA:				
Net gain on extinguishment of Skyline properties debt		(487,877)		-
Net gains on sale of Fairfax Square		(15,302)		-
EBITDA from discontinued operations and sold properties		(5,333)		(6,110)
Other		-		405
Certain items that impact EBITDA		(508,512)		(5,705)
Total Washington, DC EBITDA, as adjusted	$	72,085	$	72,074

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2016 and 2015 - continued

Notes to preceding tabular information:

(5) The elements of "Other" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended December 31,	
	2016	**2015**
Our share of real estate fund investments:		
Income before net realized/unrealized (loss) gain	$ 2,298	$ 1,732
Net realized/unrealized (loss) gain	(19,603)	5,115
Carried interest	(17,399)	4,448
Total (loss) income from real estate fund investments	(34,704)	11,295
theMART (including trade shows)	21,156	16,930
555 California Street	10,690	11,738
India real estate ventures	1,100	1,704
Our share of Toys	500	500
Other investments	29,238	13,466
	27,980	55,633
Corporate general and administrative expenses[a]	(24,230)	(24,373)
Investment income and other, net[a]	3,184	5,110
Income from the repayment of our investments in 85 Tenth Avenue loans and preferred equity	160,843	-
Acquisition and transaction related costs	(14,743)	(4,951)
Our share of impairment losses on India real estate ventures	(13,962)	-
Discontinued operations	1,012	2,001
Net gain on sale of real estate	-	4,231
Impairment loss on loan loss reserve on investment in Suffolk Downs	-	(956)
Total Other	$ 140,084	$ 36,695

(a) The amounts in these captions (for this table only) exclude the results of the mark-to-market of our deferred compensation plan of $2,588 and $438 income for the three months ended December 31, 2016 and 2015, respectively.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region, excluding gains on sale of real estate, non-cash impairment losses, and operations of sold properties.

		For the Three Months Ended December 31,	
		2016	**2015**
Region:			
	New York City metropolitan area	74%	74%
	Washington, DC/Northern Virginia area	18%	19%
	Chicago, IL	5%	4%
	San Francisco, CA	3%	3%
		100%	100%

Supplemental Information – continued

Three Months Ended December 31, 2016 Compared to December 31, 2015

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 also present same store EBITDA on a cash basis (which excludes income from the straight-lining of rents, amortization of acquired below-market leases, net of above-market leases and other non-cash adjustments). We present these non-GAAP financial 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 for each of our segments for the three months ended December 31, 2016, compared to the three months ended December 31, 2015.

(Amounts in thousands)	New York	Washington, DC
EBITDA for the three months ended December 31, 2016	$ 291,179	$ 580,597
Add-back:		
Non-property level overhead expenses included above	8,307	7,612
Less EBITDA from:		
Acquisitions	(2,159)	-
Dispositions, including net gains on sale	(106)	(508,494)
Properties taken out-of-service for redevelopment	(6,871)	(1,530)
Other non-operating (income) expenses	(212)	23
Same store EBITDA for the three months ended December 31, 2016	$ 290,138	$ 78,208
EBITDA for the three months ended December 31, 2015	$ 443,496	$ 77,779
Add-back:		

Non-property level overhead expenses included above	6,788	7,553
Less EBITDA from:		
Acquisitions	(239)	-
Dispositions, including net gains on sale	(161,312)	(6,039)
Properties taken out-of-service for redevelopment	(5,041)	(415)
Other non-operating income	(14,560)	(2,451)
Same store EBITDA for the three months ended December 31, 2015	$ 269,132	$ 76,427
Increase in GAAP basis same store EBITDA -		
Three months ended December 31, 2016 vs. December 31, 2015	$ 21,006	$ 1,781
% increase in same store EBITDA	7.8%(1)	2.3%

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 9.2%.

Supplemental Information – continued

Three Months Ended December 31, 2016 Compared to December 31, 2015 - continued

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York		Washington, DC
Same store EBITDA for the three months ended December 31, 2016	$ 290,138		$ 78,208
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(35,746)		(4,235)
Cash basis same store EBITDA for the three months ended December 31, 2016	$ 254,392		$ 73,973
Same store EBITDA for the three months ended December 31, 2015	$ 269,132		$ 76,427
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(52,852)		(5,546)
Cash basis same store EBITDA for the three months ended December 31, 2015	$ 216,280		$ 70,881
Increase in cash basis same store EBITDA - Three months ended December 31, 2016 vs. December 31, 2015	$ 38,112		$ 3,092
% increase in cash basis same store EBITDA	17.6%	(1)	4.4%

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 19.8% on a cash basis.

Supplemental Information – continued

Three Months Ended December 31, 2016 Compared to September 30, 2016

Below is the reconciliation of Net Income to EBITDA for the three months ended September 30, 2016.

(Amounts in thousands)	New York	Washington, DC
Net income attributable to Vornado for the three months ended September 30, 2016	$ 96,403	$ 24,107
Interest and debt expense	66,314	20,565
Depreciation and amortization	111,731	36,637
Income tax expense	2,445	310
EBITDA for the three months ended September 30, 2016	$ 276,893	$ 81,619

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the three months ended December 31, 2016, compared to the three months ended September 30, 2016.

(Amounts in thousands)	New York	Washington, DC
EBITDA for the three months ended December 31, 2016	$ 291,179	$ 580,597
Add-back:		
Non-property level overhead expenses included above	8,307	7,612
Less EBITDA from:		
Acquisitions	-	-
Dispositions, including net gains on sale	(106)	(508,494)
Properties taken out-of-service for redevelopment	(7,583)	(1,530)
Other non-operating (income) expenses	(282)	23
Same store EBITDA for the three months ended December 31, 2016	$ 291,515	$ 78,208
EBITDA for the three months ended September 30, 2016	$ 276,893	$ 81,619
Add-back:		
Non-property level overhead expenses included above	9,783	6,858
Less EBITDA from:		
Acquisitions	-	-
Dispositions, including net gains on sale	(51)	(5,085)
Properties taken out-of-service for redevelopment	(7,966)	(1,581)

Other non-operating expenses (income)	1,286	(563)
Same store EBITDA for the three months ended September 30, 2016	$ 279,945	$ 81,248
Increase (decrease) in same store EBITDA -		
Three months ended December 31, 2016 vs. September 30, 2016	$ 11,570	$ (3,040)
% increase (decrease) in same store EBITDA	4.1%(1)	(3.7%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 3.6%.

Supplemental Information – continued

Three Months Ended December 31, 2016 Compared to September 30, 2016 - continued

Reconciliation of Same Store EBITDA to Cash Basis Same Store EBITDA

(Amounts in thousands)	New York		Washington, DC
Same store EBITDA for the three months ended December 31, 2016	$ 291,515		$ 78,208
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(36,201)		(4,235)
Cash basis same store EBITDA for the three months ended December 31, 2016	$ 255,314		$ 73,973
Same store EBITDA for the three months ended September 30, 2016	$ 279,945		$ 81,248
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(43,938)		(5,505)
Cash basis same store EBITDA for the three months ended September 30, 2016	$ 236,007		$ 75,743
Increase (decrease) in cash basis same store EBITDA - Three months ended December 31, 2016 vs. September 30, 2016	$ 19,307		$ (1,770)
% increase (decrease) in cash basis same store EBITDA	8.2%	(1)	(2.3%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 7.6% on a cash basis.

Related Party Transactions

Alexander's, Inc.

We own 32.4% of Alexander's. Steven Roth, the Chairman of Vornado's Board of Trustees and its 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 5 - *Investments in Partially Owned Entities* to our consolidated financial statements in this Annual Report on Form 10-K.

Urban Edge Properties

We own 5.4% of UE. During 2015, we provided transition services to UE, primarily for information technology, human resources, tax and financial planning. In 2016, we continue to provide UE transition services for information technology and human resources. UE is providing us with leasing, development and property management services for certain of our retail properties including the retail assets of Alexander's. Fees to UE for servicing the retail assets of Alexander's are similar to the fees that we are receiving from Alexander's as described in Note 5 - *Investments in Partially Owned* Entities to our consolidated financial statements in this Annual Report on Form 10-K.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other general partners. As of December 31, 2016, Interstate and its partners beneficially owned an aggregate of approximately 7.1% 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 $521,000, $541,000, and $535,000 of management fees under the agreement for the years ended December 31, 2016, 2015 and 2014, respectively.

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, unsecured term loan and unsecured revolving credit facilities; proceeds from the issuance of common and preferred equity securities; 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 preferred shares and 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 18, 2017, Vornado declared a quarterly common dividend of $0.71 per share (an indicated annual rate of $2.84 per common share). This dividend, if continued for all of 2017, would require Vornado to pay out approximately $537,000,000 of cash for common share dividends. In addition, during 2017, Vornado expects to pay approximately $65,000,000 of cash dividends on outstanding preferred shares and approximately $35,000,000 of cash distributions to unitholders of the Operating Partnership.

Liquidity and Capital Resources – continued

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 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 unsecured 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 unsecured 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, 2016, we are in compliance with all of the financial covenants required by our senior unsecured notes and our unsecured revolving credit facilities.

As of December 31, 2016, we had $1,501,027,000 of cash and cash equivalents and $2,364,523,000 of borrowing capacity under our unsecured revolving credit facilities, net of outstanding borrowings and letters of credit of $115,630,000 and $19,847,000, respectively. A summary of our consolidated debt as of December 31, 2016 and 2015 is presented below.

(Amounts in thousands)	2016		2015	
Consolidated debt:	December 31, Balance	Weighted Average Interest Rate	December 31, Balance	Weighted Average Interest Rate
Variable rate	$ 3,765,054	2.40%	$ 3,995,704	2.00%
Fixed rate	6,949,873	3.82%	7,206,634	4.21%
Total	10,714,927	3.32%	11,202,338	3.42%
Deferred financing costs, net and other	(103,242)		(111,328)	
Total, net	$ 10,611,685		$ 11,091,010	

During 2017 and 2018, $118,585,000 and $209,208,000, 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 unsecured 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.

Below is a schedule of our contractual obligations and commitments at December 31, 2016.

(Amounts in thousands)		Less than			
Contractual cash obligations (principal and interest[1]):	**Total**	**1 Year**	**1 – 3 Years**	**3 – 5 Years**	**Thereafter**
Notes and mortgages payable	$10,829,548	$ 476,269	$2,357,201	$5,446,252	$2,549,826
Operating leases	1,791,440	34,871	71,222	73,352	1,611,995
Purchase obligations, primarily construction commitments	771,850	477,074	294,776	-	-
Unsecured revolving credit facilities	118,231	27	118,204	-	-
Senior unsecured notes due 2022	500,833	20,000	40,000	40,000	400,833
Senior unsecured notes due 2019	489,375	11,250	472,500	5,625	-
Capital lease obligations	372,379	12,508	25,016	25,016	309,839
Unsecured term loan	392,915	8,888	384,027	-	-
Total contractual cash obligations	$15,266,571	$1,040,887	$3,762,946	$5,590,245	$4,872,493
Commitments:					
Capital commitments to partially owned entities	$ 173,311	$ 173,311	$ -	$ -	$ -
Standby letters of credit	19,847	19,847	-	-	-
Total commitments	$ 193,158	$ 193,158	$ -	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2016.

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Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Details of 2016 financing activities are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2015 financing activities are discussed below.

Secured Debt

On April 1, 2015, we completed a $308,000,000 refinancing of RiverHouse Apartments, a three building, 1,670 unit rental complex located in Arlington, VA. The loan is interest only at LIBOR plus 1.28% and matures in 2025. We realized net proceeds of approximately $43,000,000. The property was previously encumbered by a 5.43%, $195,000,000 mortgage which was scheduled to mature in April 2015 and a $64,000,000 mortgage at LIBOR plus 1.53% which was scheduled to mature in 2018.

On June 2, 2015, we completed a $205,000,000 financing in connection with the acquisition of 150 West 34th Street. The loan bears interest at LIBOR plus 2.25% and matures in 2018 with two one-year extension options.

On July 28, 2015, we completed a $580,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot property comprised of 855,000 square feet of office space and the 256,000 square foot Manhattan Mall. The loan is interest only at LIBOR plus 1.65% and matures in July 2020. We realized net proceeds of approximately $242,000,000.

On September 22, 2015, we upsized the loan on our 220 Central Park South development by $350,000,000 to $950,000,000. The interest rate on the loan is LIBOR plus 2.00% and the final maturity date is 2020. In connection with the upsizing, the standby commitment for a $500,000,000 mezzanine loan for this development has been terminated by payment of a $15,000,000 contractual termination fee, which was capitalized as a component of "development costs and construction in progress" on our consolidated balance sheet as of December 31, 2015.

On December 11, 2015, we completed a $375,000,000 refinancing of 888 Seventh Avenue, a 882,000 square foot Manhattan office building. The five-year loan is interest only at LIBOR plus 1.60% which was swapped for the term of the loan to a fixed rate of 3.15% and matures in December 2020. We realized net proceeds of approximately

$49,000,000.

On December 21, 2015, we completed a $450,000,000 financing of the retail condominium of the St. Regis Hotel and the adjacent retail town house located on Fifth Avenue at 55th Street. The loan matures in December 2020, with two one-year extension options. The loan is interest only at LIBOR plus 1.80% for the first three years, LIBOR plus 1.90% for years four and five, and LIBOR plus 2.00% during the extension periods. We own a 74.3% controlling interest in the joint venture which owns the property.

Senior Unsecured Notes

On January 1, 2015, we redeemed all of the $500,000,000 principal amount of our outstanding 4.25% senior unsecured notes, which were scheduled to mature on April 1, 2015, at a redemption price of 100% of the principal amount plus accrued interest through December 31, 2014.

Unsecured Term Loan

On October 30, 2015, we entered into an unsecured delayed-draw term loan facility in the maximum amount of $750,000,000. The facility matures in October 2018 with two one-year extension options. The interest rate is LIBOR plus 1.15% with a fee of 0.20% per annum on the unused portion. At closing, we drew $187,500,000. The facility provides that the maximum amount available is twice the amount outstanding on April 29, 2016, limited to $750,000,000, and all draws must be made by October 2017. This facility, together with the $950,000,000 development loan mentioned above, provides the funding for our 220 Central Park South development.

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Acquisitions and Investments

On January 20, 2015, we co-invested with the Vornado Capital Partners Real Estate Fund ("Fund") and one of the Fund's limited partners to buy out the Fund's joint venture partner's 57.1% interest in the Crowne Plaza Times Square Hotel. The purchase price for the 57.1% interest was approximately $95,000,000 (our share $39,000,000) which valued the property at approximately $480,000,000. The property is encumbered by a $310,000,000 mortgage loan bearing interest at LIBOR plus 2.80% and maturing in December 2018 with a one-year extension option. Our aggregate ownership interest in the property increased to 33% from 11%.

On March 18, 2015, we acquired the Center Building, a 437,000 square foot office building, located at 33-00 Northern Boulevard in Long Island City, New York, for $142,000,000, including the assumption of an existing $62,000,000, 4.43% mortgage maturing in October 2018.

On June 2, 2015, we completed the acquisition of 150 West 34th Street, a 78,000 square foot retail property leased to Old Navy through May 2019, and 226,000 square feet of additional zoning air rights, for approximately $355,000,000. At closing we completed a $205,000,000 financing of the property.

On June 24, 2015, we entered into a joint venture, in which we own a 55% interest, to develop a 173,000 square foot Class-A office building, located along the western edge of the High Line at 512 West 22nd Street. The development cost of this project is approximately $235,000,000. The development commenced during the fourth quarter of 2015 and is expected to be completed in 2018. We account for our investment in the joint venture under the equity method.

On July 31, 2015, we acquired 260 Eleventh Avenue, a 235,000 square foot office property leased to the City of New York through 2021 with two five-year renewal options, a 10,000 square foot parking lot and additional air rights. The transaction is structured as a 99-year ground lease with an option to purchase the land for $110,000,000. The $3,900,000 annual ground rent and the purchase option price escalate annually at the lesser of 1.5% or CPI. The buildings were purchased for 813,900 newly issued Operating Partnership units valued at approximately $80,000,000.

On September 25, 2015, we acquired 265 West 34th Street, a 1,700 square foot retail property and 15,200 square feet of additional zoning air rights, for approximately $28,500,000.

Certain Future Cash Requirements

Capital Expenditures

The following table summarizes anticipated 2017 capital expenditures.

(Amounts in millions, except square foot data)		**Total**		**New York**		**Washington, DC**		**Other[(1)]**
Expenditures to maintain assets	$	168.8	$	99.0	$	29.0	$	40.8
Tenant improvements		121.0		53.0		50.0		18.0
Leasing commissions		38.1		22.0		13.0		3.1
Total capital expenditures and leasing commissions	$	327.9	$	174.0	$	92.0	$	61.9
Square feet budgeted to be leased (in thousands)				*1,000*		*1,217*		
Weighted average lease term (years)				*10*		*8*		
Tenant improvements and leasing commissions:								
Per square foot			*$*	*75.00*	*$*	*51.35*		
Per square foot per annum			*$*	*7.50*	*$*	*6.50*		

(1) Primarily theMART 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.

Liquidity and Capital Resources – continued

Development and Redevelopment Expenditures

We are constructing a residential condominium tower containing 397,000 salable square feet on our 220 Central Park South development site. The incremental development cost of this project is estimated to be approximately $1.3 billion, of which $609,420,000 has been expended as of December 31, 2016.

We are developing a 173,000 square foot Class-A office building at 512 West 22nd Street, along the western edge of the High Line in the West Chelsea submarket of Manhattan (55.0% owned). The incremental development cost of this project is estimated to be approximately $130,000,000, of which our share is $72,000,000. As of December 31, 2016, $30,143,000 has been expended, of which our share is $16,579,000.

We are developing a 170,000 square foot office and retail building at 61 Ninth Avenue, located on the southwest corner of Ninth Avenue and 15th Street in the West Chelsea submarket of Manhattan. In February 2016, the venture purchased an adjacent five story loft building and air rights in exchange for a 10% common and preferred equity interest in the venture valued at $19,400,000, which reduced our ownership interest to 45.1% from 50.1%. On December 21, 2016, the venture obtained a $90,000,000 construction loan. The loan matures in December 2020 with two six-month extension options. The interest rate is LIBOR plus 3.05%. As of December 31, 2016, there was nothing drawn on this loan. The incremental development cost of this project is estimated to be approximately $150,000,000, of which our share is $68,000,000. As of December 31, 2016, $38,499,000 has been expended, of which our share is $17,363,000.

We are developing a 34,000 square foot office and retail building at 606 Broadway, located on the northeast corner of Broadway and Houston Street in Manhattan (50.0% owned). At closing, the joint venture obtained a $65,000,000 construction loan, of which approximately $25,800,000 was outstanding as of December 31, 2016. The loan, which bears interest at LIBOR plus 3.00% (3.66% at December 31, 2016), matures in May 2019 with two one-year extension options. The venture's incremental development cost of this project is estimated to be approximately $60,000,000, of which our share is $30,000,000. As of December 31, 2016, $20,833,000 has been expended, of which our share is $10,417,000.

We are in the process of demolishing two adjacent Washington, DC office properties, 1726 M Street and 1150 17th Street, and will replace them in the future with a new 335,000 square foot Class A office building, to be addressed 1700 M Street. The incremental development cost of the project is estimated to be approximately $170,000,000, of which $10,500,000 has been expended as of December 31, 2016.

In September 2016, a joint venture between the Related Companies and Vornado was designated by New York State to redevelop the historic Farley Post Office building. The building will include a new Moynihan Train Hall and approximately 850,000 rentable square feet of office space and ancillary train hall retail. The joint venture will enter into a 99-year, triple-net lease and make a $230,000,000 contribution towards the construction of the train hall. Total costs for the redevelopment of the office and retail space are yet to be determined.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, including, in particular, the Penn Plaza District.

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 per property, and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence and in the annual aggregate, subject to a deductible in the amount of 5% of the value of the affected property. 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 of 2015, which expires in December 2020.

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 acts of terrorism including 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 $1,622,000 ($1,976,000 for 2017) and 16% (17% for 2017) of the balance of a covered loss and the Federal government is responsible for the remaining portion 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, 2016, the aggregate dollar amount of these guarantees and master leases is approximately $737,000,000.

As of December 31, 2016, $19,847,000 of letters of credit were outstanding under one of our unsecured revolving credit facilities. Our unsecured 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 unsecured 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, 2016, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $173,000,000, which includes our share of the commitments of the Farley Post Office redevelopment joint venture.

As of December 31, 2016, we have construction commitments aggregating $653,940,000.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2016

Our cash and cash equivalents were $1,501,027,000 at December 31, 2016, a $334,680,000 decrease from the balance at December 31, 2015. Our consolidated outstanding debt, net was $10,611,685,000 at December 31, 2016, a $479,325,000 decrease from the balance at December 31, 2015. As of December 31, 2016 and December 31, 2015, $115,630,000 and $550,000,000, respectively, was outstanding under our revolving credit facilities. During 2017 and 2018, $118,585,000 and $209,208,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it.

Net Cash Provided by Operating Activities

Cash flows provided by operating activities of $1,000,667,000 was comprised of (i) net income of $981,922,000, (ii) distributions of income from partially owned entities of $217,468,000, (iii) return of capital from real estate fund investments of $71,888,000, partially offset by (iv) $197,568,000 of non-cash adjustments, which include depreciation and amortization expense, net gain on extinguishment of Skyline properties debt, net gain on the disposition of wholly owned and partially owned assets, equity in net income from partially owned entities, real estate impairment losses, the effect of straight-lining of rental income, amortization of below-market leases, net realized and unrealized loss on real estate fund investments and net gains on sale of real estate and other, and (v) the net change in operating assets and liabilities of $73,043,000.

Net Cash Used in Investing Activities

Net cash used in investing activities of $889,193,000 was primarily comprised of (i) $606,565,000 of development costs and construction in progress, (ii) $387,545,000 of additions to real estate, (iii) $127,608,000 of investments in partially owned entities, (iv) $61,464,000 of acquisitions of real estate and other, (v) $42,000,000 due to the net deconsolidation of 7 West 34th Street, (vi) $11,700,000 of investments in loans receivable and other, and (vii) $4,379,000 in purchases of marketable securities, partially offset by (viii) $193,967,000 of capital distributions from partially owned entities, (ix) $153,534,000 of proceeds from sales of real estate and related investments, (x) $3,937,000 of proceeds from the sale of marketable securities, and (xi) $585,000 of changes in restricted cash.

Net Cash Used in Financing Activities

Net cash used in financing activities of Vornado Realty Trust of $446,154,000 was comprised of (i) $1,894,990,000 for the repayments of borrowings, (ii) $475,961,000 of dividends paid on common shares, (iii) $246,250,000 for the redemption of preferred shares, (iv) $130,590,000 of distributions to noncontrolling interests, (v) $80,137,000 of dividends paid on preferred shares, (vi) $42,157,000 of debt issuance and other costs, and (vii) $186,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings and other, partially offset by (viii) $2,403,898,000 of proceeds from borrowings, (ix) $11,950,000 of contributions from noncontrolling interests and (x) $8,269,000 of proceeds received from the exercise of employee share options.

Net cash used in financing activities of the Operating Partnership of $446,154,000 was comprised of (i) $1,894,990,000 for the repayments of borrowings, (ii) $475,961,000 of distributions to Vornado, (iii) $246,250,000 for the redemption of preferred units, (iv) $130,590,000 of distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries, (v) $80,137,000 of distributions to preferred unitholders, (vi) $42,157,000 of debt issuance and other costs, and (vii) $186,000 for the repurchase of Class A units related to equity compensation agreements and related tax withholdings and other, partially offset by (viii) $2,403,898,000 of proceeds from borrowings, (ix) $11,950,000 of contributions from noncontrolling interests in consolidated subsidiaries and (x) $8,269,000 of proceeds received from the exercise of Vornado stock options.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2016

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, 2016.

(Amounts in thousands)	**Total**	**New York**	**Washington, DC**	**Other**
Expenditures to maintain assets	$ 114,031	$ 67,239	$ 24,745	$ 22,047
Tenant improvements	86,630	63,995	12,712	9,923
Leasing commissions	38,938	32,475	4,067	2,396
Non-recurring capital expenditures	55,636	41,322	8,725	5,589
Total capital expenditures and leasing commissions (accrual basis)	295,235	205,031	50,249	39,955
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	268,101	159,144	71,935	37,022
Expenditures to be made in future periods for the current period	(117,910)	(100,151)	(16,357)	(1,402)
Total capital expenditures and leasing commissions (cash basis)	$ 445,426	$ 264,024	$ 105,827	$ 75,575
Tenant improvements and leasing commissions:				
Per square foot per annum	*$ 7.15*	*$ 7.98*	*$ 4.67*	*$ n/a*
Percentage of initial rent	*11.0%*	*9.7%*	*11.6%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2016

Development and redevelopment expenditures consist of all hard and soft costs associated with the development or redevelopment of a property, including capitalized interest, debt and operating costs until the property is substantially completed and ready for its intended use. Our development project budgets below include initial leasing costs, which are reflected as non-recurring capital expenditures in the table above.

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2016. These expenditures include interest of $34,097,000, payroll of $12,516,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $46,995,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Washington, DC	Other
220 Central Park South	$ 303,974	$ -	$ -	$ 303,974
The Bartlett	67,580	-	67,580	-
640 Fifth Avenue	46,282	46,282	-	-
90 Park Avenue	33,308	33,308	-	-
theMART	24,788	-	-	24,788
2221 South Clark Street (residential conversion)	15,939	-	15,939	-
Penn Plaza	11,904	11,904	-	-
Wayne Towne Center	8,461	-	-	8,461
330 West 34th Street	5,492	5,492	-	-
Other	88,837	21,217	56,863	10,757
	$ 606,565	$ 118,203	$ 140,382	$ 347,980

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2015

Our cash and cash equivalents were $1,835,707,000 at December 31, 2015, a $637,230,000 increase over the balance at December 31, 2014. Our consolidated outstanding debt, net was $11,091,010,000 at December 31, 2015, a $1,560,673,000 increase over the balance at December 31, 2014.

Net Cash Provided by Operating Activities

Cash flows provided by operating activities of $672,150,000 was comprised of (i) net income of $859,430,000, (ii) return of capital from real estate fund investments of $91,458,000, and (iii) distributions of income from partially owned entities of $65,018,000, partially offset by (iv) $81,654,000 of non-cash adjustments, which include depreciation and amortization expense, the reversal of allowance for deferred tax assets, the effect of straight-lining of rental income, equity in net loss from partially owned entities and net gains on sale of real estate and other, and (v) the net change in operating assets and liabilities of $262,102,000 (including $95,010,000 related to real estate fund investments).

Net Cash Used in Investing Activities

Net cash used in investing activities of $678,746,000 was comprised of (i) $490,819,000 of development costs and construction in progress, (ii) $478,215,000 of acquisitions of real estate and other, (iii) $301,413,000 of additions to real estate, (iv) $235,439,000 of investments in partially owned entities, and (v) $1,000,000 of investment in loans receivable and other, partially offset by (vi) $573,303,000 of proceeds from sales of real estate and related investments, (vii) $200,229,000 of changes in restricted cash, (viii) $37,818,000 of capital distributions from partially owned entities, and (ix) $16,790,000 of proceeds from sales and repayment of mezzanine loans receivable and other.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of Vornado Realty Trust of $643,826,000 was comprised of (i) $4,468,872,000 of proceeds from borrowings, (ii) $51,975,000 of contributions from noncontrolling interests, and (iii) $16,779,000 of proceeds received from exercise of employee share options, partially offset by (iv) $2,936,578,000 for the repayments of borrowings, (v) $474,751,000 of dividends paid on common shares, (vi) $225,000,000 of distributions in connection with the spin-off of UE, (vii) $102,866,000 of distributions to noncontrolling interests, (viii) $80,578,000 of dividends paid on preferred shares, (ix) $66,554,000 of debt issuance and other costs, and (x) $7,473,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings and other.

Net cash provided by financing activities of the Operating Partnership of $643,826,000 was comprised of (i) $4,468,872,000 of proceeds from borrowings, (ii) $51,975,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (iii) $16,779,000 of proceeds received from exercise of Vornado stock options, partially offset by (iv) $2,936,578,000 for the repayments of borrowings, (v) $474,751,000 of distributions to Vornado, (vi) $225,000,000 of distributions in connection with the spin-off of UE, (vii) $102,866,000 of distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries, (viii) $80,578,000 of distributions to preferred unitholders, (ix) $66,554,000 of debt issuance and other costs, and (x) $7,473,000 for the repurchase of Class A units related to stock compensation agreements and related tax withholdings and other.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2015

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, 2015.

(Amounts in thousands)	Total	New York	Washington, DC	Other
Expenditures to maintain assets	$ 125,215	$ 57,752	$ 25,589	$ 41,874
Tenant improvements	153,696	68,869	51,497	33,330
Leasing commissions	50,081	35,099	6,761	8,221
Non-recurring capital expenditures	116,875	81,240	34,428	1,207
Total capital expenditures and leasing commissions (accrual basis)	445,867	242,960	118,275	84,632
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	156,753	93,105	35,805	27,843
Expenditures to be made in future periods for the current period	(222,469)	(118,911)	(73,227)	(30,331)
Total capital expenditures and leasing commissions (cash basis)	$ 380,151	$ 217,154	$ 80,853	$ 82,144
Tenant improvements and leasing commissions:				
Per square foot per annum	$ *8.43*	$ *10.20*	$ *6.41*	$ *n/a*
Percentage of initial rent	*10.8%*	*8.9%*	*15.9%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2015

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2015. These expenditures include interest of $59,305,000, payroll of $6,077,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $90,922,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Washington, DC	Other
220 Central Park South	$ 158,014	$ -	$ -	$ 158,014
The Bartlett	103,878	-	103,878	-
330 West 34th Street	32,613	32,613	-	-
90 Park Avenue	29,937	29,937	-	-
2221 South Clark Street (residential conversion)	23,711	-	23,711	-

Marriott Marquis Times Square - retail and signage	21,929	21,929	-	-
Wayne Towne Center	20,633	-	-	20,633
640 Fifth Avenue	17,899	17,899	-	-
Penn Plaza	17,701	17,701	-	-
251 18th Street	5,897	-	5,897	-
S. Clark Street/12th Street	4,579	-	4,579	-
1700 M Street	2,695	-	2,695	-
Other	51,333	8,100	27,525	15,708
	$ 490,819	$ 128,179	$ 168,285	$ 194,355

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Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2014

Our cash and cash equivalents were $1,198,477,000 at December 31, 2014, a $615,187,000 decrease over the balance at December 31, 2013. Our consolidated outstanding debt was $9,530,337,000 at December 31, 2014, a $821,923,000 increase from the balance at December 31, 2013.

Net Cash Provided by Operating Activities

Cash flows provided by operating activities of $1,135,310,000 was comprised of (i) net income of $1,009,026,000, (ii) return of capital from real estate fund investments of $215,676,000, and (iii) distributions of income from partially owned entities of $96,286,000, partially offset by (iv) $89,536,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net loss from partially owned entities and net gains on sale of real estate and other, and (v) the net change in operating assets and liabilities of $96,142,000, including $3,392,000 related to real estate fund investments.

Net Cash Used in Investing Activities

Net cash used in investing activities of $574,465,000 was comprised of (i) $544,187,000 of development costs and construction in progress, (ii) $279,206,000 of additions to real estate, (iii) $211,354,000 of acquisitions of real estate and other, (iv) $120,639,000 of investments in partially owned entities, and (v) $30,175,000 of investments in loans receivable and other, partially offset by (vi) $388,776,000 of proceeds from sales of real estate and related investments, (vii) $99,464,000 of changes in restricted cash, (viii) $96,913,000 of proceeds from sales and repayments of mortgages and mezzanine loans receivable and other, and (ix) $25,943,000 of capital distributions from partially owned entities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of Vornado Realty Trust of $54,342,000 was comprised of (i) $2,428,285,000 of proceeds from borrowings, (ii) $30,295,000 of contributions from noncontrolling interests, and (iii) $19,245,000 of proceeds received from exercise of employee share options, partially offset by (iv) $1,312,258,000 for the repayments of borrowings, (v) $547,831,000 of dividends paid on common shares, (vi) $220,895,000 of distributions to noncontrolling interests, (vii) purchase of marketable securities in connection with the defeasance of mortgage payable of $198,884,000, (viii) $81,468,000 of dividends paid on preferred shares, (ix) $58,336,000 of debt issuance and other costs, and (x) $3,811,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings and other.

Net cash provided by financing activities of the Operating Partnership of $54,342,000 was comprised of (i) $2,428,285,000 of proceeds from borrowings, (ii) $30,295,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (iii) $19,245,000 of proceeds received from exercise of Vornado stock options, partially offset by (iv) $1,312,258,000 for the repayments of borrowings, (v) $547,831,000 of distributions to Vornado, (vi) $220,895,000 of distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries, (vii) purchase of marketable securities in connection with the defeasance of mortgage payable of $198,884,000, (viii) $81,468,000 of distributions to preferred unitholders, (ix) $58,336,000 of debt issuance and other costs, and (x) $3,811,000 for the repurchase of Class A units related to stock compensation agreements and related tax withholdings and other.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2014

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, 2014.

(Amounts in thousands)	Total	New York	Washington, DC	Other
Expenditures to maintain assets	$ 107,728	$ 48,518	$ 23,425	$ 35,785
Tenant improvements	205,037	143,007	37,842	24,188
Leasing commissions	79,636	66,369	5,857	7,410
Non-recurring capital expenditures	122,330	64,423	37,798	20,109
Total capital expenditures and leasing commissions (accrual basis)	514,731	322,317	104,922	87,492
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	140,490	67,577	45,084	27,829
Expenditures to be made in future periods for the current period	(313,746)	(205,258)	(63,283)	(45,205)
Total capital expenditures and leasing commissions (cash basis)	$ 341,475	$ 184,636	$ 86,723	$ 70,116
Tenant improvements and leasing commissions:				
Per square foot per annum	$ *6.53*	$ *6.82*	$ *5.70*	$ *n/a*
Percentage of initial rent	*10.3%*	*9.1%*	*14.8%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2014

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2014. These expenditures include interest of $62,787,000, payroll of $7,319,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $67,939,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Washington, DC	Other
Springfield Mall	$ 127,467	$ -	$ -	$ 127,467
Marriott Marquis Times Square - retail and signage	112,390	112,390	-	-
220 Central Park South	78,059	-	-	78,059
330 West 34th Street	41,592	41,592	-	-
The Bartlett	38,163	-	38,163	-
608 Fifth Avenue	20,377	20,377	-	-

Wayne Towne Center	19,740	-	-	19,740
7 West 34th Street	11,555	11,555	-	-
Other	94,844	27,892	45,482	21,470
	$ 544,187	$ 213,806	$ 83,645	$ 246,736

Funds From Operations (“FFO”)

Vornado Realty Trust

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 and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are non-GAAP financial measures 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 flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

FFO attributable to common shareholders plus assumed conversions was $1,457,583,000, or $7.66 per diluted share for the year ended December 31, 2016, compared to $1,039,035,000, or $5.48 per diluted share for the year ended December 31, 2015. FFO attributable to common shareholders plus assumed conversions was $797,734,000, or $4.20 per diluted share for the three months ended December 31, 2016, compared to $259,528,000, or $1.37 per diluted share for the three months ended December 31, 2015. Details of certain items that impact FFO are discussed in the financial results summary of our “Overview.”

(Amounts in thousands, except per share amounts)	For the Year Ended December 31,		For the Three Months Ended December 31,	
	2016	2015	2016	2015
Reconciliation of our net income to FFO:				
Net income attributable to common shareholders	$ 823,606	$ 679,856	$ 651,181	$ 230,742
Per diluted share	$ 4.34	$ 3.59	$ 3.43	$ 1.22
FFO adjustments:				
Depreciation and amortization of real property	$ 531,620	$ 514,085	$ 133,389	$ 131,910
Net gains on sale of real estate	(177,023)	(289,117)	(15,302)	(142,693)
Real estate impairment losses	160,700	256	-	-
Proportionate share of adjustments to equity in net income (loss) of partially owned entities to arrive at FFO:				
Depreciation and amortization of real property	154,795	143,960	37,160	37,275

Net gains on sale of real estate	(2,853)	(4,513)	(12)	-
Real estate impairment losses	6,328	16,758	792	4,141
	673,567	381,429	156,027	30,633
Noncontrolling interests' share of above adjustments	(41,267)	(22,342)	(9,495)	(1,869)
FFO adjustments, net	$ 632,300	$ 359,087	$ 146,532	$ 28,764
FFO attributable to common shareholders	$ 1,455,906	$ 1,038,943	$ 797,713	$ 259,506
Convertible preferred share dividends	86	92	21	22
Earnings allocated to Out-Performance Plan units	1,591	-	-	-
FFO attributable to common shareholders plus assumed conversions	$ 1,457,583	$ 1,039,035	$ 797,734	$ 259,528
Per diluted share	$ 7.66	$ 5.48	$ 4.20	$ 1.37

Reconciliation of Weighted Average Shares				
Weighted average common shares outstanding	188,837	188,353	189,013	188,537
Effect of dilutive securities:				
Employee stock options and restricted share awards	1,064	1,166	1,055	1,107
Convertible preferred shares	42	45	40	44
Out-Performance Plan units	230	-	-	-
Denominator for FFO per diluted share	190,173	189,564	190,108	189,688

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)	2016			2015	
	December 31, Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	$ 3,765,054	2.40%	$ 37,651	$ 3,995,704	2.00%
Fixed rate	6,949,873	3.82%	-	7,206,634	4.21%
	$ 10,714,927	3.32%	37,651	$ 11,202,338	3.42%
Pro rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys "R" Us, Inc.	$ 1,109,376	2.49%	11,094	$ 485,160	1.97%
Variable rate – Toys "R" Us, Inc.	1,162,072	6.05%	11,621	1,164,893	6.61%
Fixed rate (including $671,181 and $661,513 of Toys "R" Us, Inc. debt in 2016 and 2015)	2,791,249	6.09%	-	2,782,025	6.37%
	$ 5,062,697	5.30%	22,715	$ 4,432,078	5.95%
Noncontrolling interests' share of consolidated subsidiaries			(1,393)		
Total change in annual net income attributable to the Operating Partnership			58,973		
Noncontrolling interests' share of the Operating Partnership			(3,676)		
Total change in annual net income attributable to Vornado			$ 55,297		
Total change in annual net income attributable to the Operating Partnership per diluted Class A unit			$ 0.29		
Total change in annual net income attributable to Vornado per diluted share			$ 0.29		

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, 2016, we have an interest rate swap on a $412,000,000 mortgage loan that swapped the rate from LIBOR plus 1.65% (2.27% at December 31, 2016) to a fixed rate of 4.78% through March 2018 and an interest swap on a $375,000,000 mortgage loan on 888 Seventh Avenue that swapped the rate from

LIBOR plus 1.60% (2.22% at December 31, 2016) to a fixed rate of 3.15% through December 2020.

In connection with the $700,000,000 refinancing of 770 Broadway, we entered into an interest rate swap from LIBOR plus 1.75% (2.40% at December 31, 2016) to a fixed rate of 2.56% through September 2020.

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, 2016, the estimated fair value of our consolidated debt was $10,746,000,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, based on the criteria established in *Internal Control— Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 13, 2017

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except unit, share and per share amounts)	**December 31, 2016**	**December 31, 2015**
ASSETS		
Real estate, at cost:		
Land	$ 4,065,142	$ 4,164,799
Buildings and improvements	12,727,980	12,582,671
Development costs and construction in progress	1,430,276	1,226,637
Leasehold improvements and equipment	116,560	116,030
Total	18,339,958	18,090,137
Less accumulated depreciation and amortization	(3,513,574)	(3,418,267)
Real estate, net	14,826,384	14,671,870
Cash and cash equivalents	1,501,027	1,835,707
Restricted cash	98,295	107,799
Marketable securities	203,704	150,997
Tenant and other receivables, net of allowance for doubtful accounts of $10,920 and $11,908	94,467	98,062
Investments in partially owned entities	1,428,019	1,550,422
Real estate fund investments	462,132	574,761
Receivable arising from the straight-lining of rents, net of allowance of $2,227 and $2,751	1,032,736	931,245
Deferred leasing costs, net of accumulated amortization of $228,862 and $218,239	454,345	480,421
Identified intangible assets, net of accumulated amortization of $207,330 and $187,360	192,731	227,901
Assets related to discontinued operations	5,570	37,020
Other assets	515,437	477,088
	$ 20,814,847	$ 21,143,293
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable, net	$ 9,278,263	$ 9,513,713
Senior unsecured notes, net	845,577	844,159
Unsecured revolving credit facilities	115,630	550,000
Unsecured term loan, net	372,215	183,138
Accounts payable and accrued expenses	458,694	443,955
Deferred revenue	287,846	346,119
Deferred compensation plan	121,374	117,475
Liabilities related to discontinued operations	2,870	12,470
Other liabilities	435,436	426,965
Total liabilities	11,917,905	12,437,994
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,197,162 and 12,242,820 units outstanding	1,273,018	1,223,793
Series D cumulative redeemable preferred units - 177,101 units outstanding	5,428	5,428
Total redeemable noncontrolling interests	1,278,446	1,229,221
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000		

shares; issued and outstanding 42,824,829 and 52,676,629 shares	1,038,055	1,276,954
Common shares of beneficial interest: $.04 par value per share; authorized		
250,000,000 shares; issued and outstanding 189,100,876 and 188,576,853 shares	7,542	7,521
Additional capital	7,153,332	7,132,979
Earnings less than distributions	(1,419,382)	(1,766,780)
Accumulated other comprehensive income	118,972	46,921
Total Vornado shareholders' equity	6,898,519	6,697,595
Noncontrolling interests in consolidated subsidiaries	719,977	778,483
Total equity	7,618,496	7,476,078
	$ 20,814,847	$ 21,143,293

See notes to the consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)	**Year Ended December 31,**		
	2016	**2015**	**2014**
REVENUES:			
Property rentals	$ 2,103,728	$ 2,076,586	$ 1,911,487
Tenant expense reimbursements	260,667	260,976	245,819
Fee and other income	141,807	164,705	155,206
Total revenues	2,506,202	2,502,267	2,312,512
EXPENSES:			
Operating	1,024,336	1,011,249	953,611
Depreciation and amortization	565,059	542,952	481,303
General and administrative	179,279	175,307	169,270
Skyline properties impairment loss	160,700	-	-
Acquisition and transaction related costs	26,037	12,511	18,435
Total expenses	1,955,411	1,742,019	1,622,619
Operating income	550,791	760,248	689,893
(Loss) income from real estate fund investments	(23,602)	74,081	163,034
Income (loss) from partially owned entities	165,389	(12,630)	(59,861)
Interest and other investment income, net	29,546	26,978	38,752
Interest and debt expense	(402,674)	(378,025)	(412,755)
Net gain on extinguishment of Skyline properties debt	487,877	-	-
Net gain on disposition of wholly owned and partially owned assets	175,735	251,821	13,568
Income before income taxes	983,062	722,473	432,631
Income tax (expense) benefit	(8,312)	84,695	(9,281)
Income from continuing operations	974,750	807,168	423,350
Income from discontinued operations	7,172	52,262	585,676
Net income	981,922	859,430	1,009,026
Less net income attributable to noncontrolling interests in:			
Consolidated subsidiaries	(21,351)	(55,765)	(96,561)
Operating Partnership	(53,654)	(43,231)	(47,613)
Net income attributable to Vornado	906,917	760,434	864,852
Preferred share dividends	(75,903)	(80,578)	(81,464)
Preferred share issuance costs (Series J redemption)	(7,408)	-	-
NET INCOME attributable to common shareholders	$ 823,606	$ 679,856	$ 783,388
INCOME PER COMMON SHARE - BASIC:			
Income from continuing operations, net	$ 4.32	$ 3.35	$ 1.23
Income from discontinued operations, net	0.04	0.26	2.95
Net income per common share	$ 4.36	$ 3.61	$ 4.18
	188,837	188,353	187,572

Weighted average shares outstanding			
INCOME PER COMMON SHARE - DILUTED:			
Income from continuing operations, net	$ 4.30	$ 3.33	$ 1.22
Income from discontinued operations, net	0.04	0.26	2.93
Net income per common share	$ 4.34	$ 3.59	$ 4.15
Weighted average shares outstanding	190,173	189,564	188,690

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)	**Year Ended December 31,**		
	2016	**2015**	**2014**
Net income	$ 981,922	$ 859,430	$ 1,009,026
Other comprehensive income (loss):			
Increase (reduction) in unrealized net gain on available-for-sale securities	52,057	(55,326)	14,465
Pro rata share of other comprehensive (loss) income of nonconsolidated subsidiaries	(2,739)	(327)	2,509
Increase in value of interest rate swap and other	27,432	6,441	6,079
Comprehensive income	1,058,672	810,218	1,032,079
Less comprehensive income attributable to noncontrolling interests	(79,704)	(96,130)	(145,497)
Comprehensive income attributable to Vornado	$ 978,968	$ 714,088	$ 886,582

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2015	52,677	$1,276,954	188,577	$7,521	$7,132,979	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078
Net income attributable to Vornado	-	-	-	-	-	906,917	-	-	906,917
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	21,351	21,351
Dividends on common shares	-	-	-	-	-	(475,961)	-	-	(475,961)
Dividends on preferred shares	-	-	-	-	-	(75,903)	-	-	(75,903)
Redemption of Series J preferred shares	(9,850)	(238,842)	-	-	-	(7,408)	-	-	(246,250)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	376	15	36,495	-	-	-	36,510
Under employees' share option plan	-	-	123	5	6,820	-	-	-	6,825
Under dividend reinvestment plan	-	-	16	1	1,443	-	-	-	1,444

Contributions	-	-	-	-	-	-	-	19,749	19,749
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(62,444)	(62,444)
Other	-	-	-	-	-	-	-	(36,804)	(36,804)
Conversion of Series A preferred shares to common shares	(2)	(56)	3	-	56	-	-	-	-
Deferred compensation shares and options	-	-	7	-	1,788	(186)	-	-	1,602
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	52,057	-	52,057
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(2,739)	-	(2,739)
Increase in value of interest rate swap	-	-	-	-	-	-	27,434	-	27,434
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(26,251)	-	-	-	(26,251)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(4,699)	-	(4,699)
Other	-	(1)	(1)	-	2	(61)	(2)	(358)	(420)
Balance, December 31, 2016	42,825	$1,038,055	189,101	$7,542	$7,153,332	$(1,419,382)	$118,972	$ 719,977	$7,618,496

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2014	52,679	$1,277,026	187,887	$7,493	$6,873,025	$(1,505,385)	$ 93,267	$ 743,956	$7,489,382
Net income attributable to Vornado	-	-	-	-	-	760,434	-	-	760,434
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	55,765	55,765
Distribution of Urban Edge Properties	-	-	-	-	-	(464,262)	-	(341)	(464,603)
Dividends on common shares	-	-	-	-	-	(474,751)	-	-	(474,751)
Dividends on preferred shares	-	-	-	-	-	(80,578)	-	-	(80,578)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	452	18	48,212	-	-	-	48,230
Under employees' share option plan	-	-	214	9	15,332	(2,579)	-	-	12,762
Under dividend reinvestment plan	-	-	14	1	1,437	-	-	-	1,438
Contributions:									

Real estate fund investments	-	-	-	-	-	-	-	51,725	51,725
Other	-	-	-	-	-	-	-	250	250
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(72,114)	(72,114)
Other	-	-	-	-	-	-	-	(525)	(525)
Conversion of Series A preferred shares to common shares	(2)	(72)	4	1	71	-	-	-	-
Deferred compensation shares and options	-	-	6	1	2,438	(359)	-	-	2,080
Reduction in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	(55,326)	-	(55,326)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(327)	-	(327)
Increase in value of interest rate swap	-	-	-	-	-	-	6,435	-	6,435
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	192,464	-	-	-	192,464
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	2,866	-	2,866
Other	-	-	-	(2)	-	700	6	(233)	471
Balance, December 31, 2015	52,677	$1,276,954	188,577	$7,521	$7,132,979	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2013	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	-	-	-	-	-	864,852	-	-	864,852
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	96,561	96,561
Dividends on common shares	-	-	-	-	-	(547,831)	-	-	(547,831)
Dividends on preferred shares	-	-	-	-	-	(81,464)	-	-	(81,464)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	271	11	27,262	-	-	-	27,273
Under employees' share option plan	-	-	304	12	17,428	(3,393)	-	-	14,047
Under dividend reinvestment plan	-	-	17	1	1,803	-	-	-	1,804
Contributions:									
Real estate fund investments	-	-	-	-	-	-	-	5,297	5,297

Other	-	-	-	-	-	-	-	32,998	32,998
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(182,964)	(182,964)
Other	-	-	-	-	-	-	-	(4,463)	(4,463)
Transfer of noncontrolling interest in real estate fund investments	-	-	-	-	-	-	-	(33,028)	(33,028)
Conversion of Series A preferred shares to common shares	(4)	(193)	5	-	193	-	-	-	-
Deferred compensation shares and options	-	-	5	-	5,852	(340)	-	-	5,512
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	14,465	-	14,465
Pro rata share of other comprehensive income of nonconsolidated subsidiaries	-	-	-	-	-	-	2,509	-	2,509
Increase in value of interest rate swap	-	-	-	-	-	-	6,079	-	6,079
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(315,276)	-	-	-	(315,276)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(1,323)	-	(1,323)
Other	-	(6)	-	-	(8,077)	(2,370)	-	43	(10,410)

Balance, December 31, 2014	52,679	$1,277,026	187,887	$7,493	$6,873,025	$(1,505,385)	$ 93,267	$ 743,956	$7,489,382

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2016	**2015**	**2014**
Cash Flows from Operating Activities:			
Net income	$ 981,922	$ 859,430	$ 1,009,026
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	595,270	566,207	583,408
Net gain on extinguishment of Skyline properties debt	(487,877)	-	-
Distributions of income from partially owned entities	217,468	65,018	96,286
Net gain on disposition of wholly owned and partially owned assets	(175,735)	(251,821)	(13,568)
Equity in net (income) loss of partially owned entities	(165,389)	11,882	58,131
Real estate impairment losses	161,165	256	26,518
Straight-lining of rental income	(146,787)	(153,668)	(82,800)
Return of capital from real estate fund investments	71,888	91,458	215,676
Amortization of below-market leases, net	(53,202)	(79,053)	(46,786)
Net realized and unrealized loss (gain) on real estate fund investments	40,655	(57,752)	(150,139)
Other non-cash adjustments	39,406	37,721	37,303
Net gains on sale of real estate and other	(5,074)	(65,396)	(507,192)
Reversal of allowance for deferred tax assets	-	(90,030)	-
Defeasance cost in connection with the refinancing of mortgage payable	-	-	5,589
Changes in operating assets and liabilities:			
Real estate fund investments	-	(95,010)	(3,392)
Tenant and other receivables, net	(7,459)	11,936	(8,282)
Prepaid assets	(8,023)	(14,804)	(8,786)
Other assets	(70,120)	(116,157)	(123,435)
Accounts payable and accrued expenses	32,389	(33,747)	44,628
Other liabilities	(19,830)	(14,320)	3,125
Net cash provided by operating activities	1,000,667	672,150	1,135,310
Cash Flows from Investing Activities:			
Development costs and construction in progress	(606,565)	(490,819)	(544,187)
Additions to real estate	(387,545)	(301,413)	(279,206)
Distributions of capital from partially owned entities	193,967	37,818	25,943
Proceeds from sales of real estate and related investments	153,534	573,303	388,776
Investments in partially owned entities	(127,608)	(235,439)	(120,639)
Acquisitions of real estate and other	(61,464)	(478,215)	(211,354)
Net deconsolidation of 7 West 34th Street	(42,000)	-	-

Investments in loans receivable and other	(11,700)	(1,000)	(30,175)
Purchases of marketable securities	(4,379)	-	-
Proceeds from the sale of marketable securities	3,937	-	-
Restricted cash	585	200,229	99,464
Proceeds from sales and repayments of mortgage and mezzanine loans receivable and other	45	16,790	96,913
Net cash used in investing activities	(889,193)	(678,746)	(574,465)

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Amounts in thousands)	For the Year Ended December 31,		
	2016	**2015**	**2014**
Cash Flows from Financing Activities:			
Proceeds from borrowings	$ 2,403,898	$ 4,468,872	$ 2,428,285
Repayments of borrowings	(1,894,990)	(2,936,578)	(1,312,258)
Dividends paid on common shares	(475,961)	(474,751)	(547,831)
Redemption of preferred shares	(246,250)	-	-
Distributions to noncontrolling interests	(130,590)	(102,866)	(220,895)
Dividends paid on preferred shares	(80,137)	(80,578)	(81,468)
Debt issuance and other costs	(42,157)	(66,554)	(58,336)
Contributions from noncontrolling interests	11,950	51,975	30,295
Proceeds received from exercise of employee share options	8,269	16,779	19,245
Repurchase of shares related to stock compensation agreements and related tax withholdings and other	(186)	(7,473)	(3,811)
Cash included in the spin-off of Urban Edge Properties	-	(225,000)	-
Purchase of marketable securities in connection with the defeasance of mortgage payable	-	-	(198,884)
Net cash (used in) provided by financing activities	(446,154)	643,826	54,342
Net (decrease) increase in cash and cash equivalents	(334,680)	637,230	615,187
Cash and cash equivalents at beginning of period	1,835,707	1,198,477	583,290
Cash and cash equivalents at end of period	$ 1,501,027	$ 1,835,707	$ 1,198,477
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest, excluding capitalized interest of $29,584, $48,539, and $53,139	$ 368,762	$ 376,620	$ 443,538
Cash payments for income taxes	$ 9,716	$ 8,287	$ 11,696
Non-Cash Investing and Financing Activities:			
Decrease in assets and liabilities resulting from the disposition of Skyline properties:			
Real estate, net	$ (189,284)	$ -	$ -
Mortgages payable, net	(690,263)	-	-
Decrease in assets and liabilities resulting from the deconsolidation of 7 West 34th Street:			
Real estate, net	(122,047)	-	-
Mortgages payable, net	(290,418)	-	-
Write-off of fully depreciated assets	(305,679)	(167,250)	(121,673)
Accrued capital expenditures included in accounts payable and accrued expenses	120,564	122,711	100,528
Change in unrealized net gain on securities available-for-sale	52,057	(55,326)	14,465
Like-kind exchange of real estate:			
Acquisitions	29,639	80,269	606,816
Dispositions	(29,639)	(213,621)	(630,352)

Adjustments to carry redeemable Class A units at redemption value	(26,251)	192,464	(315,276)
Non-cash distribution of Urban Edge Properties:			
Assets	-	1,709,256	-
Liabilities	-	(1,469,659)	-
Equity	-	(239,597)	-
Transfer of interest in real estate to Pennsylvania Real Estate Investment Trust	-	(145,313)	-
Class A units in connection with acquisition	-	80,000	-
Financing assumed in acquisitions	-	62,000	-
Marketable securities transferred in connection with the defeasance of mortgage payable	-	-	198,884
Defeasance of mortgage payable	-	-	(193,406)
Elimination of a mortgage and mezzanine loan asset and liability	-	-	59,375
Transfer of interest in real estate fund to an unconsolidated joint venture	-	-	(58,564)
Transfer of noncontrolling interest in real estate fund	-	-	(33,028)
Beverly Connection seller financing	-	-	13,620

See notes to consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners

Vornado Realty L.P.

New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty L.P. and consolidated subsidiaries (the "Partnership") as of December 31, 2016 and 2015, 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, 2016. 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 Partnership'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 L.P. and consolidated subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, 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 Partnership's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control— Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2017 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 13, 2017

VORNADO REALTY L.P.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except unit amounts)	December 31, 2016	December 31, 2015
ASSETS		
Real estate, at cost:		
Land	$ 4,065,142	$ 4,164,799
Buildings and improvements	12,727,980	12,582,671
Development costs and construction in progress	1,430,276	1,226,637
Leasehold improvements and equipment	116,560	116,030
Total	18,339,958	18,090,137
Less accumulated depreciation and amortization	(3,513,574)	(3,418,267)
Real estate, net	14,826,384	14,671,870
Cash and cash equivalents	1,501,027	1,835,707
Restricted cash	98,295	107,799
Marketable securities	203,704	150,997
Tenant and other receivables, net of allowance for doubtful accounts of $10,920 and $11,908	94,467	98,062
Investments in partially owned entities	1,428,019	1,550,422
Real estate fund investments	462,132	574,761
Receivable arising from the straight-lining of rents, net of allowance of $2,227 and $2,751	1,032,736	931,245
Deferred leasing costs, net of accumulated amortization of $228,862 and $218,239	454,345	480,421
Identified intangible assets, net of accumulated amortization of $207,330 and $187,360	192,731	227,901
Assets related to discontinued operations	5,570	37,020
Other assets	515,437	477,088
	$ 20,814,847	$ 21,143,293
LIABILITIES, REDEEMABLE PARTNERSHIP UNITS AND EQUITY		
Mortgages payable, net	$ 9,278,263	$ 9,513,713
Senior unsecured notes, net	845,577	844,159
Unsecured revolving credit facilities	115,630	550,000
Unsecured term loan, net	372,215	183,138
Accounts payable and accrued expenses	458,694	443,955
Deferred revenue	287,846	346,119
Deferred compensation plan	121,374	117,475
Liabilities related to discontinued operations	2,870	12,470
Other liabilities	435,436	426,965
Total liabilities	11,917,905	12,437,994
Commitments and contingencies		
Redeemable partnership units:		
Class A units - 12,197,162 and 12,242,820 units outstanding	1,273,018	1,223,793
Series D cumulative redeemable preferred units - 177,101 units outstanding	5,428	5,428
Total redeemable partnership units	1,278,446	1,229,221

Equity:		
Partners' capital	8,198,929	8,417,454
Earnings less than distributions	(1,419,382)	(1,766,780)
Accumulated other comprehensive income	118,972	46,921
Total Vornado Realty L.P. equity	6,898,519	6,697,595
Noncontrolling interests in consolidated subsidiaries	719,977	778,483
Total equity	7,618,496	7,476,078
	$ 20,814,847	$ 21,143,293

See notes to the consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per unit amounts)	Year Ended December 31,		
	2016	**2015**	**2014**
REVENUES:			
Property rentals	$ 2,103,728	$ 2,076,586	$ 1,911,487
Tenant expense reimbursements	260,667	260,976	245,819
Fee and other income	141,807	164,705	155,206
Total revenues	2,506,202	2,502,267	2,312,512
EXPENSES:			
Operating	1,024,336	1,011,249	953,611
Depreciation and amortization	565,059	542,952	481,303
General and administrative	179,279	175,307	169,270
Skyline properties impairment loss	160,700	-	-
Acquisition and transaction related costs	26,037	12,511	18,435
Total expenses	1,955,411	1,742,019	1,622,619
Operating income	550,791	760,248	689,893
(Loss) income from real estate fund investments	(23,602)	74,081	163,034
Income (loss) from partially owned entities	165,389	(12,630)	(59,861)
Interest and other investment income, net	29,546	26,978	38,752
Interest and debt expense	(402,674)	(378,025)	(412,755)
Net gain on extinguishment of Skyline properties debt	487,877	-	-
Net gain on disposition of wholly owned and partially owned assets	175,735	251,821	13,568
Income before income taxes	983,062	722,473	432,631
Income tax (expense) benefit	(8,312)	84,695	(9,281)
Income from continuing operations	974,750	807,168	423,350
Income from discontinued operations	7,172	52,262	585,676
Net income	981,922	859,430	1,009,026
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(21,351)	(55,765)	(96,561)
Net income attributable to Vornado Realty L.P.	960,571	803,665	912,465
Preferred unit distributions	(76,097)	(80,736)	(81,514)
Preferred unit issuance costs (Series J redemption)	(7,408)	-	-
NET INCOME attributable to Class A unitholders	$ 877,066	$ 722,929	$ 830,951
INCOME PER CLASS A UNIT - BASIC:			
Income from continuing operations, net	$ 4.32	$ 3.35	$ 1.22
Income from discontinued operations, net	0.04	0.26	2.95
Net income per Class A unit	$ 4.36	$ 3.61	$ 4.17
Weighted average units outstanding	200,350	199,309	198,213

INCOME PER CLASS A UNIT - DILUTED:

Income from continuing operations, net	$ 4.29	$ 3.31	$ 1.21
Income from discontinued operations, net	0.03	0.26	2.93
Net income per Class A unit	$ 4.32	$ 3.57	$ 4.14
Weighted average units outstanding	202,017	201,158	199,813

See notes to consolidated financial statements.

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VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)	**Year Ended December 31,**		
	2016	**2015**	**2014**
Net income	$ 981,922	$ 859,430	$ 1,009,026
Other comprehensive income (loss):			
Increase (reduction) in unrealized net gain on available-for-sale securities	52,057	(55,326)	14,465
Pro rata share of other comprehensive (loss) income of nonconsolidated subsidiaries	(2,739)	(327)	2,509
Increase in value of interest rate swap and other	27,432	6,441	6,079
Comprehensive income	1,058,672	810,218	1,032,079
Less comprehensive income attributable to noncontrolling interests	(21,351)	(55,765)	(96,561)
Comprehensive income attributable to Vornado Realty L.P.	$ 1,037,321	$ 754,453	$ 935,518

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)	Preferred Units		Class A Units Owned by Vornado		Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated	Total
	Units	Amount	Units	Amount	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2015	52,677	$1,276,954	188,577	$7,140,500	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078
Net income attributable to Vornado Realty L.P.	-	-	-	-	960,571	-	-	960,571
Net income attributable to redeemable partnership units	-	-	-	-	(53,654)	-	-	(53,654)
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	21,351	21,351
Distributions to Vornado	-	-	-	-	(475,961)	-	-	(475,961)
Distributions to preferred unitholders	-	-	-	-	(75,903)	-	-	(75,903)
Redemption of Series J preferred units	(9,850)	(238,842)	-	-	(7,408)	-	-	(246,250)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	-	-	376	36,510	-	-	-	36,510
Under Vornado's	-	-	123	6,825	-	-	-	6,825

employees' share option plan								
Under Vornado's dividend reinvestment plan	-	-	16	1,444	-	-	-	1,444
Contributions	-	-	-	-	-	-	19,749	19,749
Distributions:								
Real estate fund investments	-	-	-	-	-	-	(62,444)	(62,444)
Other	-	-	-	-	-	-	(36,804)	(36,804)
Conversion of Series A preferred units to Class A units	(2)	(56)	3	56	-	-	-	-
Deferred compensation units and options	-	-	7	1,788	(186)	-	-	1,602
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	52,057	-	52,057
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	(2,739)	-	(2,739)
Increase in value of interest rate swap	-	-	-	-	-	27,434	-	27,434
Adjustments to carry redeemable Class A units at redemption value	-	-	-	(26,251)	-	-	-	(26,251)
Redeemable partnership units' share of above adjustments	-	-	-	-	-	(4,699)	-	(4,699)
Other	-	(1)	(1)	2	(61)	(2)	(358)	(420)
Balance, December 31, 2016	42,825	$1,038,055	189,101	$7,160,874	$(1,419,382)	$ 118,972	$ 719,977	$7,618,496

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Units		Class A Units Owned by Vornado		Earnings Less Than	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated	Total
	Units	Amount	Units	Amount	Distributions		Subsidiaries	Equity
Balance, December 31, 2014	52,679	$1,277,026	187,887	$6,880,518	$(1,505,385)	$ 93,267	$ 743,956	$7,489,382
Net income attributable to Vornado Realty L.P.	-	-	-	-	803,665	-	-	803,665
Net income attributable to redeemable partnership units	-	-	-	-	(43,231)	-	-	(43,231)
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	55,765	55,765
Distribution of Urban Edge Properties	-	-	-	-	(464,262)	-	(341)	(464,603)
Distributions to Vornado	-	-	-	-	(474,751)	-	-	(474,751)
Distributions to preferred unitholders	-	-	-	-	(80,578)	-	-	(80,578)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	-	-	452	48,230	-	-	-	48,230
Under Vornado's employees'	-	-	214	15,341	(2,579)	-	-	12,762

share option plan Under Vornado's dividend reinvestment plan	-	-	14	1,438	-	-	-	1,438
Contributions:								
Real estate fund investments	-	-	-	-	-	-	51,725	51,725
Other	-	-	-	-	-	-	250	250
Distributions:								
Real estate fund investments	-	-	-	-	-	-	(72,114)	(72,114)
Other	-	-	-	-	-	-	(525)	(525)
Conversion of Series A preferred units to Class A units	(2)	(72)	4	72	-	-	-	-
Deferred compensation units and options	-	-	6	2,439	(359)	-	-	2,080
Reduction in unrealized net gain on available-for-sale securities	-	-	-	-	-	(55,326)	-	(55,326)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	(327)	-	(327)
Increase in value of interest rate swap	-	-	-	-	-	6,435	-	6,435
Adjustments to carry redeemable Class A units at redemption value	-	-	-	192,464	-	-	-	192,464
Redeemable partnership units' share of above adjustments	-	-	-	-	-	2,866	-	2,866
Other	-	-	-	(2)	700	6	(233)	471
Balance, December 31,	52,677	$1,276,954	188,577	$7,140,500	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078

2015

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Units		Class A Units Owned by Vornado		Earnings Less Than	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated	Total
	Units	Amount	Units	Amount	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2013	52,683	$1,277,225	187,285	$7,151,309	$(1,734,839)	$ 71,537	$ 829,512	$7,594,744
Net income attributable to Vornado Realty L.P.	-	-	-	-	912,465	-	-	912,465
Net income attributable to redeemable partnership units	-	-	-	-	(47,613)	-	-	(47,613)
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	96,561	96,561
Distributions to Vornado	-	-	-	-	(547,831)	-	-	(547,831)
Distributions to preferred unitholders	-	-	-	-	(81,464)	-	-	(81,464)
Class A Units issued to Vornado								
Upon redemption of redeemable Class A units, at redemption value	-	-	271	27,273	-	-	-	27,273
Under Vornado's employees' share option plan	-	-	304	17,440	(3,393)	-	-	14,047
	-	-	17	1,804	-	-	-	1,804

Under Vornado's dividend reinvestment plan								
Contributions:								
Real estate fund investments	-	-	-	-	-	-	5,297	5,297
Other	-	-	-	-	-	-	32,998	32,998
Distributions:								
Real estate fund investments	-	-	-	-	-	-	(182,964)	(182,964)
Other	-	-	-	-	-	-	(4,463)	(4,463)
Transfer of noncontrolling interest in real estate fund investments	-	-	-	-	-	-	(33,028)	(33,028)
Conversion of Series A preferred units to Class A units	(4)	(193)	5	193	-	-	-	-
Deferred compensation units and options	-	-	5	5,852	(340)	-	-	5,512
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	14,465	-	14,465
Pro rata share of other comprehensive income of nonconsolidated subsidiaries	-	-	-	-	-	2,509	-	2,509
Increase in value of interest rate swap	-	-	-	-	-	6,079	-	6,079
Adjustments to carry redeemable Class A units at redemption value	-	-	-	(315,276)	-	-	-	(315,276)
Redeemable partnership units' share of	-	-	-	-	-	(1,323)	-	(1,323)

above adjustments								
Other	-	(6)	-	(8,077)	(2,370)	-	43	(10,410)
Balance, December 31, 2014	52,679	$1,277,026	187,887	$6,880,518	$(1,505,385)	$ 93,267	$ 743,956	$7,489,382

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2016	**2015**	**2014**
Cash Flows from Operating Activities:			
Net income	$ 981,922	$ 859,430	$ 1,009,026
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	595,270	566,207	583,408
Net gain on extinguishment of Skyline properties debt	(487,877)	-	-
Distributions of income from partially owned entities	217,468	65,018	96,286
Net gain on disposition of wholly owned and partially owned assets	(175,735)	(251,821)	(13,568)
Equity in net (income) loss of partially owned entities	(165,389)	11,882	58,131
Real estate impairment losses	161,165	256	26,518
Straight-lining of rental income	(146,787)	(153,668)	(82,800)
Return of capital from real estate fund investments	71,888	91,458	215,676
Amortization of below-market leases, net	(53,202)	(79,053)	(46,786)
Net realized and unrealized loss (gain) on real estate fund investments	40,655	(57,752)	(150,139)
Other non-cash adjustments	39,406	37,721	37,303
Net gains on sale of real estate and other	(5,074)	(65,396)	(507,192)
Reversal of allowance for deferred tax assets	-	(90,030)	-
Defeasance cost in connection with the refinancing of mortgage payable	-	-	5,589
Changes in operating assets and liabilities:			
Real estate fund investments	-	(95,010)	(3,392)
Tenant and other receivables, net	(7,459)	11,936	(8,282)
Prepaid assets	(8,023)	(14,804)	(8,786)
Other assets	(70,120)	(116,157)	(123,435)
Accounts payable and accrued expenses	32,389	(33,747)	44,628
Other liabilities	(19,830)	(14,320)	3,125
Net cash provided by operating activities	1,000,667	672,150	1,135,310
Cash Flows from Investing Activities:			
Development costs and construction in progress	(606,565)	(490,819)	(544,187)
Additions to real estate	(387,545)	(301,413)	(279,206)
Distributions of capital from partially owned entities	193,967	37,818	25,943
Proceeds from sales of real estate and related investments	153,534	573,303	388,776
Investments in partially owned entities	(127,608)	(235,439)	(120,639)
Acquisitions of real estate and other	(61,464)	(478,215)	(211,354)
Net deconsolidation of 7 West 34th Street	(42,000)	-	-

Investments in loans receivable and other	(11,700)	(1,000)	(30,175)
Purchases of marketable securities	(4,379)	-	-
Proceeds from the sale of marketable securities	3,937	-	-
Restricted cash	585	200,229	99,464
Proceeds from sales and repayments of mortgage and mezzanine loans receivable and other	45	16,790	96,913
Net cash used in investing activities	(889,193)	(678,746)	(574,465)

See notes to consolidated financial statements.

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Amounts in thousands)	For the Year Ended December 31,		
	2016	**2015**	**2014**
Cash Flows from Financing Activities:			
Proceeds from borrowings	$ 2,403,898	$ 4,468,872	$ 2,428,285
Repayments of borrowings	(1,894,990)	(2,936,578)	(1,312,258)
Distributions to Vornado	(475,961)	(474,751)	(547,831)
Redemption of preferred units	(246,250)	-	-
Distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries	(130,590)	(102,866)	(220,895)
Distributions to preferred unitholders	(80,137)	(80,578)	(81,468)
Debt issuance and other costs	(42,157)	(66,554)	(58,336)
Contributions from noncontrolling interests in consolidated subsidiaries	11,950	51,975	30,295
Proceeds received from exercise of Vornado stock options	8,269	16,779	19,245
Repurchase of Class A units related to stock compensation agreements and related tax withholdings and other	(186)	(7,473)	(3,811)
Cash included in the spin-off of Urban Edge Properties	-	(225,000)	-
Purchase of marketable securities in connection with the defeasance of mortgage payable	-	-	(198,884)
Net cash (used in) provided by financing activities	(446,154)	643,826	54,342
Net (decrease) increase in cash and cash equivalents	(334,680)	637,230	615,187
Cash and cash equivalents at beginning of period	1,835,707	1,198,477	583,290
Cash and cash equivalents at end of period	$ 1,501,027	$ 1,835,707	$ 1,198,477

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest, excluding capitalized interest of $29,584, $48,539, and $53,139	$ 368,762	$