VORNADO REALTY TRUST
Form 10-K
February 26, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended:December 31, 2012

OR

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

For the transition period from **to**

Commission File Number: **001 11954**

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

Maryland	**22 1657560**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York	**10019**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of beneficial interest, $.04 par value per share	New York Stock Exchange
Series A Convertible Preferred Shares of beneficial interest, no par value	New York Stock Exchange
Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
6.75% Series F	New York Stock Exchange
6.625% Series G	New York Stock Exchange
6.75% Series H	New York Stock Exchange
6.625% Series I	New York Stock Exchange
6.875% Series J	New York Stock Exchange
5.70% Series K	New York Stock Exchange
5.40% Series L	New York Stock Exchange

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

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

YES x NO o

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

YES o NO x

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

YES x 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).

YES x 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. o

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.

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

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

YES o NO x

The aggregate market value of the voting and non-voting common shares held by non affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $14,174,711,000 at June 30, 2012.

As of December 31, 2012, there were 186,734,711 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 23, 2013.

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2012, portions of which are incorporated by reference herein.

Forward-Looking Statements

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

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

PART I

ITEM 1. BUSINESS

Vornado Realty Trust ("Vornado") is a fully integrated real estate investment trust ("REIT") and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2012. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2012, we own all or portions of:

<u>New York:</u>

- 19.7 million square feet of Manhattan office space in 31 properties and four residential properties containing 1,655 units;

- 2.2 million square feet of Manhattan street retail space in 49 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. (NYSE: ALX), which owns six properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg, L.P. headquarters building;

Washington, DC:

- 73 properties aggregating 19.1 million square feet, including 59 office properties aggregating 16.1 million square feet and seven residential properties containing 2,414 units;

Retail Properties:

- 114 strip shopping centers and single tenant retail assets aggregating 15.6 million square feet, primarily in the northeast states and California;

- Six regional malls aggregating 5.2 million square feet, located in the northeast / mid-Atlantic states and Puerto Rico;

Other Real Estate and Related Investments:

- The 3.5 million square foot Merchandise Mart 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 $800 million real estate fund. We are the general partner and investment manager of the fund;

- A 32.6% interest in Toys “R” Us, Inc.;

- A 10.7% interest in J.C. Penney Company, Inc. (NYSE: JCP); and

- Other real estate and related investments and mortgage and mezzanine loans on real estate.

Objectives and Strategy

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

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

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

VorNADO CAPITAL PARTNERS REAL ESTATE FUND (The "FUND")

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

During 2012, the Fund made four investments (described below) aggregating $203,700,000. As of December 31, 2012, the Fund has nine investments with an aggregate fair value of $600,786,000, or $67,642,000 in excess of cost, and has remaining unfunded commitments of $217,676,000, of which our share was $54,419,000.

800 Corporate Pointe

On November 30, 2012, the Fund acquired 800 Corporate Pointe, a 243,000 square foot office building and the accompanying six-level parking structure (1,964 spaces) located in Culver City, Los Angeles, California, for $95,700,000 in cash.

501 Broadway

On August 20, 2012, the Fund acquired 501 Broadway, a 9,000 square foot retail property in New York for $31,000,000. The purchase price consisted of $11,000,000 in cash and a $20,000,000 mortgage loan. The three-year loan bears interest at LIBOR plus 2.75%, with a floor of 3.50%, and has two one-year extension options.

1100 Lincoln Road

On July 2, 2012, the Fund acquired 1100 Lincoln Road, a 167,000 square foot retail property, the western anchor of the Lincoln Road Shopping District in Miami Beach, Florida, for $132,000,000. The purchase price consisted of $66,000,000 in cash and a $66,000,000 mortgage loan. The three-year loan bears interest at LIBOR plus 2.75% and has two one-year extension options.

520 Broadway

On April 26, 2012, the Fund acquired 520 Broadway, a 112,000 square foot office building in Santa Monica, California for $61,000,000 in cash and subsequently placed a $30,000,000 mortgage loan on the property. The three-year loan bears interest at LIBOR plus 2.25% and has two one-year extension options.

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ACQUISITIONS and investments

Independence Plaza

In 2011, we acquired a 51% interest in the subordinated debt of Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan which has 54,500 square feet of retail space and 550 parking spaces, for $45,000,000 and a warrant to purchase 25% of the equity for $1,000,000. On December 21, 2012, we acquired a 58.75% interest in the property as follows: (i) buying one of the equity partners' 33.75% interest for $160,000,000, (ii) exercising our warrant for 25% of the equity and (iii) contributing the appreciated value of our interest in the subordinated debt as preferred equity. In connection therewith, we recognized income of $105,366,000, comprised of $60,396,000 from the accelerated amortization of the discount on the subordinated debt immediately preceding the conversion to preferred equity, and a $44,970,000 purchase price fair value adjustment upon exercising the warrant. The current transaction values the property at $844,800,000. The property is currently encumbered by a $334,225,000 mortgage. We expect to refinance the $334,225,000 mortgage in 2013, substantially decreasing our cash investment. We manage the retail space at the property and Stellar Management, our partner, manages the residential space.

666 Fifth Avenue - Retail

On December 6, 2012, we acquired a retail condominium located at 666 Fifth Avenue at 53rd Street for $707,000,000 in cash. The property has 126 feet of frontage on Fifth Avenue and contains 114,000 square feet, 39,000 square feet in fee and 75,000 square feet by long-term lease from the 666 Fifth Avenue office condominium, which is 49.5% owned by us.

Marriott Marquis Times Square - Retail and Signage

On July 30, 2012, we entered into a lease with Host Hotels & Resorts, Inc. (NYSE: HST) ("Host"), under which we will redevelop the retail and signage components of the Marriott Marquis Times Square Hotel. The Marriott Marquis with over 1,900 rooms is one of the largest hotels in Manhattan. It is located in the heart of the bow-tie of Times Square and spans the entire block front from 45th Street to 46th Street on Broadway. The Marriott Marquis is directly across from our 1540 Broadway iconic retail property leased to Forever 21 and Disney flagship stores. We plan to spend over $140,000,000 to redevelop and substantially expand the existing retail space, including converting the below grade parking garage into retail, and creating six-story, 300 foot wide block front, dynamic LED signs. During the term of the lease we will pay fixed rent equal to the sum of $12,500,000, plus a portion of the property’s net cash flow after we receive a 5.2% preferred return on our invested capital. The lease contains put/call options which, if exercised, would lead to our ownership. Host can exercise the put option during defined periods following the conversion of the project to a condominium. We can exercise our call option under the same terms, at any time after the fifteenth year of the lease term.

Dispositions

Merchandise Mart

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

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

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

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

Washington, DC

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

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

Retail Properties

On February 13, 2013, we entered into an agreement to sell the Plant, a power strip shopping center in San Jose, California, for $203,000,000. The sale will result in net proceeds of approximately $93,000,000 after repaying the existing loan and closing costs, and a financial statement gain of approximately $33,000,000. The sale, which is subject to customary closing conditions, is expected to be completed by the second quarter of 2013.

On January 24, 2013, we completed the sale of the Green Acres Mall located in Valley Stream, New York, for $500,000,000, which resulted in net proceeds of $185,000,000, after repaying the existing loan and closing costs. The financial statement gain of $205,000,000 will be recognized in the first quarter of 2013 and the tax gain of $304,000,000 has been deferred as part of a like-kind exchange.

In 2012, we sold 12 non-core retail properties in separate transactions, for an aggregate of $157,000,000 in cash, which resulted in a net gain aggregating $22,266,000. In addition, we have entered into an agreement to sell a building on Market Street, Philadelphia, which is part of the Gallery at Market East for $60,000,000, which will result in a net gain of approximately $35,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the first quarter of 2013.

Other

On January 24, 2013, LNR Property LLC ("LNR") entered into a definitive agreement to be sold. We own 26.2% of LNR and expect to receive net proceeds of approximately $241,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the second quarter of 2013.

Financing Activities

Secured Debt

On November 16, 2012, we completed a $120,000,000 refinancing of 4 Union Square South, a 206,000 square foot Manhattan retail property. The seven-year loan bears interest at LIBOR plus 2.15% (2.36% at December 31, 2012) and amortizes based on a 30-year schedule beginning in the third year. We retained net proceeds of approximately $42,000,000, after repaying the existing loan and closing costs.

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

On August 17, 2012, we completed a $98,000,000 refinancing of 435 Seventh Avenue, a 43,000 square foot retail property in Manhattan. The seven-year loan bears interest at LIBOR plus 2.25% (2.46% at December 31, 2012). We retained net proceeds of approximately $44,000,000, after repaying the existing loan and closing costs.

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

On March 5, 2012, we completed a $325,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot property located on the entire Sixth Avenue block front between 32nd and 33rd Streets in Manhattan. The building contains the 257,000 square foot Manhattan Mall and 848,000 square feet of office space. The three-year loan bears interest at LIBOR plus 2.50% (2.71% at December 31, 2012) and has two one-year extension options. We retained net proceeds of approximately $87,000,000, after repaying the existing loan and closing costs.

On January 9, 2012, we completed a $300,000,000 refinancing of 350 Park Avenue, a 559,000 square foot Manhattan office building. The five-year fixed rate loan bears interest at 3.75% and amortizes based on a 30-year schedule beginning in the third year. The proceeds of the new loan and $132,000,000 of existing cash were used to repay the existing loan and closing costs.

Senior Unsecured Debt

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

Financing Activities - CONTINUED

Preferred Securities

In July 2012 and January 2013, we sold an aggregate of $600,000,000 of cumulative redeemable preferred securities with a weighted average cost of 5.55%. The net proceeds aggregating $581,824,000 were used primarily to redeem outstanding cumulative redeemable preferred securities with an aggregate face amount of $517,500,000 and a weighted average cost of 6.82%. The details of these transactions are described below.

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

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of $25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of $290,853,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares). Dividends on the Series L Preferred Shares are cumulative and payable quarterly in arrears. The Series L Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series L Preferred Shares at a redemption price of $25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series L Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

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

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

On July 11, 2012, we sold 12,000,000 5.70% Series K Cumulative Redeemable Preferred Shares at a price of $25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of $290,971,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series K Preferred Units (with economic terms that mirror those of the Series K Preferred Shares). Dividends on the Series K Preferred Shares are cumulative and payable quarterly in arrears. The Series K Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series K Preferred Shares at a redemption price of $25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series K Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Development and Redevelopment Projects

In 2012, we commenced the re-tenanting and repositioning of 280 Park Avenue (50% owned), and the renovation of the 1.4 million square foot Springfield Mall, both of which are expected to be substantially completed in 2014. We budgeted approximately $285,000,000 for these projects, of which $31,000,000 was expended in 2012 and $132,000,000 is expected to be expended in 2013 and the balance is expected to be expended in 2014.

During 2012, we completed the demolition of the existing residential building down to the second-level, at 220 Central Park South.

In addition, we continued lobby renovations at several of our office buildings in New York and Washington, as well as the re-tenanting and repositioning of a number of our strip shopping centers.

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

In 2010, two of our wholly owned subsidiaries entered into agreements with Cuyahoga County, Ohio (the "County") to develop and operate the Cleveland Medical Mart and Convention Center (the "Facility"), a 1,000,000 square foot showroom, trade show and conference center in Cleveland's central business district. The County is funding the development of the Facility, using the proceeds it received from the issuance of general obligation bonds and other sources, up to the development budget of $418,000,000 and maintains effective control of the property. During the 17-year development and operating period, our subsidiaries will receive net settled payments of approximately $10,000,000 per year, which are net of a $36,000,000 annual obligation to the County. Our subsidiaries' obligation has been pledged by the County to the bondholders, but is payable by our subsidiaries only to the extent that they first receive at least an equal payment from the County. Construction of the Facility is expected to be completed in 2013. As of December 31, 2012, $379,658,000 of the $418,000,000 development budget was expended.

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

sTop & SHop settlement

On February 6, 2013, we received $124,000,000 pursuant to a settlement agreement with Stop & Shop for our claim under a 1992 agreement which provided for additional annual rent of $6,000,000 for a period potentially through 2031. The settlement terminates our right to receive this rent under the 1992 agreement and ends litigation between the parties, which started ten years ago. In prior years, we recognized $47,900,000 of rental income under the agreement. This settlement will result in $59,000,000 of net income that will be recognized in the first quarter of 2013.

SEGMENT DATA

We operate in the following business segments: New York, Washington, DC, Retail Properties, Merchandise Mart and Toys “R” Us (“Toys”). Financial information related to these business segments for the years ended December 31, 2012, 2011 and 2010 is set forth in Note 26 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K. The Toys segment has 651 locations internationally.

SEASONALITY

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

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2012, 2011 and 2010.

Certain Activities

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

Employees

As of December 31, 2012, we have approximately 4,428 employees, of which 327 are corporate staff. The New York segment has 3,308 employees, including 2,641 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York and Washington, DC properties and 516 employees at the Hotel Pennsylvania. The Washington, DC, Retail Properties and Merchandise Mart segments have 456, 110 and 227 employees, respectively. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, of which we own 32.6% and 32.4%, respectively.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

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

10-K. Copies of our filings under the Securities Exchange Act of 1934 are also available free of charge from us, upon request.

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

Real estate is a competitive business.

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

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

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

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

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

We may incur costs to comply with environmental laws.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2012, approximately 74% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City metropolitan areas and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

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

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

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

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

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

We have significant investments in large metropolitan areas, including the New York, Washington, DC and San Francisco metropolitan areas. As much of our investments are concentrated along the Eastern Seaboard, natural disasters, such as those resulting from Superstorm Sandy, could impact several of our properties. Additionally, natural disasters, including earthquakes, could impact several of our properties in 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 have grown substantially since 2002 through acquisitions. We may not be able to maintain this growth and our failure to do so could adversely affect our stock price.

We have grown substantially since 2002, increasing our total assets from approximately $9.0 billion at December 31, 2002 to approximately $22.0 billion at December 31, 2012. We may not be able to maintain a similar rate of growth in the future or manage growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations as well as the amount of cash available for distributions to shareholders.

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

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

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

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

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

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

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

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

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

Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro rata share of Toys' net earnings on a one-quarter lag basis. For example, our financial results for the year ended December 31, 2012 include Toys' financial results for its first, second and third quarters ended October 29, 2012, as well as Toys' fourth quarter results of 2011. Because of the seasonality of Toys, our reported quarterly net income shows increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

We depend upon our anchor tenants to attract shoppers.

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

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

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

We invest in mortgage loans and subordinated or mezzanine debt of certain entities that have significant real estate assets.

We invest, and may in the future invest, in mortgage loans and subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments are either secured by the real property or by pledges of the equity interests of the entities owning the underlying real estate. If a borrower defaults on debt to us or on debt senior to us, or declares bankruptcy, we may not be able to recover some or all of our investment. In addition, there may be significant delays and costs associated with the process of foreclosing on collateral securing or supporting these investments. The value of the assets securing or supporting our investments could deteriorate over time due to factors beyond our control, including acts or omissions by owners, changes in business, economic or market conditions, or foreclosure. Such deteriorations in value may result in the recognition of impairment losses and/or valuation allowances on our statements of income. As of December 31, 2012, our investments in mortgage and mezzanine debt securities have an aggregate carrying amount of $225,359,000.

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

We invest in marketable equity securities. 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 J.C. Penney. As of December 31, 2012, our marketable securities have an aggregate carrying amount of $398,188,000, at market. Significant declines in the value of these investments due to, among other reasons, operating performance or economic or market conditions, may result in the recognition of impairment losses which could be material.

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

We may not be able to obtain capital to make investments.

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

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

Substantially all of Vornado's assets are held through its Operating Partnership that holds substantially all of its properties and assets through subsidiaries. The Operating Partnership's cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of Vornado's cash flow is dependent on cash distributions to it by the

Operating Partnership. The creditors of each of Vornado’s direct and indirect subsidiaries are entitled to payment of that subsidiary’s obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. Thus, the Operating Partnership’s ability to make distributions to holders of its units depends on its subsidiaries’ ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, Vornado’s ability to pay dividends to holders of common and preferred shares depends on the Operating Partnership’s ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of Class A units of the Operating Partnership, including Vornado. Thus, Vornado’s ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on the Operating Partnership’s ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to holders of its Class A units, including Vornado. As of December 31, 2012, there were four series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of $101,095,000.

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

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

As of December 31, 2012, we had approximately $14.7 billion of total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding $25.4 billion for our pro rata share of LNR's liabilities related to its consolidated CMBS and CDO trusts, which are non-recourse to LNR and its equity holders, including us. Our ratio of total debt to total enterprise value was approximately 46%. When we say "enterprise value" in the preceding sentence, we mean market equity value of our common and preferred securities plus total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding LNR's liabilities related to its consolidated CMBS and CDO trusts. In the future, we may incur additional debt to finance acquisitions or property developments and thus increase our ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of existing variable rate debt and any new debt or other market rate security or instrument may increase. Furthermore, we may not be able to refinance existing indebtedness in sufficient amounts or on acceptable terms.

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

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

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

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

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

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

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

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

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

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

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

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

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

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

Vornado's Board of Trustees is divided into three classes of trustees. Trustees of each class are chosen for three-year staggered terms. Staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change control of Vornado, even though a tender offer or change in control might be in the best interest of Vornado's shareholders.

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

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

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

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

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

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

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

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

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

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Trustees. Accordingly, our shareholders do not control these policies.

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

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

As of December 31, 2012, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 6.5% 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 Vornado, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's.

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

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

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

As of December 31, 2012, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has six properties, which are located in the greater New York metropolitan area. In addition to the 2.1% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 26.3% of the outstanding common stock of Alexander's as of December 31, 2012. Mr. Roth is the Chairman of the Board of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's and general partners of Interstate Properties. Michael D. Fascitelli is the President and Chief Executive Officer of Vornado and the President of Alexander's and Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

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

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

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

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

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

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

- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

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

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

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2012, we had authorized but unissued, 63,265,289 common shares of beneficial interest, $.04 par value and 58,766,023 preferred shares of beneficial interest, no par value; of which 20,705,537 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 11,200,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

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

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

Item 1b. unresolved staff comments

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

Item 2. Properties

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

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK:								
Penn Plaza:								
One Penn Plaza (ground leased through 2098)								
-Office	100.0 %	93.8 %	$ 55.30	2,233,000	2,233,000	-		BMG Columbia House, Cisco, MWB Leasing, Parsons Brinkerhoff, United Health Care, United States Customs Department, URS Corporation Group Consulting
-Retail	100.0 %	99.6 %	120.38	269,000	269,000	-		Bank of America, Footaction, Kmart Corporation
	100.0 %	94.4 %	62.29	2,502,000	2,502,000	-	$ -	
Two Penn Plaza								
-Office	100.0 %	98.4 %	49.88	1,560,000	1,560,000	-		LMW Associates, EMC, Forest Electric, IBI, Madison Square Garden, McGraw-Hill Companies, Inc.
-Retail	100.0 %	53.1 %	172.76	50,000	50,000	-		Chase Manhattan

	100.0 %	97.0 %	53.70	1,610,000	1,610,000	-	425,000	Bank
Eleven Penn Plaza								
-Office	100.0 %	100.0 %	55.84	1,082,000	1,082,000	-		Macy's, Madison Square Garden, Rainbow Media Holdings
-Retail	100.0 %	96.1 %	152.94	17,000	17,000	-		PNC Bank National Association
	100.0 %	99.9 %	57.35	1,099,000	1,099,000	-	330,000	
100 West 33rd Street								
-Office	100.0 %	88.4 %	49.90	836,000	836,000	-	223,242	Draftfcb
Manhattan Mall								
-Retail	100.0 %	96.1 %	115.09	256,000	256,000	-	101,758	JCPenney, Aeropostale, Express, Victoria's Secret
330 West 34th Street (ground leased through 2148 - 34.8% ownership interest in the land)								
-Office	100.0 %	100.0 %	33.11	622,000	377,000	245,000		City of New York
-Retail	100.0 %	-	-	13,000	-	13,000		
	100.0 %	100.0 %	33.11	635,000	377,000	258,000	50,150	
435 Seventh Avenue								
-Retail	100.0 %	100.0 %	240.18	43,000	43,000	-	98,000	Hennes & Mauritz

7 West 34th Street -Retail	100.0 %	100.0 %	203.75	21,000	21,000	-	-	Express
484 Eighth Avenue -Retail	100.0 %	80.6 %	69.09	16,000	16,000	-	-	T.G.I. Friday's
431 Seventh Avenue -Retail	100.0 %	100.0 %	54.33	10,000	10,000	-	-	
488 Eighth Avenue -Retail	100.0 %	100.0 %	63.93	6,000	6,000	-	-	
Total Penn Plaza				7,034,000	6,776,000	258,000	1,228,150	

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK (Continued):								
Midtown East:								
909 Third Avenue (ground leased through 2063)								
-Office	100.0 %	98.5 %	$ 55.59 (2)	1,343,000	1,343,000	-	$ 199,198	J.P. Morgan Securities Inc., CMGRP Inc., Forest Laboratories, Geller & Company, Morrison Cohen LLP, Robeco USA Inc., United States Post Office, The Procter & Gamble Distributing LLC.
150 East 58th Street								
-Office	100.0 %	96.7 %	62.51	535,000	535,000	-		Castle Harlan, Tournesol Realty LLC. (Peter Marino), Various showroom tenants
-Retail	100.0 %	100.0 %	168.76	2,000	2,000	-		
	100.0 %	96.8 %	62.90	537,000	537,000	-	-	
715 Lexington								

(ground leased through 2041)								
-Retail	100.0 %	100.0 %	221.85	23,000	23,000	-	-	New York & Company, Zales
968 Third Avenue								
-Retail	50.0 %	100.0 %	209.66	6,000	6,000	-	-	Capital One Financial Corporation
Total Midtown East				1,909,000	1,909,000	-	199,198	
Midtown West: 888 Seventh Avenue								
(ground leased through 2067)								
-Office	100.0 %	96.3 %	81.58	860,000	860,000	-		New Line Realty, Soros Fund, TPG-Axon Capital, Vornado Executive Headquarters
-Retail	100.0 %	100.0 %	100.37	15,000	15,000	-		Redeye Grill L.P.
	100.0 %	96.4 %	81.90	875,000	875,000	-	318,554	
1740 Broadway								
-Office	100.0 %	100.0 %	64.01	583,000	583,000	-		Davis & Gilbert, Limited Brands
-Retail	100.0 %	100.0 %	31.50	19,000	19,000	-		Brasserie Cognac, Citibank
	100.0 %	100.0 %	62.98	602,000	602,000	-	-	
57th Street								
-Office	50.0 %	100.0 %	55.78	135,000	135,000	-		Various
-Retail	50.0 %	79.8 %	52.88	53,000	53,000	-		
	50.0 %	94.3 %	54.96	188,000	188,000	-	20,434	

825 Seventh Avenue								
-Office	50.0 %	100.0 %	45.44	165,000	165,000	-		Young & Rubicam
-Retail	100.0 %	100.0 %	234.47	4,000	4,000	-		Lindy's
		100.0 %	49.91	169,000	169,000	-	19,554	
Total Midtown West				1,834,000	1,834,000	-	358,542	
Park Avenue:								
280 Park Avenue								
-Office	49.5 %	100.0 %	86.59	1,198,000	668,000	530,000		Cohen & Steers Inc., Credit Suisse (USA) Inc., General Electric Capital Corp., Investcorp International Inc.
-Retail	49.5 %	100.0 %	127.11	18,000	12,000	6,000		Scottrade Inc.
	49.5 %	100.0 %	87.19	1,216,000	680,000	536,000	738,228	
350 Park Avenue								
-Office	100.0 %	96.0 %	83.59	550,000	550,000	-		Kissinger Associates Inc., Ziff Brothers Investment Inc., MFA Financial Inc., M&T Bank
-Retail	100.0 %	100.0 %	183.90	17,000	17,000	-		Fidelity Investment, AT&T Wireless, Valley National Bank
	100.0 %	96.1 %	86.59	567,000	567,000	-	300,000	
Total Park Avenue				1,783,000	1,247,000	536,000	1,038,228	

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Total Property	Square Feet In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK (Continued):								
Grand Central:								
90 Park Avenue								
-Office	100.0 %	96.6 %	$ 62.71	891,000	891,000	-		Alston & Bird, Amster, Rothstein & Ebenstein, Capital One, First Manhattan Consulting
-Retail	100.0 %	100.0 %	85.48	26,000	26,000	-		Citibank
		96.7 %	63.35	917,000	917,000	-	$ -	
330 Madison Avenue								
-Office	25.0 %	92.9 %	62.04	790,000	790,000	-		Acordia Northeast Inc., Artio Global Management, Dean Witter Reynolds Inc., GPFT Holdco LLC, HSBC Bank AFS, Jones Lang LaSalle Inc.
-Retail	25.0 %	98.4 %	141.09	33,000	33,000	-		Ann Taylor Retail Inc., Citibank
	25.0 %	93.2 %	65.21	823,000	823,000	-	150,000	
510 Fifth Avenue								

-Retail	100.0 %	91.0 %	128.57	64,000	64,000	-	31,253	Joe Fresh
Total Grand Central				1,804,000	1,804,000	-	181,253	
Madison/Fifth:								
640 Fifth Avenue								
-Office	100.0 %	100.0 %	77.49	262,000	262,000	-		ROC Capital Management LP, Citibank, Fidelity Investments, Janus Capital Group Inc., GSL Enterprises Inc., Scout Capital Management, Legg Mason Investment Counsel
-Retail	100.0 %	100.0 %	238.12	62,000	62,000	-		Citibank, Hennes & Mauritz
	100.0 %	100.0 %	108.23	324,000	324,000	-	-	
666 Fifth Avenue								
-Office (Office Condo)	49.5 %	85.3 %	73.76	1,362,000	1,362,000	-		Citibank, Fulbright & Jaworski, Integrated Holding Group, Vinson & Elkins LLP
-Retail (Office Condo)	49.5 %	88.2 %	164.45	52,000	52,000	-		HSBC Bank USA
-Retail (Retail Condo)	100.0 %	100.0 %	344.36	113,000 (3)	113,000	-		Uniqlo, Hollister, Swatch
		86.5 %	96.87	1,527,000	1,527,000	-	1,109,700	
595 Madison Avenue								
-Office	100.0 %	93.4 %	67.97	292,000	292,000	-		Beauvais Carpets, Levin Capital Strategies LP, Cosmetech Mably Int'l LLC.
-Retail	100.0 %	100.0 %	441.53	30,000	30,000	-		Coach, Prada
	100.0 %	94.0 %	102.77	322,000	322,000	-	-	

689 Fifth Avenue								
-Office	100.0 %	75.5 %	73.68	75,000	75,000	-		Yamaha Artist Services Inc.
-Retail	100.0 %	100.0 %	594.07	17,000	17,000	-		MAC Cosmetics, Massimo Dutti
	100.0 %	80.0 %	169.84	92,000	92,000	-	-	
Total Madison/Fifth				2,265,000	2,265,000	-	1,109,700	
United Nations:								
866 United Nations Plaza								Fross Zelnick, Mission of Japan, The United Nations, Mission of Finland
-Office	100.0 %	98.5 %	53.29	354,000	354,000	-		
-Retail	100.0 %	96.9 %	79.85	6,000	6,000	-		Citibank
	100.0 %	98.5 %	53.73	360,000	360,000	-	44,978	

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK (Continued):								
Midtown South:								
770 Broadway								
-Office	100.0 %	100.0 %	$ 58.24	943,000	943,000	-		AOL, J. Crew, Structure Tone, Nielsen Company (US) Inc.
-Retail	100.0 %	100.0 %	56.04	166,000	166,000	-		Anne Taylor Retail Inc., Bank of America, Kmart Corporation
	100.0 %	100.0 %	57.91	1,109,000	1,109,000	-	$ 353,000	
One Park Avenue								
-Office	30.3 %	94.9 %	43.51	861,000	861,000	-		Coty Inc., New York University, Public Service Mutual Insurance
-Retail	30.3 %	90.3 %	57.69	79,000	79,000	-		Bank of Baroda, Citibank, Equinox One Park Avenue Inc.
	30.3 %	94.5 %	44.70	940,000	940,000	-	250,000	
4 Union Square								

South								
-Retail	100.0 %	100.0 %	79.35	206,000	206,000	-	120,000	Burlington Coat Factory, Whole Foods Market, DSW, Forever 21
692 Broadway								
-Retail	100.0 %	100.0 %	46.50	35,000	35,000	-	-	Equinox
Total Midtown South				2,290,000	2,290,000	-	723,000	
Rockefeller Center:								
1290 Avenue of the Americas								
-Office	70.0 %	95.0 %	71.34	2,037,000	2,037,000	-		AXA Equitable Life Insurance, Bank of New York Mellon, Broadpoint Gleacher Securities Group, Bryan Cave LLP, Microsoft Corporation, Morrison & Foerster LLP, Warner Music Group, Cushman & Wakefield, Fitzpatrick, Cella, Harper & Scinto, Columbia University
-Retail	70.0 %	88.2 %	111.72	65,000	65,000	-		Duane Reade, JPMorgan Chase Bank, Sovereign Bank
	70.0 %	94.8 %	72.59	2,102,000	2,102,000	-	950,000	
608 Fifth Avenue (ground leased through								

2026)								
-Office	100.0 %	80.5 %	52.50	91,000	91,000	-		
-Retail	100.0 %	94.0 %	178.08	30,000	30,000	-		Lacoste
	100.0 %	85.4 %	83.64	121,000	121,000	-	-	
Total Rockefeller Center				2,223,000	2,223,000	-	950,000	
Wall Street/Downtown:								
20 Broad Street (ground leased through 2081)								
-Office	100.0 %	99.3 %	52.12	472,000	472,000	-	-	New York Stock Exchange
40 Fulton Street								
-Office	100.0 %	96.3 %	36.06	244,000	244,000	-		Graphnet Inc., Market News International Inc., Sapient Corp.
-Retail	100.0 %	100.0 %	28.46	8,000	8,000	-		Duane Reade
	100.0 %	96.5 %	35.82	252,000	252,000	-	-	
Total Wall Street/Downtown				724,000	724,000	-	-	
Times Square:								
1540 Broadway								Forever 21, Planet Hollywood, Disney
-Retail	100.0 %	98.1 %	147.46	160,000	160,000	-	-	MAC Cosmetics
1535 Broadway (Marriott Marquis - retail and signage)								
-Retail	100.0 %	-	-	64,000	-	64,000	-	
Total Times Square				224,000	160,000	64,000	-	

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK (Continued):								
Soho:								
478-486 Broadway								
-Retail	100.0 %	100.0 %	$ 126.93	85,000	85,000	-	$ -	Top Shop, Madewell, J. Crew
155 Spring Street -Retail	100.0 %	93.8 %	89.60	48,000	48,000	-	-	Sigrid Olsen
148 Spring Street -Retail	100.0 %	100.0 %	99.02	7,000	7,000	-	-	
150 Spring Street -Retail	100.0 %	100.0 %	155.34	7,000	7,000	-	-	Sandro
Total Soho				147,000	147,000	-	-	
Upper East Side:								
828-850 Madison Avenue								
-Retail	100.0 %	100.0 %	492.12	18,000	18,000	-	80,000	Gucci, Chloe, Cartier
677-679 Madison Avenue -Retail	100.0 %	100.0 %	416.52	8,000	8,000	-	-	Anne Fontaine

40 East 66th Street								
-Retail	100.0 %	100.0 %	492.68	11,000	11,000	-	-	Dennis Basso, Nespresso USA, J. Crew
1131 Third Avenue								
-Retail	100.0 %	-	-	25,000	-	25,000	-	
Total Upper East Side				62,000	37,000	25,000	80,000	
New Jersey:								
Paramus								
-Office	100.0 %	85.7 %	23.35	128,000	128,000	-	-	Vornado's Administrative Headquarters
Washington D.C.:								
3040M Street								
-Retail	100.0 %	100.0 %	53.05	42,000	42,000	-	-	Nike, Barneys
New York Office:								
Total		**94.6%**	**$ 60.29**	**20,504,000**	**19,729,000**	**775,000**	**$ 5,482,038**	
Vornado's Ownership Interest		**95.9%**	**$ 60.17**	**17,259,000**	**16,751,000**	**508,000**	**$ 4,143,072**	
New York Retail:								
Total		**96.7%**	**$ 182.92**	**2,325,000**	**2,217,000**	**108,000**	**$ 431,011**	
Vornado's Ownership Interest		**96.8%**	**$ 147.28**	**2,162,000**	**2,057,000**	**105,000**	**$ 431,011**	

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
NEW YORK (Continued):								
ALEXANDER'S, INC.:								
New York:								
731 Lexington Avenue, Manhattan								
-Office	32.4 %	100.0 %	$ 93.02	885,000	885,000	-	$ 327,425	Bloomberg
-Retail	32.4 %	100.0 %	164.35	174,000	174,000	-	320,000	Hennes & Mauritz, The Home Depot, The Container Store
		100.0 %	104.74	1,059,000	1,059,000	-	647,425	
Rego Park I, Queens (4.8 acres)	32.4 %	100.0 %	36.36	343,000	343,000	-	78,246	Sears, Burlington Coat Factory, Bed Bath & Beyond, Marshalls
Rego Park II (adjacent to Rego Park I), Queens (6.6 acres)	32.4 %	96.8 %	40.02	610,000	610,000	-	272,245	Century 21, Costco, Kohl's, TJ Maxx, Toys "R" Us
Flushing, Queens (4) (1.0 acre)	32.4 %	100.0 %	15.74	167,000	167,000	-	-	New World

								Mall LLC
New Jersey:								
Paramus, New Jersey (30.3 acres ground leased to IKEA through 2041)	32.4 %	100.0 %	-	-	-	-	68,000	IKEA (ground lessee)
Property to be Developed:								
Rego Park III (adjacent to Rego Park II), Queens, NY (3.4 acres)	32.4 %	-	-	-	-	-	-	
Total Alexander's		99.1 %	68.66	2,179,000	2,179,000	-	1,065,916	
Hotel Pennsylvania:								
-Hotel (1700 Keys)	100.0 %	-	-	1,400,000	1,400,000	-	-	
Residential:								
50/70W 93rd Street (327 units)	49.9 %	95.1 %	-	284,000	284,000	-	45,825	
Independence Plaza, Tribeca (1,328 units)								
-Residential	58.8 %	97.3 %	-	1,190,000	1,190,000	-		
-Retail	58.8 %	100.0 %	70.21	54,000	54,000	-		
				1,244,000	1,244,000	-	334,225	
Total Residential				1,528,000	1,528,000	-	380,050	
New York Segment:								
Total		**95.3%**	**$ 68.73**	**27,936,000**	**27,053,000**	**883,000**	**$7,359,015**	
Vornado's Ownership Interest		**96.2%**	**$ 69.70**	**22,400,000**	**21,787,000**	**613,000**	**$4,804,438**	

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

(2)

Excludes US Post Office leased through 2038 (including five five-year renewal options) for which the annual escalated rent is $9.90 PSF.

(3) 75,000 square feet is leased from the office condo.

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

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
WASHINGTON, DC:								
Crystal City:								
2011-2451 Crystal Drive - 5 buildings	100.0 %	85.0 %	$ 42.65	2,313,000	2,313,000	-	$ 270,922	General Services Administration, Lockheed Martin, Conservation International, Smithsonian Institution, Natl. Consumer Coop. Bank, Council on Foundations, Vornado / Charles E. Smith Headquarters, KBR, General Dynamics, Scitor Corp., Food Marketing Institute, DRS Technologies
S. Clark Street / 12th Street - 5 buildings	100.0 %	74.9 %	42.40	1,527,000	1,527,000	-	87,221	General Services Administration, SAIC, Inc., Boeing, L-3 Communications, The Int'l Justice Mission
	100.0 %	91.5 %	41.18	1,484,000	1,259,000	225,000	117,390	

1550-1750 Crystal Drive / 241-251 18th Street - 4 buildings								General Services Administration, Alion Science & Technologies, Booz Allen, Arete Associates, Battelle Memorial Institute
1800, 1851 and 1901 South Bell Street - 3 buildings	100.0 %	95.5 %	39.30	870,000	507,000	363,000	-	General Services Administration, Lockheed Martin
2100 / 2200 Crystal Drive - 2 buildings	100.0 %	98.6 %	33.16	529,000	529,000	-	-	General Services Administration, Public Broadcasting Service
223 23rd Street / 2221 South Clark Street - 2 buildings	100.0 %	100.0 %	39.57	309,000	84,000	225,000	-	General Services Administration
2001 Jefferson Davis Highway	100.0 %	72.0 %	35.94	162,000	162,000	-	-	National Crime Prevention, Institute for Psychology
Crystal City Shops at 2100	100.0 %	60.8 %	31.52	81,000	81,000	-	-	Various
Crystal Drive Retail	100.0 %	94.5 %	45.74	57,000	57,000	-	-	Various
Total Crystal City	100.0 %	85.5 %	40.81	7,332,000	6,519,000	813,000	475,533	
Central Business District: Universal Buildings 1825-1875 Connecticut	100.0 %	90.8 %	43.39	682,000	682,000	-	93,226	Family Health International

Avenue, NW - 2 buildings								
Warner Building - 1299 Pennsylvania Avenue, NW	55.0 %	64.5 %	61.25	612,000	612,000	-	292,700	Baker Botts LLP, General Electric, Cooley LLP
2101 L Street, NW	100.0 %	97.7 %	61.71	380,000	380,000	-	150,000	Greenberg Traurig, LLP, US Green Building Council, American Insurance Association, RTKL Associates, Cassidy & Turley
1750 Pennsylvania Avenue, NW	100.0 %	85.4 %	46.89	277,000	277,000	-	-	General Services Administration, UN Foundation, AOL
1150 17th Street, NW	100.0 %	85.9 %	46.06	240,000	240,000	-	28,728	American Enterprise Institute
Bowen Building - 875 15th Street, NW	100.0 %	96.7 %	64.83	231,000	231,000	-	115,022	Paul, Hastings, Janofsky & Walker LLP, Millennium Challenge Corporation
1101 17th Street, NW	55.0 %	86.5 %	45.85	215,000	215,000	-	31,000	AFSCME
1730 M Street, NW	100.0 %	86.0 %	44.84	203,000	203,000	-	14,853	General Services Administration

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenan
WASHINGTON, DC (Continued):								
1726 M Street, NW	100.0 %	97.5 %	$ 40.78	91,000	91,000	-	$ -	Aptima, Inc., Nelnet Corporation
Waterfront Station	2.5 %	-	-	1,058,000	-	1,058,000 *	-	
1501 K Street, NW	5.0 %	98.4 %	59.60	380,000	380,000	-	-	Sidley Austin LLP, UBS
1399 New York Avenue, NW	100.0 %	76.4 %	79.21	128,000	128,000	-	-	Bloomberg
Total Central Business District		87.0 %	52.61	4,497,000	3,439,000	1,058,000	725,529	
I-395 Corridor:								
Skyline Place - 7 buildings	100.0 %	50.2 %	34.13	2,125,000	2,125,000	-	564,901	General Servic Administration SAIC, Inc., Analytic Servi Northrop Grumman, Ax Resource Management, Booz Allen, Ja Corporation, Intellidyne, Inc
One Skyline Tower	100.0 %	100.0 %	32.80	518,000	518,000	-	140,056	General Servic Administratio
Total I-395 Corridor	100.0 %	60.0 %	33.69	2,643,000	2,643,000	-	704,957	

Rosslyn / Ballston:								
2200 / 2300 Clarendon Blvd (Courthouse Plaza) - 2 buildings (ground leased through 2062)	100.0 %	90.8 %	41.93	635,000	635,000	-	47,353	Arlington Cou General Servic Administration AMC Theaters
Rosslyn Plaza - Office - 4 buildings	46.2 %	79.0 %	36.93	733,000	733,000	-	-	General Servic Administration Corporate Executive Boa
Total Rosslyn / Ballston		86.7 %	40.24	1,368,000	1,368,000	-	47,353	
Reston:								
Commerce Executive - 3 buildings	100.0 %`	90.7 %	29.96	418,000	399,000	19,000 *	-	L-3 Communicatio Allworld Language Consultants, BT North America
Rockville/Bethesda:								
Democracy Plaza One (ground leased through 2084)	100.0 %	86.8 %	31.36	216,000	216,000	-	-	National Instit of Health
Tysons Corner:								
Fairfax Square - 3 buildings	20.0 %	82.2 %	38.68	533,000	533,000	-	70,127	Dean & Company, Womble Carly
Pentagon City:								
Fashion Centre Mall	7.5 %	99.2 %	40.21	819,000	819,000	-	410,000	Macy's, Nordstrom
Washington Tower	7.5 %	100.0 %	45.18	170,000	170,000	-	40,000	The Rand Corporation
Total Pentagon City		99.3 %	41.06	989,000	989,000	-	450,000	
Total Washington, DC office properties		**82.2 %**	**$ 42.13**	**17,996,000**	**16,106,000**	**1,890,000**	**$ 2,473,499**	
		81.2 %	**$ 41.57**	**14,495,000**	**13,637,000**	**858,000**	**$ 1,855,482**	

Vornado's
Ownership Interest

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
WASHINGTON, DC (Continued):								
Residential:								
For rent residential:								
Riverhouse - 3 buildings (1,670 units)	100.0 %	98.0 %	$ -	1,802,000	1,802,000	-	$ 259,546	
West End 25 (283 units)	100.0 %	97.5 %	-	271,000	271,000	-	101,671	
220 20th Street (265 units)	100.0 %	97.4 %	-	273,000	273,000	-	73,939	
Rosslyn Plaza - 2 buildings (196 units)	43.7 %	97.8 %	-	253,000	253,000	-	-	
Total Residential		97.9 %	-	2,599,000	2,599,000	-	435,156	
Other:								
Crystal City Hotel	100.0 %	100.0 %	-	266,000	266,000	-	-	
Warehouses - 3 buildings	100.0 %	100.0 %	-	214,000	160,000	54,000 *	-	
Other - 3 buildings	100.0 %	100.0 %	-	11,000	9,000	2,000 *	-	
Total Other		100.0 %		491,000	435,000	56,000	-	
Total Washington, DC Properties		**84.8 %**	**$ 42.13**	**21,086,000**	**19,140,000**	**1,946,000**	**$ 2,908,655**	

Vornado's Ownership Interest	**84.1 %**	**$ 41.57**	**17,444,000**	**16,529,000**	**915,000**	**$ 2,290,639**

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

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

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service Owned by Company	Square Feet In Service Owned By Tenant	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
RETAIL PROPERTIES:									
STRIP SHOPPING CENTERS:									
New Jersey:									
Wayne Town Center, Wayne (ground leased through 2064)	100.0 %	100.0 %	$ 29.60	717,000	29,000	287,000	401,000	$ -	J. C. Penney, Dick's Sporting Goods (lease not commenced)
North Bergen (Tonnelle Avenue)	100.0 %	100.0 %	24.20	410,000	204,000	206,000	-	75,000	Wal-Mart, BJ's Wholesale Club
Totowa	100.0 %	100.0 %	19.01	271,000	177,000	94,000	-	25,217 (2)	The Home Depot, Bed Bath & Beyond, Marshalls
Garfield	100.0 %	100.0 %	26.80	305,000	21,000	149,000	135,000	-	Wal-Mart
Bricktown	100.0 %	94.2 %	17.74	279,000	276,000	3,000	-	32,525 (2)	Kohl's, ShopRite, Marshalls
Union (Route 22 and Morris Avenue)	100.0 %	99.4 %	24.97	276,000	113,000	163,000	-	32,916 (2)	Lowe's, Toys "R" Us

Hackensack	100.0 %	72.5 %	22.61	275,000	269,000	6,000	-	41,283 (2)	The Home Depot
Bergen Town Center - East, Paramus	100.0 %	100.0 %	34.15	269,000	26,000	167,000	76,000	-	Lowe's, REI
East Hanover (240 Route 10 West)	100.0 %	96.8 %	17.83	267,000	261,000	6,000	-	29,010 (2)	The Home Depot, Dick's Sporting Goods, Marshalls
Cherry Hill	100.0 %	96.3 %	13.72	263,000	64,000	199,000	-	14,115 (2)	Wal-Mart, Toys "R" Us
Jersey City	100.0 %	100.0 %	21.79	236,000	66,000	170,000	-	20,642 (2)	Lowe's, P.C. Richard & Son
East Brunswick (325 - 333 Route 18 South)	100.0 %	100.0 %	16.15	232,000	222,000	10,000	-	25,328 (2)	Kohl's, Dick's Sporting Goods, P.C. Richard & Son, T.J. Maxx
Union (2445 Springfield Avenue)	100.0 %	100.0 %	17.85	232,000	232,000	-	-	29,010 (2)	The Home Depot
Middletown	100.0 %	95.9 %	13.93	231,000	179,000	52,000	-	17,685 (2)	Kohl's, Stop & Shop
Woodbridge	100.0 %	83.9 %	22.29	227,000	87,000	140,000	-	21,033 (2)	Wal-Mart
North Plainfield (ground leased through 2060)	100.0 %	100.0 %	17.72	219,000	7,000	-	212,000	-	
Marlton	100.0 %	100.0 %	13.33	213,000	209,000	4,000	-	17,574 (2)	Kohl's (3), ShopRite, PetSmart
Manalapan	100.0 %	100.0 %	15.98	208,000	206,000	2,000	-	21,423 (2)	Best Buy, Bed Bath & Beyond, Babies "R" Us

East Rutherford	100.0 %	100.0 %	34.22	197,000	42,000	155,000	-	13,836 (2)	Lowe's
East Brunswick (339-341 Route 18 South)	100.0 %	100.0 %	-	196,000	33,000	163,000	-	11,995 (2)	Lowe's, LA Fitness (lease not commenced)
Bordentown	100.0 %	80.4 %	7.25	179,000	83,000	-	96,000 *	-	ShopRite
Morris Plains	100.0 %	97.2 %	20.59	177,000	176,000	1,000	-	21,758 (2)	Kohl's, ShopRite
Dover	100.0 %	88.1 %	11.96	173,000	167,000	6,000	-	13,389 (2)	ShopRite, T.J. Maxx
Delran	100.0 %	7.2 %	-	171,000	40,000	3,000	128,000 *	-	
Lodi (Route 17 North)	100.0 %	100.0 %	11.24	171,000	171,000	-	-	11,548 (2)	National Wholesale Liquidators
Watchung	100.0 %	93.9 %	23.74	170,000	54,000	116,000	-	15,342 (2)	BJ's Wholesale Club
Lawnside	100.0 %	100.0 %	14.11	145,000	142,000	3,000	-	10,879 (2)	The Home Depot, PetSmart

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service Owned by Company	In Service Owned By Tenant	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenant
RETAIL PROPERTIES (Continued):									
Hazlet	100.0 %	100.0 %	$ 2.64	123,000	123,000	-	-	$ -	Stop & Sh
Kearny	100.0 %	43.5 %	16.11	104,000	91,000	13,000	-	-	Marshalls
Lodi (Washington Street)	100.0 %	64.2 %	23.99	85,000	85,000	-	-	8,940	Rite Aid
Carlstadt (ground leased through 2050)	100.0 %	90.7 %	22.42	78,000	78,000	-	-	-	Stop & Sh
East Hanover (200 Route 10 West)	100.0 %	86.0 %	23.27	76,000	76,000	-	-	9,930 (2)	Loehmann
Paramus (ground leased through 2033)	100.0 %	100.0 %	42.23	63,000	63,000	-	-	-	24 Hour Fitness
North Bergen (Kennedy Boulevard)	100.0 %	100.0 %	31.20	62,000	6,000	56,000	-	5,188 (2)	Waldbaun
South Plainfield (ground leased through 2039)	100.0 %	85.9 %	21.45	56,000	56,000	-	-	5,216 (2)	Staples
Englewood	100.0 %	79.7 %	26.09	41,000	41,000	-	-	11,924	New York Sports Clu
East Hanover (280 Route 10	100.0 %	94.0 %	32.00	26,000	26,000	-	-	4,631 (2)	REI

West)									
Montclair	100.0 %	100.0 %	23.34	18,000	18,000	-	-	2,678 (2)	Whole Fo Market
Total New Jersey				7,441,000	4,219,000	2,174,000	1,048,000	550,015	
New York:									
Poughkeepsie	100.0 %	85.6 %	8.62	517,000	517,000	-	-	-	Kmart, Burlingtor Coat Facto ShopRite, Hobby Lobby, Christmas Tree Shop Bob's Discount Furniture
Bronx (Bruckner Boulevard)	100.0 %	93.0 %	21.30	501,000	387,000	114,000	-	-	Kmart, To "R" Us, K Food
Buffalo (Amherst)	100.0 %	85.6 %	8.23	296,000	227,000	69,000	-	-	BJ's Wholesale Club (leas not commence T.J. Maxx Toys "R"
Huntington	100.0 %	97.9 %	14.09	209,000	209,000	-	-	16,960 (2)	Kmart, Marshalls, Old Navy
Rochester	100.0 %	100.0 %	-	205,000	-	205,000	-	4,463 (2)	Wal-Mart
Mt. Kisco	100.0 %	100.0 %	22.08	189,000	72,000	117,000	-	28,637	Target, A
Freeport (437 East Sunrise Highway)	100.0 %	100.0 %	18.61	173,000	173,000	-	-	21,758 (2)	The Home Depot, Staples
Staten Island	100.0 %	94.2 %	21.47	165,000	165,000	-	-	16,939	Western B
Albany (Menands)	100.0 %	74.0 %	9.00	140,000	140,000	-	-	-	Bank of America
	100.0 %	100.0 %	18.73	101,000	101,000	-	-	-	Stop & Sh

New Hyde Park (ground and building leased through 2029)									
Inwood	100.0 %	97.9 %	21.00	100,000	100,000	-	-	-	Stop & Sh

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ITEM 2. PROPERTIES - Continued

			Weighted		Square Feet				
					In Service		Under Development or Not		
	%	%	Average Annual Rent PSF	Total	Owned by	Owned By	Available	Encumbrances (in	Major
Property	Ownership	Occupancy	(1)	Property	Company	Tenant	for Lease	thousands)	Tenan
RETAIL PROPERTIES (Continued):									
North Syracuse (ground and building leased through 2014)	100.0 %	100.0 %	$ -	98,000	-	98,000	-	$ -	Wal-Ma
West Babylon	100.0 %	83.9 %	17.19	79,000	79,000	-	-	-	Best Market
Bronx (1750-1780 Gun Hill Road)	100.0 %	78.7 %	34.77	77,000	77,000	-	-	-	ALDI, Planet Fitness, T.G.I. Friday's
Queens	100.0 %	100.0 %	37.24	56,000	56,000	-	-	-	New Yo Sports Club, Devry
Commack (ground and building leased through 2021)	100.0 %	100.0 %	21.45	47,000	47,000	-	-	-	PetSmar
Dewitt (ground leased through 2041)	100.0 %	100.0 %	20.46	46,000	46,000	-	-	-	Best Bu
Freeport (240 West Sunrise Highway) (ground and building leased	100.0 %	100.0 %	20.28	44,000	44,000	-	-	-	Bob's Discoun Furnitur

through 2040)									
Oceanside	100.0 %	100.0 %	27.83	16,000	16,000	-	-	-	Party Ci
Total New York				3,059,000	2,456,000	603,000	-	88,757	
Pennsylvania:									
Allentown	100.0 %	93.1 %	14.76	627,000 (3)	270,000	357,000 (3)	-	30,517 (2)	Wal-Ma (3), ShopRit Burlingt Coat Factory, T.J. Max Dick's Sporting Goods
Wilkes-Barre	100.0 %	83.3 %	13.33	329,000 (3)	204,000	125,000 (3)	-	20,201	Target (Babies " Us, Ross Dress fo Less
Lancaster	100.0 %	100.0 %	4.70	228,000	58,000	170,000	-	5,495 (2)	Lowe's, Weis Markets
Bensalem	100.0 %	98.9 %	11.49	185,000	177,000	8,000	-	15,147 (2)	Kohl's, Ross Dr for Less, Staples
Broomall	100.0 %	100.0 %	11.09	169,000	147,000	22,000	-	10,879 (2)	Giant Fo (3), A.C Moore, PetSmar
Bethlehem	100.0 %	95.3 %	7.07	167,000	164,000	3,000	-	5,691 (2)	Giant Food, Petco
York	100.0 %	100.0 %	8.69	110,000	110,000	-	-	5,300 (2)	Ashley Furnitur
Glenolden	100.0 %	100.0 %	25.75	102,000	10,000	92,000	-	6,974 (2)	Wal-Ma
Wilkes-Barre	100.0 %	100.0 %	6.53	81,000	41,000	-	40,000 *	-	Ollie's Bargain Outlet

(ground and building leased through 2014)									
Springfield (ground and building leased through 2025)	100.0 %	100.0 %	18.26	47,000	47,000	-	-	-	PetSmar
Total Pennsylvania				2,045,000	1,228,000	777,000	40,000	100,204	

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Total Property	Square Feet In Service Owned by Company	Square Feet In Service Owned By Tenant	Under Development or Not Available for Lease	Encumbrances (in thousands)	Majo Tenan
RETAIL PROPERTIES (Continued):									
California:									
San Jose	100.0 %	94.5 %	$ 29.71	647,000 (3)	492,000	155,000 (3)	-	$ 104,856	Target (3 The Hom Depot, T "R" Us, B Buy
Beverly Connection, Los Angeles	100.0 %	90.1 %	35.45	335,000	335,000	-	-	-	Target, Marshall Old Navy Nordstro Rack, Ro Dress for
Pasadena (ground leased through 2077)	100.0 %	86.5 %	27.32	131,000	131,000	-	-	-	T.J. Max Trader Jo
San Francisco (2675 Geary Street) (ground and building leased through 2053)	100.0 %	100.0 %	50.34	55,000	55,000	-	-	-	Best Buy
Signal Hill	100.0 %	100.0 %	24.08	45,000	45,000	-	-	-	Best Buy
Vallejo (ground leased through 2043)	100.0 %	100.0 %	17.51	45,000	45,000	-	-	-	Best Buy
Walnut Creek (1149 South	100.0 %	100.0 %	45.11	29,000	29,000	-	-	-	Barnes & Noble

Main Street)										
Walnut Creek (Mt. Diablo)	95.0 %	100.0 %	70.00	7,000	7,000	-	-	-		Anthropo
Total California				1,294,000	1,139,000	155,000	-	104,856		
Massachusetts:										
Chicopee	100.0 %	100.0 %	-	224,000	-	224,000	-	8,452	(2)	Wal-Mar
Springfield	100.0 %	97.8 %	16.39	182,000	33,000	149,000	-	5,830	(2)	Wal-Mar
Milford (ground and building leased through 2019)	100.0 %	100.0 %	8.01	83,000	83,000	-	-	-		Kohl's
Cambridge (ground and building leased through 2033)	100.0 %	100.0 %	21.31	48,000	48,000	-	-	-		PetSmart
Total Massachusetts				537,000	164,000	373,000	-	14,282		
Maryland:										
Baltimore (Towson)	100.0 %	97.8 %	15.57	155,000	155,000	-	-	15,900	(2)	Shoppers Food Warehou h.h.gregg Staples, Home Go Golf Gala
Annapolis (ground and building leased through 2042)	100.0 %	100.0 %	8.99	128,000	128,000	-	-	-		The Hom Depot
Rockville	100.0 %	84.4 %	23.13	94,000	94,000	-	-	-		Regal Cinemas
Wheaton (ground leased through 2060)	100.0 %	100.0 %	14.94	66,000	66,000	-	-	-		Best Buy
Total Maryland				443,000	443,000	-	-	15,900		

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service Owned by Company	In Service Owned By Tenant	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
RETAIL PROPERTIES (Continued):									
Connecticut:									
Newington	100.0 %	100.0 %	$ 14.45	188,000	43,000	145,000	-	$ 11,437 (2)	Wal-Mart, Staples
Waterbury	100.0 %	100.0 %	15.02	148,000	143,000	5,000	-	14,226 (2)	ShopRite
Total Connecticut				336,000	186,000	150,000	-	25,663	
Florida									
Tampa (Hyde Park Village)	75.0 %	75.9 %	20.28	264,000	264,000	-	-	19,126	Pottery Barn, CineBistro, Brooks Brothers, Williams Sonoma, Lifestyle Family Fitness
Michigan:									
Roseville	100.0 %	100.0 %	5.43	119,000	119,000	-	-	-	JCPenney
Battle Creek	100.0 %	-	-	47,000	47,000	-	-	-	
Midland (ground leased through 2043)	100.0 %	83.6 %	8.97	31,000	31,000	-	-	-	PetSmart
Total Michigan				197,000	197,000	-	-	-	
Virginia:									

Norfolk (ground and building leased through 2069)	100.0 %	100.0 %	6.44	114,000	114,000	-	-	-	BJ's Wholesale Club
Tyson's Corner (ground and building leased through 2035)	100.0 %	100.0 %	39.13	38,000	38,000	-	-	-	Best Buy
Total Virginia				152,000	152,000	-	-	-	
Illinois:									
Lansing	100.0 %	100.0 %	10.00	47,000	47,000	-	-	-	Forman Mills
Arlington Heights (ground and building leased through 2043)	100.0 %	100.0 %	9.00	46,000	46,000	-	-	-	RVI
Chicago (ground and building leased through 2051)	100.0 %	100.0 %	12.03	41,000	41,000	-	-	-	Best Buy
Total Illinois				134,000	134,000	-	-	-	
Texas:									
San Antonio (ground and building leased through 2041)	100.0 %	100.0 %	10.63	43,000	43,000	-	-	-	Best Buy
Texarkana (ground leased through 2013)	100.0 %	100.0 %	4.39	31,000	31,000	-	-	-	Home Zone
Total Texas				74,000	74,000	-	-	-	
Ohio:									
Springdale (ground and building leased through 2046)	100.0 %	-	-	47,000	47,000	-	-	-	
Tennessee:									
Antioch	100.0 %	100.0 %	7.66	45,000	45,000	-	-	-	Best Buy

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service Owned by Company	In Service Owned By Tenant	Under Development or Not Available for Lease	Encumbrances (in thousands)	Ma Ten
RETAIL PROPERTIES (Continued):									
South Carolina:									
Charleston (ground leased through 2063)	100.0 %	100.0 %	$ 15.42	45,000	45,000	-	-	$ -	Best
Wisconsin:									
Fond Du Lac (ground leased through 2073)	100.0 %	100.0 %	7.83	43,000	43,000	-	-	-	PetS
New Hampshire:									
Salem (ground leased through 2102)	100.0 %	100.0 %	-	37,000	-	37,000	-	-	Babi "R"
Kentucky:									
Owensboro (ground and building leased through 2046)	100.0 %	100.0 %	7.66	32,000	32,000	-	-	-	Best
Iowa:									
Dubuque (ground leased through 2043)	100.0 %	100.0 %	9.90	31,000	31,000	-	-	-	PetS
CALIFORNIA SUPERMARKETS									
Colton (1904 North Rancho Avenue)	100.0 %	100.0 %	4.44	73,000	73,000	-	-	-	State Brot
San Bernadino (1522 East Highland	100.0 %	100.0 %	7.23	40,000	40,000	-	-	-	State Brot

Avenue)									
Riverside (5571 Mission Boulevard)	100.0 %	100.0 %	4.97	39,000	39,000	-	-	-	State Brot
Mojave (ground leased through 2079)	100.0 %	100.0 %	6.55	34,000	34,000	-	-	-	State Brot
Corona (ground leased through 2079)	100.0 %	100.0 %	7.76	33,000	33,000	-	-	-	State Brot
Yucaipa	100.0 %	100.0 %	4.13	31,000	31,000	-	-	-	State Brot
Barstow	100.0 %	100.0 %	7.15	30,000	30,000	-	-	-	State Brot
Moreno Valley	100.0 %	-	-	30,000	30,000	-	-	-	
San Bernadino (648 West 4th Street)	100.0 %	100.0 %	6.74	30,000	30,000	-	-	-	State Brot
Desert Hot Springs	100.0 %	100.0 %	5.61	29,000	29,000	-	-	-	State Brot
Rialto	100.0 %	100.0 %	5.74	29,000	29,000	-	-	-	State Brot
Total California Supermarkets				398,000	398,000	-	-	-	
Total Strip Shopping Centers		**93.5 %**	**$ 17.40**	**16,654,000**	**11,297,000**	**4,269,000**	**1,088,000**	**$ 918,803**	
Vornado's Ownership Interest		**93.6 %**	**$ 17.39**	**16,072,000**	**11,231,000**	**3,753,000**	**1,088,000**	**$ 914,022**	

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Total Property	Square Feet In Service Owned by Company	Owned By Tenant	Under Development or Not Available for Lease	Encumbrances (in thousands)	Ma
RETAIL PROPERTIES (Continued): REGIONAL MALLS:									
Monmouth Mall, Eatontown, NJ	50.0 %	92.9 %	$ 36.01 (5)	1,462,000 (4)	850,000	612,000 (4)	-	$ 171,796	Ma JC Lo Bo Lo Ba
Springfield Mall, Springfield, VA	97.5 %	100.0 %	15.73 (5)	1,408,000 (4)	294,000	390,000 (4)	724,000	-	Ma JC Ta
Broadway Mall, Hicksville, NY	100.0 %	88.6 %	31.38 (5)	1,136,000 (4)	760,000	376,000 (4)	-	85,180	Ma Ta Na An
Bergen Town Center - West, Paramus, NJ	100.0 %	98.9 %	47.53 (5)	948,000	897,000	31,000	20,000	282,312	Ta 21, Fo Ma No Ra 5th Bl Ou Ni St Na Ne La

										Stu Fit
Montehiedra, Puerto Rico	100.0 %	89.1 %	41.27 (5)	540,000	540,000	-	-		120,000	Th De Ma Ca Th Tie
Las Catalinas, Puerto Rico	100.0 %	87.6 %	58.54 (5)	494,000 (4)	355,000	139,000 (4)	-		54,101	Kn (4)
Total Regional Malls		**92.8 %**	**$ 40.94**	**5,988,000**	**3,696,000**	**1,548,000**	**744,000**	**$**	**713,389**	
Vornado's Ownership Interest		**92.7 %**	**$ 41.86**	**4,334,000**	**3,264,000**	**344,000**	**726,000**	**$**	**627,491**	
Total Retail Space		**93.4 %**		**22,642,000**	**14,993,000**	**5,817,000**	**1,832,000**	**$**	**1,632,192**	
Vornado's Ownership Interest		**93.4 %**		**20,406,000**	**14,495,000**	**4,097,000**	**1,814,000**	**$**	**1,541,513**	

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

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

(2) These encumbrances are cross-collateralized under a blanket mortgage in the amount of $633,180 as of December 31, 2012

(3) The lease for these former Bradlees locations is guaranteed by Stop & Shop.

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

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

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
MERCHANDISE MART:								
Illinois:								
Merchandise Mart, Chicago	100.0 %	95.2 %	$ 30.45	3,553,000	3,553,000	-	$ 550,000	Motorola Mobility / Google (lease not commenced), American Intercontinental University (AIU), Baker, Knapp & Tubbs, Royal Bank of Canada, CCC Information Services, Ogilvy Group (WPP), Chicago Teachers Union, Publicis Groupe, Office of the Special Deputy Receiver, Holly Hunt Ltd., Razorfish, TNDP, Merchandise Mart Headquarters, Steelcase, Chicago School of Professional Psychology
Other	50.0 %	100.0 %	33.01	19,000	19,000	-	23,730	

Total Illinois		95.2 %	30.47	3,572,000	3,572,000	-	573,730	
New York								
7 West 34th Street	100.0 %	70.4 %	37.70	419,000	419,000	-	-	Kurt Adler
Total Merchandise Mart		**92.6 %**	**$ 31.22**	**3,991,000**	**3,991,000**	**-**	**$ 573,730**	
Vornado's Ownership Interest		**92.6 %**	**$ 31.22**	**3,982,000**	**3,982,000**	**-**	**$ 561,865**	

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

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
555 CALIFORNIA STREET:								
555 California Street	70.0 %	91.7 %	$ 54.89	1,503,000	1,503,000	-	$ 600,000	Bank of America, Dodge & Cox, Goldman Sachs & Co., Jones Day, Kirkland & Ellis LLP, Morgan Stanley & Co. Inc., McKinsey & Company Inc., UBS Financial Services
315 Montgomery Street	70.0 %	100.0 %	41.49	228,000	228,000	-	-	Bank of America
345 Montgomery Street	70.0 %	100.0 %	90.46	64,000	64,000	-	-	Bank of America
Total 555 California Street		**93.1 %**	**$ 54.53**	**1,795,000**	**1,795,000**	**-**	**$ 600,000**	

Vornado's Ownership Interest	**93.1 %**	**$ 54.53**	**1,257,000**	**1,257,000**	**-**	**$ 420,000**

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

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	In Service	Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
WAREHOUSES: NEW JERSEY								
East Hanover - Five Buildings	100.0 %	55.9 %	$ 4.34	942,000	942,000	-	$ -	Foremost Groups Inc., Fidelity Paper & Supply Inc., Consolidated Simon Distributors Inc., Givaudan Flavors Corp., Meyer Distributing Inc., Gardner Industries Inc.
Total Warehouses		**55.9 %**	**$ 4.34**	**942,000**	**942,000**	**-**	**$ -**	
Vornado's Ownership Interest		**55.9 %**	**$ 4.34**	**942,000**	**942,000**	**-**	**$ -**	

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

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ITEM 2. PROPERTIES - Continued

Property	Fund Ownership %	% Occupancy	Weighted Average Annual Rent PSF (1)	Square Feet Total Property	Square Feet In Service	Square Feet Under Development or Not Available for Lease	Encumbrances (in thousands)	Major Tenants
VORNADO CAPITAL PARTNERS REAL ESTATE FUND:								
New York, NY:								
One Park Avenue								
- Office	64.7 %	94.9 %	$ 43.51	861,000	861,000	-		Coty Inc., New York University, Public Service Mutual Insurance
- Retail	64.7 %	90.3 %	57.69	79,000	79,000	-		Bank of Baroda, Citibank, Equinox One Park Avenue Inc.
	64.7 %	94.5 %	44.70	940,000	940,000	-	$ 250,000	
Lucida, 86th Street and Lexington Avenue (ground leased through 2082)								
- Retail	100.0 %	100.0 %	124.85	95,000	95,000	-		Barnes & Noble, Hennes & Mauritz, Sephora, Bank of America
- Residential	100.0 %	100.0 %	-	51,000	51,000	-		
				146,000	146,000	-	100,000	
11 East 68th Street Retail	100.0 %	100.0 %	518.49	9,000	9,000	-	27,790	Belstaff, Joseph Inc.

Crowne Plaza Times Square - Hotel (795 Keys)								
- Retail	38.2 %	100.0 %	337.28	14,000	14,000	-		
- Office	38.2 %	100.0 %	32.88	212,000	212,000	-		American Management Association
			51.74	226,000	226,000	-	255,750	
501 Broadway	100.0 %	-	-	9,000	9,000	-	20,000	
Washington, DC:								
Georgetown Park Retail Shopping Center	50.0 %	100.0 %	33.06	313,000	113,000	200,000	50,006	Washington Sports, Dean & Deluca, Anthropologie, Hennes & Mauritz, J. Crew
Santa Monica, CA:								
520 Broadway	100.0 %	67.2 %	47.31	112,000	112,000	-	30,000	Premier Office Centers LLC, Diversified Mercury Comm, Four Media Company
Culver City, CA:								
800 Corporate Pointe	100.0 %	44.0 %	30.59	243,000	243,000	-	-	Meredith Corp., West Publishing Corp., Symantec Corp., Syska Hennessy Group
Miami, FL:								
1100 Lincoln Road	100.0 %	97.6 %	62.65	127,000	127,000	-	66,000	Regal Cinema, Anthropologie, Banana

Republic

Total Real Estate Fund	**72.6 %**	**84.6 %**	**2,125,000**	**1,925,000**	**200,000**	**$ 799,546**
Vornado's Ownership Interest	**18.1 %**	**84.6 %**	**374,000**	**349,000**	**25,000**	**$ 132,060**

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

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New York

As of December 31, 2012, our New York segment consisted of 65 properties aggregating 27.1 million square feet, of which we own 21.9 million square feet. The 21.9 million square feet is comprised of 16.8 million square feet of office space in 31 properties, 2.1 million square feet of retail space in 49 properties, four residential properties containing 1,655 units, the 1.4 million square foot Hotel Pennsylvania, and our interest in Alexander's, Inc. ("Alexander's"). The New York segment also includes 11 garages totaling 1.7 million square feet (5,159 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, 2012, the occupancy rate for our New York segment was 96.2%. The statistics provided in the following sections include information on the office and retail space.

Occupancy and weighted average annual rent per square foot:

Office:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2012	16,751,000	95.9 %	$ 60.17
2011	16,598,000	96.2 %	58.70
2010	15,348,000	96.1 %	56.14
2009	15,331,000	97.1 %	55.54
2008	15,266,000	98.0 %	55.00

Retail:

			Weighted Average Annual

As of December 31,	Rentable Square Feet	Occupancy Rate	Rent Per Square Foot
2012	2,057,000	96.8 %	$ 147.28
2011	2,000,000	95.6 %	110.17
2010	1,924,000	96.4 %	106.52
2009	1,820,000	97.0 %	101.53
2008	1,787,000	94.0 %	100.84

NEW YORK – CONTINUED

2012 rental revenue by tenants' industry:

Industry		**Percentage**
Office:		
	Financial Services	16 %
	Legal Services	7 %
	Communications	6 %
	Insurance	6 %
	Family Apparel	6 %
	Technology	4 %
	Publishing	4 %
	Real Estate	4 %
	Pharmaceutical	3 %
	Government	3 %
	Banking	3 %
	Engineering, Architect & Surveying	2 %
	Advertising / Marketing	2 %
	Not-for-Profit	2 %
	Health Services	1 %
	Other	8 %
		77 %
Retail:		
	Family Apparel	5 %
	Department Stores	3 %
	Women's Apparel	3 %
	Luxury Retail	2 %
	Home Entertainment & Electronics	2 %
	Banking	2 %
	Discount Stores	1 %
	Restaurants	1 %
	Other	4 %
		23 %
Total		100 %

Tenants accounting for 2% or more of revenues:

Percentage

Tenant	Square Feet Leased	2012 Revenues	Percentage of New York Revenues	of Total Revenues
AXA Equitable Life Insurance	423,000	$ 35,039,000	2.9 %	1.3 %
Macy’s	598,000	31,816,000	2.6 %	1.2 %
Limited Brands	465,000	26,052,000	2.2 %	0.9 %
Ziff Brothers Investments, Inc.	287,000	24,176,000	2.0 %	0.9 %
McGraw-Hill Companies, Inc.	480,000	24,155,000	2.0 %	0.9 %

NEW YORK – CONTINUED

2012 Leasing Activity:

Office:

Location	Square Feet	Weighted Average Initial Rent Per Square Foot (1)
One Penn Plaza	371,000	$ 59.37
Two Penn Plaza	232,000	47.45
100 West 33rd Street	225,000	45.79
909 Third Avenue	224,000	50.08
350 Park Avenue	132,000	78.91
280 Park Avenue	126,000	81.75
150 East 58th Street	83,000	59.84
1290 Avenue of Americas	83,000	70.00
770 Broadway	80,000	40.00
888 Seventh Avenue	76,000	79.61
666 Fifth Avenue	64,000	76.27
866 United Nations Plaza	53,000	51.38
One Park Avenue	53,000	48.00
330 Madison Avenue	37,000	75.49
40 Fulton Street	25,000	35.72
595 Madison Avenue	24,000	64.81
57th Street	21,000	60.00
90 Park Avenue	15,000	63.20
689 Fifth Avenue	15,000	57.84
20 Broad Street	11,000	35.93
Total	1,950,000	58.53
Vornado's share	1,754,000	57.15

Retail:

Location	Square Feet	Weighted Average Initial Rent Per Square Foot (1)
4 Union Square South	93,000	$ 65.33
1540 Broadway	32,000	93.31
Manhattan Mall	23,000	94.53

692 Broadway	17,000	58.58
One Penn Plaza	9,000	150.73
330 Madison Avenue	4,000	308.46
280 Park Avenue	4,000	239.97
150 East 58th Street	3,000	337.74
666 Fifth Avenue	3,000	170.66
Two Penn Plaza	1,000	479.00
689 Fifth Avenue	1,000	2,700.00
155 Spring Street	1,000	376.45
350 Park Avenue	1,000	152.70
Total	192,000	114.21
Vornado's share	185,000	110.71

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

NEW YORK – CONTINUED

Lease expirations as of December 31, 2012, 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	35	55,000	0.3 %	$ 2,759,000	$ 50.16
2013	88	646,000	4.0 %	33,411,000	51.72
2014	149	1,203,000 (1)	7.4 %	75,086,000	62.42
2015	171	2,105,000	12.9 %	115,079,000	54.67
2016	135	1,214,000	7.5 %	71,848,000	59.18
2017	98	1,239,000	7.6 %	71,850,000	57.99
2018	73	1,067,000	6.6 %	71,529,000	67.04
2019	62	910,000	5.6 %	56,035,000	61.58
2020	82	1,522,000	9.4 %	85,580,000	56.23
2021	54	1,060,000	6.5 %	64,268,000	60.63
2022	56	1,177,000	7.2 %	72,365,000	61.48
Retail:					
Month to month	6	14,000	0.7 %	$ 684,000	$ 48.86
2013	37	128,000	6.0 %	14,003,000	109.40
2014	23	71,000	3.3 %	14,196,000	199.94
2015	34	104,000	4.8 %	22,887,000	220.07
2016	18	210,000	9.8 %	19,427,000	92.51
2017	10	169,000	7.9 %	9,211,000	54.50
2018	31	206,000	9.6 %	37,389,000	181.50
2019	20	95,000	4.4 %	20,448,000	215.24
2020	17	79,000	3.7 %	8,355,000	105.76
2021	9	34,000	1.6 %	6,595,000	193.97
2022	9	54,000	2.5 %	6,387,000	118.28

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including five 5-year renewal options) for which the annual escalated rent is $9.90 per square foot.

Alexander's

As of December 31, 2012, we own 32.4% of the outstanding common stock of Alexander's, which owns six properties in the greater New York metropolitan area aggregating 2.2 million square feet, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg L.P. headquarters building. Alexander's had $1.06 billion of outstanding debt at December 31, 2012, of which our pro rata share was $345 million, none of which is recourse to us.

Hotel Pennsylvania

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

	Year Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Hotel:					
Average occupancy rate	89.1 %	89.1 %	83.2 %	71.5 %	84.1 %
Average daily rate	$ 151.22	$ 150.91	$ 143.28	$ 133.20	$ 171.32
Revenue per available room	$ 134.81	$ 134.43	$ 119.23	$ 95.18	$ 144.01
Commercial:					
Office space:					
Average occupancy rate	33.4 %	33.4 %	33.4 %	30.4 %	30.4 %
Weighted average annual rent per square foot	$ 17.32	$ 13.49	$ 7.52	$ 20.54	$ 18.78
Retail space:					
Average occupancy rate	64.3 %	63.0 %	62.3 %	70.7 %	69.5 %
Weighted average annual rent per square foot	$ 27.19	$ 29.01	$ 31.42	$ 35.05	$ 41.75

Washington, DC

As of December 31, 2012, our Washington, DC segment consisted of 73 properties aggregating 19.1 million square feet, of which we own 16.5 million square feet. The 16.5 million square feet is comprised of 13.6 million square feet of office space in 59 properties, seven residential properties containing 2,414 units, a hotel property, and 20.8 acres of undeveloped land. The Washington, DC segment also includes 56 garages totaling approximately 8.9 million square feet (29,611 spaces) which are managed by or leased to third parties.

Washington, DC office lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at either pre-negotiated or market rates. Leases typically provide for periodic step-ups in rent over the term of the lease and pass through to tenants, the tenants' share of increases in real estate taxes and certain property operating expenses over a base year. Periodic step-ups in rent are usually based upon either fixed percentage increases or the consumer price index. Leases also typically provide for free rent and tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

As of December 31, 2012, the occupancy rate for our Washington DC segment was 84.1% and 33.0% of the occupied space was leased to various agencies of the U.S. Government. The statistics provided in the following sections include information on the office and residential space.

Occupancy and weighted average annual rent per square foot:

Office:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2012	13,637,000	81.2 %	$ 41.57
2011	14,162,000	89.3 %	40.80
2010	14,035,000	94.8 %	39.65
2009	14,035,000	94.9 %	38.46
2008	13,916,000	95.1 %	37.12

Residential:

	Number of Units	Average Occupancy Rate	Average Monthly Rent Per Unit

As of December 31,			
2012	2,414	97.8 %	$ 2,077
2011	2,414	97.1 %	1,992
2010	2,414	93.8 %	1,752
2009	2,075	87.5 %	1,805
2008	1,866	87.2 %	1,503

2012 rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	33 %
Government Contractors	19 %
Membership Organizations	6 %
Legal Services	4 %
Business Services	4 %
Manufacturing	3 %
Management Consulting Services	3 %
State and Local Government	2 %
Real Estate	2 %
Food	2 %
Health Services	2 %
Computer and Data Processing	2 %
Communication	2 %
Education	1 %
Television Broadcasting	1 %
Other	14 %
	100 %

WASHINGTON, DC – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2012 Revenues	Percentage of Washington, DC Revenues	Percentage of Total Revenues
U.S. Government	3,763,000	$ 165,076,000	29.8 %	6.0 %
Family Health International	456,000	18,444,000	3.3 %	0.7 %
Boeing	377,000	16,610,000	3.0 %	0.6 %
Lockheed Martin	347,000	13,625,000	2.5 %	0.5 %

2012 Leasing Activity:

Location	Square Feet	Weighted Average Initial Rent Per Square Foot (1)
2011-2451 Crystal Drive	340,000	42.69
S. Clark Street / 12th Street	270,000	39.01
Skyline Place / One Skyline Tower	235,000	34.11
1550-1750 Crystal Drive / 241-251 18th Street	214,000	39.16
Democracy Plaza One	163,000	32.27
Warner	148,000	69.70
1800, 1851 and 1901 South Bell Street	102,000	40.94
2200 / 2300 Clarendon Blvd (Courthouse Plaza)	100,000	41.12
1750 Pennsylvania Avenue, NW	99,000	47.00
2001 Jefferson Davis Highway and 223 23rd Street / 2221 South Clark Street	53,000	36.78
Commerce Executive	48,000	32.13
1101 17th Street, NW	39,000	43.75
1726 M Street, NW	29,000	39.49
1730 M Street, NW	19,000	42.65
1150 17th Street, NW	19,000	39.96
2101 L Street, NW	14,000	47.00
Universal Buildings (1825 - 1875 Connecticut Avenue, NW)	10,000	43.41
2100 / 2200 Crystal Drive (Crystal Plaza 3 & 4)	3,000	43.00
Partially Owned Entities	206,000	41.19

Total	2,111,000	41.49
Vornado's share	1,901,000	40.55

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

WASHINGTON, DC – CONTINUED

Lease expirations as of December 31, 2012, 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	Per Square Foot
Month to month	30	180,000	1.7 %	$ 6,073,000	$ 33.74
2013	158	839,000	8.1 %	33,980,000	40.49
2014	147	1,425,000	13.7 %	55,149,000	38.70
2015	142	1,488,000	14.3 %	60,412,000	40.60
2016	101	1,103,000	10.6 %	47,025,000	42.64
2017	67	625,000	6.0 %	24,260,000	38.83
2018	68	950,000	9.2 %	39,928,000	42.01
2019	42	1,073,000	10.3 %	44,566,000	41.54
2020	40	586,000	5.6 %	29,496,000	50.35
2021	19	816,000	7.9 %	35,268,000	43.24
2022	28	931,000	9.0 %	40,834,000	43.87

Base Realignment and Closure ("BRAC")

Our Washington, DC segment was and continues to be impacted by the BRAC statute, which requires the Department of Defense ("DOD") to relocate from 2,395,000 square feet in our buildings in the Northern Virginia area to government owned military bases. The table below summarizes the effects of BRAC on our Washington, DC segment for square feet leased by the DOD. See page 80 for the impact on 2012 EBITDA and the estimated impact on 2013 EBITDA.

	Rent Per Square Foot	Square Feet Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of December 31, 2012	$ 39.76	521,000	380,000	88,000	53,000
Leases pending	45.00	24,000	24,000	-	-
Taken out of service for redevelopment		348,000	348,000	-	-
		893,000	752,000	88,000	53,000
To Be Resolved:					

Vacated as of December 31, 2012	35.77	1,002,000	519,000	473,000	10,000
Expiring in:					
2013	37.39	126,000	-	43,000	83,000
2014	32.49	304,000	103,000	201,000	-
2015	43.04	70,000	65,000	5,000	-
		1,502,000	687,000	722,000	93,000
Total square feet subject to BRAC		2,395,000	1,439,000	810,000	146,000

In the first quarter of 2012, we notified the lender that due to scheduled lease expirations resulting primarily from the effects of the BRAC statute, the Skyline properties had a 26% vacancy rate and rising (49.8% as of December 31, 2012) and, accordingly, cash flows are expected to decrease. As a result, our subsidiary that owns these properties does not have and is not expected to have for some time sufficient funds to pay all of its current obligations, including interest payments to the lender. Based on the projected vacancy and the significant amount of capital required to re-tenant these properties, at our request, the mortgage loan was transferred to the special servicer. In the second quarter of 2012, we entered into a forbearance agreement with the special servicer to apply cash flows of the property, before interest on the loan, towards the repayment of $4,000,000 of tenant improvements and leasing commissions we funded in connection with a new lease at these properties, which was repaid in the third quarter. The forbearance agreement was amended January 31, 2013, to extend its maturity through April 1, 2013 and provides for interest shortfalls to be deferred and added to the principal balance of the loan and not give rise to a loan default. As of December 31, 2012, the deferred interest amounted to $26,957,000. We continue to negotiate with the special servicer to restructure the terms of the loan.

RETAIL PROPERTIES

As of December 31, 2012, our Retail Properties segment consisted of 120 retail properties, of which 114 are strip shopping centers and single tenant retail assets located primarily in the Northeast, Mid-Atlantic and California and six are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico. Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place.

Retail Properties' lease terms generally range from five years or less in some instances for smaller tenants to as long as 25 years for major tenants. Leases generally provide for reimbursements of real estate taxes, insurance and common area maintenance charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), and percentage rents based on tenant sales volume. Percentage rents accounted for less than 1% of the Retail Properties total revenues during 2012.

Strip Shopping Centers

Our strip shopping centers contain an aggregate of 15.6 million square feet, of which we own 15.0 million square feet. These properties are substantially (approximately 70%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

Regional Malls

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

The Springfield Mall in Springfield, Virginia, contains 1.4 million square feet and is anchored by Macy's, JC Penney and Target, two of which own their stores aggregating 390,000 square feet. We have commenced the renovation of the mall, which is expected to be substantially completed in 2014.

The Broadway Mall in Hicksville, Long Island, New York contains 1.1 million square feet and is anchored by Macy’s, Ikea, National Amusement and Target, two of which owns its store aggregating 376,000 square feet.

The Bergen Town Center in Paramus, New Jersey contains 948,000 square feet and is anchored by Century 21, Whole Foods Market and Target.

The Montehiedra Mall in San Juan, Puerto Rico contains 540,000 square feet and is anchored by The Home Depot, Kmart and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 494,000 square feet and is anchored by Kmart and Sears, which owns its 139,000 square foot store.

RETAIL PROPERTIES – CONTINUED

As of December 31, 2012, the occupancy rate for the Retail Properties segment was 93.4%. The statistics provided in the following sections includes information on the Strip Shopping Centers and Regional Malls.

Occupancy and weighted average annual rent per square foot:

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Net Rent Per Square Foot
2012	14,984,000	93.6 %	$ 17.39
2011	15,012,000	93.3 %	17.08
2010	15,135,000	92.6 %	16.26
2009	14,373,000	92.4 %	15.63
2008	13,629,000	93.4 %	14.97

Regional Malls:

			Weighted Average Annual Net Rent Per Square Foot	
As of December 31,	Rentable Square Feet	Occupancy Rate	Mall Tenants	Mall and Anchor Tenants
2012	3,608,000	92.7 %	$ 41.86	$ 22.46
2011	3,800,000	92.7 %	37.68	21.98
2010	3,653,000	92.8 %	38.08	22.77
2009	3,607,000	92.9 %	38.11	21.72
2008	3,426,000	94.7 %	35.75	21.25

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RETAIL PROPERTIES – CONTINUED

2012 rental revenue by type of retailer

Industry	Percentage
Discount Stores	18 %
Supermarkets	10 %
Home Improvement	10 %
Restaurants	8 %
Family Apparel	7 %
Home Entertainment and Electronics	6 %
Banking and Other Business Services	4 %
Personal Services	4 %
Home Furnishings	4 %
Women's Apparel	4 %
Sporting Goods, Toys and Hobbies	4 %
Membership Warehouse Clubs	2 %
Other	19 %
	100 %

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2012 Revenues	Percentage of Retail Properties Revenues	Percentage of Total Revenues
The Home Depot	1,135,000	$ 23,037,000	5.8 %	0.8 %
Wal-Mart	1,426,000	17,143,000	4.4 %	0.6 %
Stop & Shop / Koninklijke Ahold NV	633,000	15,868,000	4.0 %	0.6 %
Best Buy	575,000	13,567,000	3.4 %	0.5 %
Lowe's	976,000	12,666,000	3.2 %	0.5 %
The TJX Companies, Inc.	588,000	11,285,000	2.9 %	0.4 %
Kohl's	610,000	8,589,000	2.2 %	0.3 %
Sears Holding Company (Kmart Corp. and Sears Corp.)	637,000	8,084,000	2.1 %	0.3 %

RETAIL PROPERTIES – CONTINUED

2012 Leasing Activity:

Strip Shopping Centers:

Location		Square Feet	Weighted Average Initial Rent Per Square Foot (1)
	Lodi (Route 17 North), NJ	171,000	$ 11.44
	Totowa, NJ	114,000	13.32
	Poughkeepsie, NY	81,000	14.10
	Inwood, NY	66,000	16.45
	Manalapan, NJ	64,000	14.85
	Pasadena, CA	61,000	26.32
	Tampa (Hyde Park Village), FL	57,000	20.37
	North Bergen (Kennedy Blvd), NJ	56,000	11.42
	West Babylon, NY	47,000	13.45
	Morris Plains, NJ	46,000	18.94
	Hackensack, NJ	46,000	24.72
	Charleston, SC	45,000	14.19
	South Plainfield , NJ	35,000	21.53
	Lodi (Washington Street), NJ	31,000	23.40
	Wilkes-Barre, PA	31,000	6.60
	Beverly Connection, Los Angeles, CA	30,000	39.57
	Barstow, CA	30,000	7.15
	Towson, MD	26,000	19.30
	Bricktown, NJ	13,000	34.27
	Dover, NJ	12,000	12.51
	Garfield, NJ	25,000	17.00
	Bethlehem, PA	23,000	11.94
	Huntington, NY	17,000	22.61
	Allentown, PA	17,000	16.35
	Union, NJ	12,000	29.81
	Queens, NY	12,000	44.18
	East Brunswick (325 - 333 Route 18 South), NJ	10,000	24.20
	Other	98,000	30.14
Total		1,276,000	18.65
Vornado's share		1,276,000	18.65

Regional Malls:

Location		Square Feet	Weighted Average Initial Rent Per Square Foot (1)
	Monmouth Mall, Eatontown, NJ	91,000	28.40
	Broadway Mall, Hicksville, NY	22,000	46.35
	Montehiedra, Puerto Rico	17,000	23.12
	Bergen Town Center, Paramus, NJ	11,000	50.82
	Las Catalinas Mall, Puerto Rico	5,000	124.63
Total		146,000	35.31
Vornado's share		101,000	38.45

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

RETAIL PROPERTIES – CONTINUED

Lease expirations as of December 31, 2012, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Properties Square Feet	Weighted Average Annual Net Rent of Expiring Leases Total	Per Square Foot
Strip Shopping Centers:					
Month to month	15	67,000	0.4 %	$ 1,295,000	$ 19.37
2013	79	608,000	3.6 %	9,834,000	16.17
2014	94	1,279,000	7.7 %	15,590,000	12.19
2015	66	588,000	3.5 %	12,473,000	21.20
2016	70	771,000	4.6 %	11,516,000	14.94
2017	66	549,000	3.3 %	9,252,000	16.86
2018	78	1,613,000	9.7 %	24,907,000	15.44
2019	47	999,000	6.0 %	18,518,000	18.54
2020	29	787,000	4.7 %	10,095,000	12.82
2021	40	653,000	3.9 %	11,271,000	17.25
2022	49	961,000	5.8 %	12,071,000	12.57
Regional Malls:					
Month to month	18	58,000	0.3 %	$ 1,981,000	$ 34.33
2013	30	84,000	0.5 %	3,959,000	47.20
2014	38	180,000	1.1 %	4,807,000	26.73
2015	33	186,000	1.1 %	5,582,000	29.95
2016	42	117,000	0.7 %	4,820,000	41.10
2017	26	348,000	2.1 %	2,879,000	8.28
2018	28	67,000	0.4 %	3,599,000	53.72
2019	25	89,000	0.5 %	4,480,000	50.52
2020	21	94,000	0.6 %	4,025,000	42.92
2021	18	414,000	2.5 %	5,492,000	13.27
2022	10	48,000	0.3 %	1,845,000	38.75

MERCHANDISE MART

As of December 31, 2012, our Merchandise Mart segment consisted of the 3.5 million square foot Merchandise Mart in Chicago, 7 West 34th Street in New York City and 4 garages in Chicago totaling 558,000 square feet (1,681 spaces).

In 2012, we sold four properties and the Canadian Trade Shows for an aggregate of $456,400,000, which resulted in a net gain aggregating $79,820,000.

In July 2012, we leased 572,000 square feet at the Merchandise Mart to Motorola Mobility, owned by Google, as their Corporate headquarters for a 15-year term. In the first quarter of 2013, Motorola Mobility took possession of three floors aggregating 495,000 square feet and will take possession of the remaining space in the second quarter. As a result of this lease, the office component of the building was increased to approximately 50%.

In 2014, 7 West 34th Street (currently a showroom building), will be converted to an office building and will be transferred to our New York segment.

As a result of certain recent organizational changes and asset sales in 2012, the Merchandise Mart segment no longer meets the criteria for it to be a separate reportable segment; accordingly, effective January 1, 2013, it will be reclassified to our Other segment.

In 2010, two of our wholly owned subsidiaries entered into agreements with Cuyahoga County, Ohio (the “County”) to develop and operate the Cleveland Medical Mart and Convention Center (the “Facility”), a 1,000,000 square foot showroom, trade show and conference center in Cleveland’s central business district. The County is funding the development of the Facility, using the proceeds it received from the issuance of general obligation bonds and other sources, up to the development budget of $418,000,000 and maintains effective control of the property. During the 17-year development and operating period, our subsidiaries will receive net settled payments of approximately $10,000,000 per year, which are net of a $36,000,000 annual obligation to the County. Our subsidiaries’ obligation has been pledged by the County to the bondholders, but is payable by our subsidiaries only to the extent that they first receive at least an equal payment from the County. Construction of the Facility is expected to be completed in 2013. As of December 31, 2012, $379,658,000 of the $418,000,000 development budget was expended.

As of December 31, 2012, the occupancy rate for the Merchandise Mart segment was 92.6%. The statistics provided in the following sections include information on the office and showroom spaces.

Square feet by location and use as of December 31, 2012:

(Amounts in thousands)			Showroom			
	Total	**Office**	**Total**	**Permanent**	**Temporary Trade Show**	**Retail**
Chicago, Illinois:						
Merchandise Mart	3,553	1,615	1,853	1,467	386	85
Other	10	-	-	-	-	10
Total Chicago, Illinois	3,563	1,615	1,853	1,467	386	95
New York, New York:						
7 West 34th Street	419	52	367	363	4	-
Total Merchandise Mart Properties	3,982	1,667	2,220	1,830	390	95

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

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for participating in trade shows for the contract furniture, casual furniture, gift, carpet, crafts, apparel and design industries.

MERCHANDISE MART – CONTINUED

Occupancy and weighted average annual rent per square foot:

Office:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2012	1,667,000	90.0%	$ 24.70
2011	1,129,000	90.1%	24.18
2010	1,043,000	90.9%	23.50
2009	1,054,000	93.5%	21.84
2008	1,058,000	94.2%	21.91

Showroom:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2012	2,220,000	94.7%	$ 33.76
2011	2,715,000	89.8%	33.70
2010	2,802,000	95.0%	33.55
2009	2,792,000	93.9%	33.24
2008	2,789,000	96.4%	32.93

2012 rental revenues by tenants' industry:

Office:

Industry	Percentage
Advertising and Marketing	24 %
Business Services	22 %
Education	21 %
Insurance	11 %
Banking	7 %
Health Care	5 %
Telecommunications	3 %
Government	1 %
Other	6 %
	100 %

Showroom:

Industry	Percentage

Contract Furnishing	30 %
Residential Design	23 %
Gift	20 %
Casual Furniture	12 %
Apparel	10 %
Building Products	5 %
	100 %

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2012 Revenues	Percentage of Merchandise Mart Revenues	Percentage of Total Revenues
CCC Information Systems	109,000	$ 3,141,000	2.4 %	0.1 %
WPP	102,000	2,826,000	2.1 %	0.1 %

MERCHANDISE MART – CONTINUED

2012 Leasing Activity:

In 2012, we leased 593,000 square feet of office space at a weighted average initial rent of $32.97 per square foot and 380,000 square feet of showroom space at an average initial rent of $38.67 per square foot.

Lease expirations as of December 31, 2012, assuming none of the tenants exercise renewal options:

Office:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Office Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Weighted Average Annual Rent of Expiring Leases Per Square Foot
Month to month	2	2,000	0.1%	$ 40,000	$ 20.86
2013	9	19,000	1.3%	462,000	24.44
2014	2	2,000	0.1%	53,000	27.05
2015	5	46,000	3.0%	1,457,000	31.88
2016	3	96,000	6.4%	2,717,000	28.35
2017	-	-	-	-	-
2018	3	134,000	9.0%	3,873,000	28.81
2019	-	-	-	-	-
2020	2	128,000	8.5%	4,145,000	32.39
2021	3	192,000	12.8%	5,430,000	28.24
2022	2	121,000	8.0%	3,315,000	27.48

Showroom:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Showroom Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Weighted Average Annual Rent of Expiring Leases Per Square Foot
Month to month	11	39,000	1.9%	$ 1,591,000	$ 40.86
2013	84	217,000	10.3%	9,234,000	42.47
2014	72	181,000	8.6%	7,392,000	40.81
2015	100	198,000	9.4%	7,534,000	38.02
2016	43	200,000	9.5%	7,591,000	38.00
2017	56	316,000	15.0%	12,088,000	38.31
2018	25	180,000	8.6%	6,785,000	37.66

2019	21	87,000	4.1%	3,706,000	42.83
2020	15	57,000	2.7%	2,531,000	44.78
2021	13	95,000	4.5%	3,535,000	37.10
2022	7	52,000	2.5%	1,959,000	37.86

TOYS "R" US, INC. ("TOYS")

As of December 31, 2012 we own a 32.6% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had $5.7 billion of outstanding debt at October 27, 2012, of which our pro rata share was $1.9 billion, none of which is recourse to us.

The following table sets forth the total number of stores operated by Toys as of December 31, 2012:

	Total	Owned	Building Owned on Leased Ground	Leased
Domestic	875	288	224	363
International	651	78	26	547
Total Owned and Leased	1,526	366	250	910
Franchised Stores	155			
Total	1,681			

OTHER INVESTMENTS

555 California Street

As of December 31, 2012, we own a 70% controlling interest in a three-building office complex containing 1.8 million square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district ("555 California Street"). 555 California Street is encumbered by a $600,000,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021.

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

Occupancy and weighted average annual rent per square foot as of December 31, 2012:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2012	1,257,000	93.1%	$ 54.53
2011	1,257,000	93.1%	54.40
2010	1,257,000	93.0%	55.97
2009	1,256,000	94.8%	57.25
2008	1,252,000	94.0%	57.98

2012 rental revenue by tenants' industry:

Industry	Percentage
Finance	42 %
Banking	41 %
Legal Services	15 %
Other	2 %
	100 %

OTHER INVESTMENTS – CONTINUED

555 California Street - continued

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2012 Revenues	Percentage of 555 California Street's Revenues	Percentage of Total Revenues
Bank of America	650,000	$ 34,840,000	37.2 %	1.3 %
UBS Financial Services	106,000	6,960,000	7.4 %	0.3 %
Morgan Stanley & Company, Inc.	121,000	6,668,000	7.1 %	0.2 %
Kirkland & Ellis LLP	125,000	6,125,000	6.5 %	0.2 %
Goldman Sachs & Co.	90,000	4,762,000	5.1 %	0.2 %
Dodge & Cox	62,000	3,907,000	4.2 %	0.1 %
McKinsey & Company Inc.	54,000	3,907,000	4.2 %	0.1 %
Jones Day	81,000	3,366,000	3.6 %	0.1 %
KKR Financial LLC	51,000	3,119,000	3.3 %	0.1 %
Sidley Austin LLP	48,000	1,952,000	2.1 %	0.1 %

Lexington Realty Trust ("Lexington")

As of December 31, 2012, we own 10.5% of the outstanding common shares of Lexington, which has interests in 220 properties, encompassing approximately 42.1 million square feet across 42 states, generally net-leased to major corporations. Lexington had approximately $2.0 billion of outstanding debt at December 31, 2012, of which our pro rata share was $209 million, none of which is recourse to us.

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

As of December 31, 2012, the Fund has nine investments with an aggregate fair value of approximately $600,786,000, or $67,642,000 in excess of its cost, and has remaining unfunded commitments of $217,676,000, of which our share is $54,419,000.

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

In 2003, Stop & Shop filed an action against us in the New York Supreme Court, claiming that we had no right to reallocate and therefore continue to collect $5,000,000 ($6,000,000 beginning February 1, 2012) of annual rent from Stop & Shop pursuant to a Master Agreement and Guaranty, because of the expiration of the leases to which the annual rent was previously allocated. Stop & Shop asserted that an order of the Bankruptcy Court for the Southern District of New York, as modified on appeal by the District Court, froze our right to reallocate and effectively terminated our right to collect the annual rent from Stop & Shop. We asserted a counterclaim seeking a judgment for all of the unpaid annual rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the annual rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. A trial was held in November 2010. On November 7, 2011, the Court determined that we had a continuing right to allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty, and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent accrued through February 28, 2011 in the amount of $37,422,000, a portion of the annual rent due from March 1, 2011 through the date of judgment, interest, and attorneys' fees. On December 16, 2011, a money judgment based on the Court's decision was entered in our favor in the amount of $56,597,000 (including interest and costs). Stop & Shop appealed the Court's decision and the judgment and posted a bond to secure payment of the judgment. On January 12, 2012, we commenced a new action against Stop & Shop seeking recovery of $2,500,000 of annual rent not included in the money judgment, plus additional annual rent as it accrues. At December 31, 2012, we had a $47,900,000 receivable from Stop & Shop, which is included as a component of "tenant and other receivables" on our consolidated balance sheet. On February 6, 2013, we received $124,000,000 pursuant to a settlement agreement with Stop & Shop. The settlement terminates our right to receive $6,000,000 of additional annual rent under the 1992 agreement, for a period potentially through 2031. As a result of this settlement, we collected the aforementioned $47,900,000 receivable and will recognize approximately $59,000,000 of net income in the first quarter of 2013.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related STOCKholder Matters and issuer purchases of equity securities

Vornado's common shares are traded on the New York Stock Exchange under the symbol "VNO."

Quarterly high and low sales prices of the common shares and dividends paid per common share for the years ended December 31, 2012 and 2011 were as follows:

	Year Ended December 31, 2012			Year Ended December 31, 2011		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
1st	$ 86.21	$ 75.17	$ 0.69	$ 93.53	$ 82.12	$ 0.69
2nd	88.50	78.56	0.69	98.42	86.85	0.69
3rd	86.56	79.50	0.69	98.77	72.85	0.69
4th	82.50	72.64	1.69 (1)	84.30	68.39	0.69

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

On January 17, 2013, we increased our quarterly common dividend to $0.73 per share (a new indicated annual rate of $2.92 per share). As of February 1, 2013, there were 1,206 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2012, we issued 46,047 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

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

Recent Purchases of Equity Securities

None

Performance Graph

The following graph is a comparison of the five-year cumulative return of our common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index, a peer group index. The graph assumes that $100 was invested on December 31, 2007 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.

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Vornado Realty Trust	$ 100	$ 72	$ 89	$ 110	$ 105	$ 114
S&P 500 Index	100	63	80	92	94	109
The NAREIT All Equity Index	100	62	80	102	110	132

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,				
(Amounts in thousands, except per share amounts)	**2012**	**2011**	**2010**	**2009**	**2008**
Operating Data:					
Revenues:					
Property rentals	$ 2,085,582	$ 2,114,255	$ 2,093,475	$ 2,006,207	$ 1,978,454
Tenant expense reimbursements	301,092	314,752	317,777	312,689	307,909
Cleveland Medical Mart development project	235,234	154,080	-	-	-
Fee and other income	144,549	149,749	146,955	154,590	123,823
Total revenues	2,766,457	2,732,836	2,558,207	2,473,486	2,410,186
Expenses:					
Operating	1,021,719	995,586	983,424	954,754	931,455
Depreciation and amortization	517,811	524,550	494,898	492,505	492,208
General and administrative	201,894	208,008	211,399	227,715	191,599
Cleveland Medical Mart development project	226,619	145,824	-	-	-
Impairment losses, acquisition related costs and tenant buy-outs	120,786	35,299	109,458	71,863	81,447
Total expenses	2,088,829	1,909,267	1,799,179	1,746,837	1,696,709
Operating income	677,628	823,569	759,028	726,649	713,477
Income applicable to Toys "R" Us	14,859	48,540	71,624	92,300	2,380
Income (loss) from partially owned entities	408,267	70,072	20,869	(21,471)	(160,620)
Income (loss) from Real Estate Fund	63,936	22,886	(303)	-	-
Interest and other investment (loss) income, net	(260,945)	148,784	235,267	(116,436)	(3,017)
Interest and debt expense	(500,361)	(526,175)	(539,370)	(597,105)	(591,419)
Net gain (loss) on extinguishment of debt	-	-	94,789	(25,915)	9,820
Net gain on disposition of wholly owned and					

partially owned assets		13,347		15,134		81,432		5,641		7,757
Income (loss) before income taxes		416,731		602,810		723,336		63,663		(21,622)
Income tax (expense) benefit		(8,132)		(23,925)		(22,137)		(20,134)		205,616
Income from continuing operations		408,599		578,885		701,199		43,529		183,994
Income from discontinued operations		285,942		161,115		6,832		84,921		227,451
Net income		694,541		740,000		708,031		128,450		411,445
Less net (income) loss attributable to noncontrolling interests in:										
Consolidated subsidiaries		(32,018)		(21,786)		(4,920)		2,839		3,263
Operating Partnership		(35,327)		(41,059)		(44,033)		(5,834)		(33,327)
Preferred unit distributions of the Operating Partnership		(9,936)		(14,853)		(11,195)		(19,286)		(22,084)
Net income attributable to Vornado		617,260		662,302		647,883		106,169		359,297
Preferred share dividends		(76,937)		(65,531)		(55,534)		(57,076)		(57,091)
Discount on preferred share and unit redemptions		8,948		5,000		4,382		-		-
Net income attributable to common shareholders	$	549,271	$	601,771	$	596,731	$	49,093	$	302,206
Per Share Data:										
Income (loss) from continuing operations, net - basic	$	1.50	$	2.44	$	3.24	$	(0.16)	$	0.63
Income (loss) from continuing operations, net - diluted		1.49		2.42		3.21		(0.16)		0.61
Net income per common share - basic		2.95		3.26		3.27		0.28		1.96
Net income per common share - diluted		2.94		3.23		3.24		0.28		1.91
Dividends per common share		3.76 (1)		2.76		2.60		3.20		3.65

Balance Sheet Data:					
Total assets	$ 21,965,975	$ 20,446,487	$ 20,517,471	$ 20,185,472	$ 21,418,048
Real estate, at cost	18,495,359	16,703,757	16,454,967	16,344,244	16,195,706
Accumulated depreciation	(3,097,074)	(2,894,374)	(2,530,945)	(2,228,425)	(2,212,111)
Debt	11,296,190	10,076,607	10,349,457	10,103,428	11,596,585
Total equity	7,904,144	7,508,447	6,830,405	6,649,406	6,214,652

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

(Amounts in thousands)	Year Ended December 31, 2012	2011	2010	2009	2008
Other Data:					
Funds From Operations ("FFO")(1):					
Net income attributable to Vornado	$ 617,260	$ 662,302	$ 647,883	$ 106,169	$ 359,297
Depreciation and amortization of real property	504,407	530,113	505,806	508,572	509,367
Net gains on sale of real estate	(245,799)	(51,623)	(57,248)	(45,282)	(57,523)
Real estate impairment losses	129,964	28,799	97,500	23,203	-
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:					
Depreciation and amortization of real property	68,483	70,883	70,174	65,358	66,435
Net gains on sale of real estate	-	(491)	-	(164)	(719)
Real estate impairment losses	9,824	-	-	-	-
Income tax effect of above adjustments	(27,493)	(24,634)	(24,561)	(22,819)	(23,223)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:					
Depreciation and amortization of real property	86,197	99,992	78,151	75,200	49,513
Net gains on sale of real estate	(241,602)	(9,276)	(5,784)	(1,188)	(8,759)
Real estate impairment losses	1,849	-	11,481	-	-
Noncontrolling interests' share of above adjustments	(16,649)	(40,957)	(46,794)	(47,022)	(49,683)
FFO	886,441	1,265,108	1,276,608	662,027	844,705
Preferred share dividends	(76,937)	(65,531)	(55,534)	(57,076)	(57,091)
Discount on preferred share and unit redemptions	8,948	5,000	4,382	-	-
FFO attributable to common shareholders	818,452	1,204,577	1,225,456	604,951	787,614
Convertible preferred share dividends	113	124	160	170	189
Interest on 3.88% exchangeable senior debentures	-	26,272	25,917	-	25,261
FFO attributable to common shareholders plus assumed conversions(1)	$ 818,565	$ 1,230,973	$ 1,251,533	$ 605,121	$ 813,064

(1) FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gain from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

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

Overview

Vornado Realty Trust ("Vornado") is a fully integrated real estate investment trust ("REIT") and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2012. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

We own and operate office and retail properties (our "core" operations) with large concentrations in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. In addition, we have a 32.6% interest in Toys "R" Us, Inc. ("Toys") which has a significant real estate component, a 32.4% interest in Alexander's, Inc. (NYSE: ALX) ("Alexander's"), which has six properties in the greater New York metropolitan area, as well as interests in other real estate and related investments.

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index ("RMS") and the SNL REIT Index ("SNL") for the following periods ended December 31, 2012:

	Total Return(1)		
	Vornado	**RMS**	**SNL**
One-year	9.2%	17.8%	20.2%
Three-year	28.2%	64.5%	67.9%
Five-year	9.6%	31.2%	37.3%
Ten-year	228.5%	199.1%	218.5%

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

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

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

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

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

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

Overview - continued

Year Ended December 31, 2012 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2012 was $549,271,000, or $2.94 per diluted share, compared to $601,771,000, or $3.23 per diluted share for the year ended December 31, 2011. Net income for the years ended December 31, 2012 and 2011 includes $487,401,000 and $61,390,000, respectively, of net gains on sale of real estate, and $141,637,000 and $28,799,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2012 and 2011 include certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by $164,907,000, or $0.88 per diluted share for the year ended December 31, 2012 and $287,678,000, or $1.55 per diluted share for the year ended December 31, 2011.

Funds from operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2012 was $818,565,000, or $4.39 per diluted share, compared to $1,230,973,000, or $6.42 per diluted share for the prior year. FFO for the years ended December 31, 2012 and 2011 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO by $145,560,000, or $0.78 per diluted share for the year ended December 31, 2012, and increased FFO by $291,700,000, or $1.52 per diluted share for the year ended December 31, 2011.

	For the Year Ended December 31,	
(Amounts in thousands)	**2012**	**2011**
Items that affect comparability income (expense):		
Non-cash impairment loss on J.C. Penney owned shares	$ (224,937)	$ -
(Loss) income from the mark-to-market of J.C. Penney derivative position	(75,815)	12,984
Non-cash impairment loss on investment in Toys	(40,000)	-
FFO attributable to discontinued operations, including our share of discontinued operations of Alexander's	68,501	91,938
Accelerated amortization of discount on investment in subordinated debt of Independence Plaza	60,396	-
1290 Avenue of the Americas and 555 California Street priority return and income tax benefit	25,260	-
After-tax net gain on sale of Canadian Trade Shows	19,657	-
Net gain resulting from Lexington Realty Trust's stock issuance	14,116	9,760
Net gain on extinguishment of debt	-	83,907
Mezzanine loan loss reversal and gain on disposition	-	82,744
Recognition of disputed receivable from Stop & Shop	-	23,521

Other, net	(2,339)	6,440
	(155,161)	311,294
Noncontrolling interests' share of above adjustments	9,601	(19,594)
Items that affect comparability, net	$ (145,560)	$ 291,700

The percentage increase (decrease) in GAAP basis and cash basis same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of our operating segments for the year ended December 31, 2012 over the year ended December 31, 2011 is summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**
December 31, 2012 vs. December 31, 2011				
GAAP basis	2.0%(1)	(8.6%)	1.2%	4.5%
Cash basis	2.0%(1)	(9.8%)	1.3%	0.7%

(1) Excluding the Hotel Pennsylvania, same store increased by 2.2% and 2.3% on a GAAP and Cash basis, respectively.

Overview - continued

Quarter Ended December 31, 2012 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2012 was $62,633,000, or $0.33 per diluted share, compared to $69,508,000, or $0.37 per diluted share for the quarter ended December 31, 2011. Net income for the quarters ended December 31, 2012 and 2011 includes $281,549,000 and $1,916,000, respectively, of net gains on sale of real estate, and $117,883,000 and $28,799,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2012 and 2011 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, decreased net income attributable to common shareholders by $18,670,000, or $0.10 per diluted share for the quarter ended December 31, 2012 and increased net income attributable to common shareholders by $48,566,000, or $0.26 per diluted share for the quarter ended December 31, 2011.

FFO for the quarter ended December 31, 2012 was $55,890,000, or $0.30 per diluted share, compared to $280,369,000, or $1.46 per diluted share for the prior year's quarter. FFO for the quarters ended December 31, 2012 and 2011 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO by $172,670,000, or $0.92 per diluted share for the quarter ended December 31, 2012, and increased FFO by $82,493,000, or $0.43 per diluted share for the quarter ended December 31, 2011.

	For the Three Months Ended December 31,	
(Amounts in thousands)	2012	2011
Items that affect comparability income (expense):		
Non-cash impairment loss on J.C. Penney owned shares	$ (224,937)	$ -
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,472)	40,120
Non-cash impairment loss on investment in Toys	(40,000)	-
Accelerated amortization of discount on investment in subordinated debt of Independence Plaza	60,396	-
1290 Avenue of the Americas and 555 California Street priority return and income tax benefit	25,260	-
Net gain resulting from Lexington Realty Trust's stock issuance	14,116	-
FFO attributable to discontinued operations, including our share of discontinued operations of Alexander's	12,736	25,398
Recognition of disputed receivable from Stop & Shop	-	23,521
Other, net	(8,825)	(1,014)
	(183,726)	88,025
Noncontrolling interests' share of above adjustments	11,056	(5,532)

Items that affect comparability, net	$ (172,670)	$ 82,493

The percentage increase (decrease) in GAAP basis and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2012 over the quarter ended December 31, 2011 and the trailing quarter ended September 30, 2012 are summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**
December 31, 2012 vs. December 31, 2011				
GAAP basis	0.2%(1)	(14.3%)	(0.1%)	0.2%
Cash basis	4.0%(1)	(14.9%)	(0.8%)	(5.7%)
December 31, 2012 vs. September 30, 2012				
GAAP basis	4.3%(2)	(8.8%)	1.8%	14.0%(3)
Cash basis	6.8%(2)	(7.7%)	1.4%	6.6%(3)

(1) Excluding the Hotel Pennsylvania, same store increased by 0.2% and 4.4% on a GAAP and Cash basis, respectively.

(2) Excluding the Hotel Pennsylvania, same store increased by 2.5% and 4.8% on a GAAP and Cash basis, respectively.

(3) Primarily from the timing of trade shows.

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

Overview – continued

VorNADO CAPITAL PARTNERS REAL ESTATE FUND (The "FUND")

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

During 2012, the Fund made four investments (described below) aggregating $203,700,000. As of December 31, 2012, the Fund has nine investments with an aggregate fair value of $600,786,000, or $67,642,000 in excess of cost, and has remaining unfunded commitments of $217,676,000, of which our share was $54,419,000.

800 Corporate Pointe

On November 30, 2012, the Fund acquired 800 Corporate Pointe, a 243,000 square foot office building and the accompanying six-level parking structure (1,964 spaces) located in Culver City, Los Angeles, California, for $95,700,000 in cash.

501 Broadway

On August 20, 2012, the Fund acquired 501 Broadway, a 9,000 square foot retail property in New York for $31,000,000. The purchase price consisted of $11,000,000 in cash and a $20,000,000 mortgage loan. The three-year loan bears interest at LIBOR plus 2.75%, with a floor of 3.50%, and has two one-year extension options.

1100 Lincoln Road

On July 2, 2012, the Fund acquired 1100 Lincoln Road, a 167,000 square foot retail property, the western anchor of the Lincoln Road Shopping District in Miami Beach, Florida, for $132,000,000. The purchase price consisted of $66,000,000 in cash and a $66,000,000 mortgage loan. The three-year loan bears interest at LIBOR plus 2.75% and has two one-year extension options.

520 Broadway

On April 26, 2012, the Fund acquired 520 Broadway, a 112,000 square foot office building in Santa Monica, California for $61,000,000 in cash and subsequently placed a $30,000,000 mortgage loan on the property. The three-year loan bears interest at LIBOR plus 2.25% and has two one-year extension options.

Overview – continued

2012 Acquisitions and Investments

Independence Plaza

In 2011, we acquired a 51% interest in the subordinated debt of Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan which has 54,500 square feet of retail space and 550 parking spaces, for $45,000,000 and a warrant to purchase 25% of the equity for $1,000,000. On December 21, 2012, we acquired a 58.75% interest in the property as follows: (i) buying one of the equity partners' 33.75% interest for $160,000,000, (ii) exercising our warrant for 25% of the equity and (iii) contributing the appreciated value of our interest in the subordinated debt as preferred equity. In connection therewith, we recognized income of $105,366,000, comprised of $60,396,000 from the accelerated amortization of the discount on the subordinated debt immediately preceding the conversion to preferred equity, and a $44,970,000 purchase price fair value adjustment upon exercising the warrant. The current transaction values the property at $844,800,000. The property is currently encumbered by a $334,225,000 mortgage. We expect to refinance the $334,225,000 mortgage in 2013, substantially decreasing our cash investment. We manage the retail space at the property and Stellar Management, our partner, manages the residential space.

666 Fifth Avenue - Retail

On December 6, 2012, we acquired a retail condominium located at 666 Fifth Avenue at 53rd Street for $707,000,000 in cash. The property has 126 feet of frontage on Fifth Avenue and contains 114,000 square feet, 39,000 square feet in fee and 75,000 square feet by long-term lease from the 666 Fifth Avenue office condominium, which is 49.5% owned by us.

Marriott Marquis Times Square - Retail and Signage

On July 30, 2012, we entered into a lease with Host Hotels & Resorts, Inc. (NYSE: HST) (“Host”), under which we will redevelop the retail and signage components of the Marriott Marquis Times Square Hotel. The Marriott Marquis with over 1,900 rooms is one of the largest hotels in Manhattan. It is located in the heart of the bow-tie of Times Square and spans the entire block front from 45th Street to 46th Street on Broadway. The Marriott Marquis is directly across from our 1540 Broadway iconic retail property leased to Forever 21 and Disney flagship stores. We plan to spend over $140,000,000 to redevelop and substantially expand the existing retail space, including converting the below grade parking garage into retail, and creating six-story, 300 foot wide block front, dynamic LED signs. During the term of the lease we will pay fixed rent equal to the sum of $12,500,000, plus a portion of the property’s net cash flow after we receive a 5.2% preferred return on our invested capital. The lease contains put/call options which, if exercised, would lead to our ownership. Host can exercise the put option during defined periods following the conversion of the project to a condominium. We can exercise our call option under the same terms, at any time after the fifteenth year of the lease term.

Overview – continued

2012 Dispositions

Merchandise Mart

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

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

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

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

Washington, DC

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

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

Retail Properties

On February 13, 2013, we entered into an agreement to sell the Plant, a power strip shopping center in San Jose, California, for $203,000,000. The sale will result in net proceeds of approximately $93,000,000 after repaying the existing loan and closing costs, and a financial statement gain of approximately $33,000,000. The sale, which is subject to customary closing conditions, is expected to be completed by the second quarter of 2013.

On January 24, 2013, we completed the sale of the Green Acres Mall located in Valley Stream, New York, for $500,000,000, which resulted in net proceeds of $185,000,000, after repaying the existing loan and closing costs. The financial statement gain of $205,000,000 will be recognized in the first quarter of 2013 and the tax gain of $304,000,000 has been deferred as part of a like-kind exchange.

In 2012, we sold 12 non-core retail properties in separate transactions, for an aggregate of $157,000,000 in cash, which resulted in a net gain aggregating $22,266,000. In addition, we have entered into an agreement to sell a building on Market Street, Philadelphia, which is part of the Gallery at Market East for $60,000,000, which will result in a net gain of approximately $35,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the first quarter of 2013.

Other

On January 24, 2013, LNR Property LLC (“LNR”) entered into a definitive agreement to be sold. We own 26.2% of LNR and expect to receive net proceeds of approximately $241,000,000. The sale, which is subject to customary closing conditions, is expected to be completed in the second quarter of 2013.

Overview – continued

2012 Financing Activities

Secured Debt

On November 16, 2012, we completed a $120,000,000 refinancing of 4 Union Square South, a 206,000 square foot Manhattan retail property. The seven-year loan bears interest at LIBOR plus 2.15% (2.36% at December 31, 2012) and amortizes based on a 30-year schedule beginning in the third year. We retained net proceeds of approximately $42,000,000, after repaying the existing loan and closing costs.

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

On August 17, 2012, we completed a $98,000,000 refinancing of 435 Seventh Avenue, a 43,000 square foot retail property in Manhattan. The seven-year loan bears interest at LIBOR plus 2.25% (2.46% at December 31, 2012). We retained net proceeds of approximately $44,000,000, after repaying the existing loan and closing costs.

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

On March 5, 2012, we completed a $325,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot property located on the entire Sixth Avenue block front between 32nd and 33rd Streets in Manhattan. The building contains the 257,000 square foot Manhattan Mall and 848,000 square feet of office space. The three-year loan bears interest at LIBOR plus 2.50% (2.71% at December 31, 2012) and has two one-year extension options. We retained net proceeds of approximately $87,000,000, after repaying the existing loan and closing costs.

On January 9, 2012, we completed a $300,000,000 refinancing of 350 Park Avenue, a 559,000 square foot Manhattan office building. The five-year fixed rate loan bears interest at 3.75% and amortizes based on a 30-year schedule beginning in the third year. The proceeds of the new loan and $132,000,000 of existing cash were used to repay the existing loan and closing costs.

Senior Unsecured Debt

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

Overview – continued

2012 Financing Activities – continued

Preferred Securities

In July 2012 and January 2013, we sold an aggregate of $600,000,000 of cumulative redeemable preferred securities with a weighted average cost of 5.55%. The net proceeds aggregating $581,824,000 were used primarily to redeem outstanding cumulative redeemable preferred securities with an aggregate face amount of $517,500,000 and a weighted average cost of 6.82%. The details of these transactions are described below.

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

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of $25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of $290,853,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares). Dividends on the Series L Preferred Shares are cumulative and payable quarterly in arrears. The Series L Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series L Preferred Shares at a redemption price of $25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series L Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

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

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

On July 11, 2012, we sold 12,000,000 5.70% Series K Cumulative Redeemable Preferred Shares at a price of $25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of $290,971,000, after underwriters' discounts and issuance costs and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series K Preferred Units (with economic terms that mirror those of the Series K Preferred Shares). Dividends on the Series K Preferred Shares are cumulative and payable quarterly in arrears. The Series K Preferred Shares are not convertible into, or exchangeable for, any of our properties or securities. On or after five years from the date of issuance (or sooner under limited circumstances), we may redeem the Series K Preferred Shares at a redemption price of $25.00 per share, plus accrued and unpaid dividends through the date of redemption. The Series K Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Overview - continued

Leasing Activity

The leasing activity presented below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Tenant improvements and leasing commissions presented below are based on square feet leased during the period. Second generation relet space represents square footage that has not been vacant for more than nine months. The leasing activity for the New York segment excludes Alexander's, the Hotel Pennsylvania and residential.

	New York		**Washington, DC**	**Retail Properties**		**Merchandise Mart**	
(Square feet in thousands)	**Office**	**Retail**	**Office**	**Strips**	**Malls**	**Office**	**Showroom**
Quarter Ended December 31, 2012:							
Total square feet leased	457	6	482	322	75	-	58
Our share of square feet leased	437	5	404	322	51	-	58
Initial rent (1)	$ 53.98	$ 308.52	$ 41.46	$ 20.46	$ 33.11	$ -	$ 41.19
Weighted average lease term (years)	8.6	9.2	7.2	7.4	5.8	-	6.5
Second generation relet space:							
Square feet	373	3	246	220	5	-	58
Cash basis:							
Initial rent (1)	$ 52.61	$ 459.69	$ 39.34	$ 17.03	$ 69.44	$ -	$ 41.19
Prior escalated rent	$ 50.86	$ 295.56	$ 40.38	$ 16.04	$ 67.89	$ -	$ 39.42
Percentage increase (decrease)	3.4%	55.5%	(2.6%)	6.2%	2.3%	-%	4.5%
GAAP basis:							
Straight-line rent (2)	$ 51.46	$ 513.29	$ 37.94	$ 17.16	$ 71.83	$ -	$ 43.00
Prior straight-line	$ 48.62	$ 283.01	$ 38.86	$ 15.79	$ 65.06	$ -	$ 33.41

rent							
Percentage increase (decrease)	5.8%	81.4%	(2.4%)	8.7%	10.4%	-%	28.7%
Tenant improvements and leasing commissions:							
Per square foot	$ 48.15	$ 188.84	$ 26.90	$ 4.28	$ 27.38	$ -	$ 7.55
Per square foot per annum:	$ 5.60	$ 20.60	$ 3.74	$ 0.58	$ 4.72	$ -	$ 1.16
Percentage of initial rent	10.4%	6.7%	9.0%	2.8%	14.3%	-	2.8%
Year Ended December 31, 2012:							
Total square feet leased	1,950	192	2,111	1,276	146	593	380
Our share of square feet leased	1,754	185	1,901	1,276	101	593	380
Initial rent (1)	$ 57.15	$ 110.71	$ 40.55	$ 18.65	$ 38.45	$ 32.97	$ 38.67
Weighted average lease term (years)	9.3	11.9	7.3	8.2	5.3	14.7	6.0
Second generation relet space:							
Square feet	1,405	154	1,613	941	17	20	380
Cash basis:							
Initial rent (1)	$ 57.88	$ 110.21	$ 39.27	$ 15.98	$ 64.85	$ 32.24	$ 38.67
Prior escalated rent	$ 55.31	$ 88.47	$ 39.13	$ 14.58	$ 60.78	$ 24.88	$ 39.04
Percentage increase (decrease)	4.6%	24.6%	0.4%	9.6%	6.7%	29.6%	(0.9%)
GAAP basis:							
Straight-line rent (2)	$ 57.34	$ 115.97	$ 38.96	$ 16.49	$ 66.24	$ 32.38	$ 39.15
Prior straight-line rent	$ 54.64	$ 89.52	$ 37.67	$ 13.69	$ 58.61	$ 23.15	$ 35.28
Percentage increase	4.9%	29.5%	3.4%	20.5%	13.0%	39.9%	11.0%
Tenant improvements and leasing commissions:							
Per square foot	$ 54.45	$ 32.52	$ 35.49	$ 7.48	$ 18.66	$ 96.41	$ 10.49
Per square foot per annum:	$ 5.85	$ 2.73	$ 4.86	$ 0.91	$ 3.52	$ 6.56 (3)	$ 1.75
Percentage of initial rent	10.2%	2.5%	12.0%	4.9%	9.2%	19.9%	4.5%

See notes on the following page.

Overview - continued

Leasing Activity - continued

(Square feet in thousands)	New York		Washington, DC	Retail Properties		Merchandise Mart	
	Office	**Retail**	**Office**	**Strips**	**Malls**	**Office**	**Showroom**
Year Ended December 31, 2011:							
Total square feet leased	3,211	61	1,735	1,109	239	241	306
Our share of square feet leased:	2,432	61	1,557	1,109	207	241	306
Initial rent [1]	$ 55.37	$ 133.02	$ 41.35	$ 18.03	$ 33.82	$ 26.43	$ 36.67
Weighted average lease term (years)	9.2	10.1	5.6	9.1	6.0	8.4	5.6
Second generation relet space:							
Square feet	2,089	52	1,396	470	48	241	306
Cash basis:							
Initial rent [1]	$ 56.21	$ 145.98	$ 41.01	$ 16.25	$ 30.65	$ 26.43	$ 36.67
Prior escalated rent	$ 47.66	$ 134.95	$ 38.77	$ 14.94	$ 27.79	$ 26.51	$ 38.60
Percentage increase (decrease)	18.0%	8.2%	5.8%	8.8%	10.3%	(0.3%)	(5.0%)
GAAP basis:							
Straight-line rent[2]	$ 56.19	$ 150.78	$ 40.54	$ 16.46	$ 32.15	$ 26.90	$ 35.58
Prior straight-line rent	$ 47.47	$ 133.55	$ 37.47	$ 14.34	$ 27.26	$ 23.25	$ 35.04
Percentage increase	18.4%	12.9%	8.2%	14.8%	17.9%	15.7%	1.5%
Tenant improvements and leasing commissions:							
Per square foot	$ 48.28	$ 40.00	$ 25.01	$ 5.67	$ 9.00	$ 64.78	$ 6.20
Per square foot per annum:	$ 5.25	$ 3.96	$ 4.47	$ 0.62	$ 1.50	$ 7.71	$ 1.11
Percentage of initial rent	9.5%	3.0%	10.8%	3.4%	4.4%	29.2%	3.0%

(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) Includes $6.50 per square foot per annum of tenant improvements and leasing commissions in connection with the 572,000 square foot Motorola Mobility / Google lease.

Overview - continued

Square footage (in service) and Occupancy as of December 31, 2012:

(Square feet in thousands)	Number of Properties	Square Feet (in service) Total Portfolio	Our Share	Occupancy %
New York:				
Office	31	19,729	16,751	95.9%
Retail	49	2,217	2,057	96.8%
Alexander's	6	2,179	706	99.1%
Hotel Pennsylvania	1	1,400	1,400	
Residential (1,655 units)	4	1,528	873	96.9%
		27,053	21,787	96.2%
Washington, DC				
Office	59	16,106	13,637	81.2%
Residential (2,414 units)	7	2,599	2,457	97.9%
Hotel and Warehouses	7	435	435	100.0%
		19,140	16,529	84.1%
Retail Properties:				
Strip Shopping Centers	114	15,566	14,984	93.6%
Regional Malls	6	5,244	3,608	92.7%
		20,810	18,592	93.4%
Merchandise Mart:				
Office	2	1,771	1,762	90.0%
Showroom	2	2,220	2,220	94.7%
		3,991	3,982	92.6%
Other				
555 California Street	3	1,795	1,257	93.1%
Primarily Warehouses	5	971	971	55.9%
		2,766	2,228	
Total square feet at December 31, 2012		73,760	63,118	

Square footage (in service) and Occupancy as of December 31, 2011:

Square Feet (in service)

(Square feet in thousands)	Number of Properties	Total Portfolio	Our Share	Occupancy %
New York:				
Office	30	19,571	16,598	96.2%
Retail	46	2,239	1,982	95.6%
Alexander's	6	2,179	706	98.7%
Hotel Pennsylvania	1	1,400	1,400	
		25,389	20,686	96.2%
Washington, DC				
Office	59	16,623	14,161	89.3%
Residential (2,414 units)	7	2,599	2,457	96.6%
Hotel and Warehouses	7	404	404	100.0%
		19,626	17,022	90.6%
Retail Properties:				
Strip Shopping Centers	114	15,595	15,012	93.3%
Regional Malls	6	5,448	3,800	92.7%
		21,043	18,812	93.2%
Merchandise Mart:				
Office	2	1,229	1,220	90.1%
Showroom	2	2,715	2,715	89.8%
		3,944	3,935	89.9%
Other				
555 California Street	3	1,795	1,257	93.1%
Primarily Warehouses	5	971	971	45.3%
		2,766	2,228	
Total square feet at December 31, 2011		72,768	62,683	

Overview - continued

Washington, DC Segment

As a result of the Base Realignment and Closure ("BRAC") statute, we estimated that occupancy would decrease from 90% at December 31, 2011, to between 82% and 84% at December 31, 2012 and that 2012 EBITDA before discontinued operations and gains on sale of real estate would be lower than 2011 by approximately $55,000,000 to $65,000,000 (revised to $50,000,000 to $60,000,000 in the third quarter of 2012). At December 31, 2012, occupancy was 84.1% and 2012 EBITDA before discontinued operations and gains on sale of real estate was lower than 2011 by $54,900,000.

We estimate that 2013 EBITDA will be between $5,000,000 and $15,000,000 lower than 2012 EBITDA.

Of the 2,395,000 square feet subject to BRAC, 348,000 square feet has been taken out of service for redevelopment and 545,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of December 31, 2012.

	Rent Per Square Foot	Square Feet Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of December 31, 2012	$ 39.76	521,000	380,000	88,000	53,000
Leases pending	45.00	24,000	24,000	-	-
Taken out of service for redevelopment		348,000	348,000	-	-
		893,000	752,000	88,000	53,000
To Be Resolved:					
Vacated as of December 31, 2012	35.77	1,002,000	519,000	473,000	10,000
Expiring in:					
2013	37.39	126,000	-	43,000	83,000
2014	32.49	304,000	103,000	201,000	-
2015	43.04	70,000	65,000	5,000	-
		1,502,000	687,000	722,000	93,000
Total square feet subject to BRAC		2,395,000	1,439,000	810,000	146,000

In the first quarter of 2012, we notified the lender that due to scheduled lease expirations resulting primarily from the effects of the BRAC statute, the Skyline properties had a 26% vacancy rate and rising (49.8% as of December 31, 2012) and, accordingly, cash flows are expected to decrease. As a result, our subsidiary that owns these properties does not have and is not expected to have for some time sufficient funds to pay all of its current obligations, including interest payments to the lender. Based on the projected vacancy and the significant amount of capital required to re-tenant these properties, at our request, the mortgage loan was transferred to the special servicer. In the second quarter of 2012, we entered into a forbearance agreement with the special servicer to apply cash flows of the property, before interest on the loan, towards the repayment of $4,000,000 of tenant improvements and leasing commissions we funded in connection with a new lease at these properties, which was repaid in the third quarter. The forbearance agreement was amended January 31, 2013, to extend its maturity through April 1, 2013 and provides for interest shortfalls to be deferred and added to the principal balance of the loan and not give rise to a loan default. As of December 31, 2012, the deferred interest amounted to $26,957,000. We continue to negotiate with the special servicer to restructure the terms of the loan.

Recently Issued Accounting Literature

In May 2011, the Financial Accounting Standards Board ("FASB") issued Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* ("ASU No. 2011-04"). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards ("IFRS") and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. The adoption of this update on January 1, 2012 did not have a material impact on our consolidated financial statements, but resulted in additional fair value measurement disclosures (See Note 13 to the consolidated financial statements in this Annual Report on Form 10-K).

Critical Accounting Policies

In preparing the consolidated financial statements we have made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of the accounting policies that we believe are critical to the preparation of our consolidated financial statements. The summary should be read in conjunction with the more complete discussion of our accounting policies included in Note 2 to the consolidated financial statements in this Annual Report on Form 10-K.

Real Estate

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

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known trends and market/economic conditions. Identified intangibles are recorded at their estimated fair value, separate and apart from goodwill. Identified intangibles that are determined to have finite lives are amortized over the period in which they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired.

As of December 31, 2012 and 2011, the carrying amounts of real estate, net of accumulated depreciation, were $15.4 billion and $13.8 billion, respectively. As of December 31, 2012 and 2011, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were $370,602,000 and $287,844,000, respectively, and the carrying amounts of identified intangible liabilities, a component of "deferred revenue" on our consolidated balance sheets, were $463,432,000 and $466,743,000, respectively.

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

Critical Accounting Policies – continued

Partially Owned Entities

We consolidate entities in which we have a controlling financial interest. In determining whether we have a controlling financial interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity ("VIE") and we are the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. When the requirements for consolidation are not met, we account for investments under the equity method of accounting if we have the ability to exercise significant influence over the entity. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or 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, 2012 and 2011, the carrying amounts of investments in partially owned entities, including Toys "R" Us, was $1.704 billion and $1.740 billion, respectively.

Mortgage and Mezzanine Loans Receivable

We invest in mortgage and mezzanine loans of entities that have significant real estate assets. These investments are either secured by the real property or by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discount or premium over the life of the related receivable utilizing the effective interest method or straight-line method, if the result is not materially different. We evaluate the collectability of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, to the value of the collateral if the loan is collateral dependent. If our estimates of the collectability of both interest and principal or the fair value of our loans change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. As of December 31, 2012 and 2011, the carrying amounts of mortgage and mezzanine loans receivable were $225,359,000 and $133,948,000, respectively.

Critical Accounting Policies – continued

Allowance For Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts ($37,674,000 and $43,241,000 as of December 31, 2012 and 2011) 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 ($3,165,000 and $3,290,000 as of December 31, 2012 and 2011, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

- Base Rent — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.

- Percentage Rent — income arising from retail tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).

- Hotel Revenue — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been rendered.

- Trade Shows Revenue — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.

- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

- Management, Leasing and Other Fees — income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

- Cleveland Medical Mart — revenue arising from the development of the Cleveland Medical Mart. This revenue is recognized as the related services are performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements*, as we are providing development, marketing, leasing, and other property management services.

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

Income Taxes

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

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010

Effective January 1, 2012, as a result of certain organizational and operational changes, we redefined the New York business segment to encompass all of our Manhattan assets by including the 1.0 million square feet in 21 freestanding Manhattan street retail assets (formerly in our Retail segment), and the Hotel Pennsylvania and our interest in Alexander's, Inc. (formerly in our Other segment). Accordingly, we have reclassified the prior period segment financial results to conform to the current year presentation. See note (3) on page 87 for the elements of the New York segment's EBITDA. Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the years ended December 31, 2012, 2011 and 2010.

(Amounts in thousands)	For the Year Ended December 31, 2012						
	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Toys	Other
Property rentals	$ 1,962,545	$ 1,004,078	$ 467,972	$ 276,190	$ 125,018	$ -	$ 89,287
Straight-line rent adjustments	68,844	52,117	5,727	9,379	763	-	858
Amortization of acquired below-market leases, net	54,193	31,552	2,043	14,902	-	-	5,696
Total rentals	2,085,582	1,087,747	475,742	300,471	125,781	-	95,841
Tenant expense reimbursements	301,092	160,133	40,742	88,545	4,343	-	7,329
Cleveland Medical Mart development project	235,234	-	-	-	235,234	-	-
Fee and other income:							
BMS cleaning fees	67,584	94,965	-	-	-	-	(27,381)
Signage revenue	20,892	20,892	-	-	-	-	-
Management and leasing fees	21,867	5,639	12,775	3,131	231	-	91
Lease termination fees	2,361	1,136	643	74	508	-	-
Other income	31,845	4,472	24,126	1,778	1,574	-	(105)
Total revenues	2,766,457	1,374,984	554,028	393,999	367,671	-	75,775
Operating expenses	1,021,719	602,883	194,523	141,732	65,337	-	17,244
Depreciation and amortization	517,811	226,653	138,296	76,835	33,778	-	42,249

General and administrative	201,894	30,053	27,237	23,654	18,899	-	102,051
Cleveland Medical Mart development project	226,619	-	-	-	226,619	-	-
Impairment losses, acquisition related costs and tenant buy-outs	120,786	-	-	103,400	-	-	17,386
Total expenses	2,088,829	859,589	360,056	345,621	344,633	-	178,930
Operating income (loss)	677,628	515,395	193,972	48,378	23,038	-	(103,155)
Income applicable to Toys	14,859	-	-	-	-	14,859	-
Income (loss) from partially owned entities	408,267	207,773	(5,612)	1,458	729	-	203,919
Income from Real Estate Fund	63,936	-	-	-	-	-	63,936
Interest and other investment (loss) income, net	(260,945)	4,230	126	27	-	-	(265,328)
Interest and debt expense	(500,361)	(147,132)	(115,574)	(62,923)	(31,393)	-	(143,339)
Net gain on disposition of wholly owned and partially owned assets	13,347	-	-	8,491	-	-	4,856
Income (loss) before income taxes	416,731	580,266	72,912	(4,569)	(7,626)	14,859	(239,111)
Income tax expense	(8,132)	(3,491)	(1,650)	-	(502)	-	(2,489)
Income (loss) from continuing operations	408,599	576,775	71,262	(4,569)	(8,128)	14,859	(241,600)
Income (loss) from discontinued operations	285,942	(641)	167,766	42,926	75,144	-	747
Net income (loss)	694,541	576,134	239,028	38,357	67,016	14,859	(240,853)

Less net (income) loss attributable to noncontrolling interests in:							
Consolidated subsidiaries	(32,018)	(2,138)	-	1,812	-	-	(31,692)
Operating Partnership	(35,327)	-	-	-	-	-	(35,327)
Preferred unit distributions of the Operating Partnership	(9,936)	-	-	-	-	-	(9,936)
Net income (loss) attributable to Vornado	617,260	573,996	239,028	40,169	67,016	14,859	(317,808)
Interest and debt expense(2)	760,523	187,855	133,625	73,828	35,423	147,880	181,912
Depreciation and amortization(2)	735,293	252,257	157,816	86,529	39,596	135,179	63,916
Income tax expense (benefit)(2)	7,026	3,751	1,943	-	12,503	(16,629)	5,458
EBITDA(1)	$ 2,120,102	$ 1,017,859 (3)	$ 532,412	$ 200,526 (4)	$ 154,538	$ 281,289	$ (66,522)(5)

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability which are described in the “Overview,” aggregating $197,998, $176,935 and $(35,875), respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was $819,861, $355,477 and $236,401, respectively.

See notes on page 87.

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010 - continued

(Amounts in thousands)	For the Year Ended December 31, 2011						
	Total	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**	**Toys**	**Other**
Property rentals	$ 2,012,292	$ 979,032	$ 531,510	$ 274,386	$ 136,404	$ -	$ 90,960
Straight-line rent adjustments	39,858	34,446	(2,569)	6,723	(1,284)	-	2,542
Amortization of acquired below-market leases, net	62,105	40,958	2,160	13,969	-	-	5,018
Total rentals	2,114,255	1,054,436	531,101	295,078	135,120	-	98,520
Tenant expense reimbursements	314,752	165,433	36,299	96,805	6,321	-	9,894
Cleveland Medical Mart development project	154,080	-	-	-	154,080	-	-
Fee and other income:							
BMS cleaning fees	61,754	90,033	-	-	-	-	(28,279)
Signage revenue	19,823	19,823	-	-	-	-	-
Management and leasing fees	21,801	5,095	12,361	3,990	342	-	13
Lease termination fees	16,334	11,839	3,794	467	234	-	-
Other income	30,037	6,457	19,762	1,862	2,218	-	(262)
Total revenues	2,732,836	1,353,116	603,317	398,202	298,315	-	79,886
Operating expenses	995,586	578,344	188,744	133,403	77,492	-	17,603
Depreciation and amortization	524,550	221,520	154,142	77,433	28,804	-	42,651
General and administrative	208,008	26,808	26,369	25,489	28,040	-	101,302
Cleveland Medical Mart development project	145,824	-	-	-	145,824	-	-
Impairment losses,							

acquisition related costs and tenant buy-outs	35,299	23,777	-	369	5,228	-	5,925
Total expenses	1,909,267	850,449	369,255	236,694	285,388	-	167,481
Operating income (loss)	823,569	502,667	234,062	161,508	12,927	-	(87,595)
Income applicable to Toys	48,540	-	-	-	-	48,540	-
Income (loss) from partially owned entities	70,072	12,062	(6,381)	2,700	455	-	61,236
Income from Real Estate Fund	22,886	-	-	-	-	-	22,886
Interest and other investment income (loss), net	148,784	4,245	199	(32)	1	-	144,371
Interest and debt expense	(526,175)	(152,386)	(115,456)	(70,952)	(31,208)	-	(156,173)
Net gain on disposition of wholly owned and partially owned assets	15,134	-	-	4,278	-	-	10,856
Income (loss) before income taxes	602,810	366,588	112,424	97,502	(17,825)	48,540	(4,419)
Income tax expense	(23,925)	(2,084)	(2,690)	(34)	(1,572)	-	(17,545)
Income (loss) from continuing operations	578,885	364,504	109,734	97,468	(19,397)	48,540	(21,964)
Income from discontinued operations	161,115	563	52,390	31,815	72,971	-	3,376
Net income (loss)	740,000	365,067	162,124	129,283	53,574	48,540	(18,588)
Less net (income) loss attributable to noncontrolling interests in:							
Consolidated subsidiaries	(21,786)	(10,042)	-	237	-	-	(11,981)
Operating Partnership	(41,059)	-	-	-	-	-	(41,059)

Preferred unit distributions of the Operating Partnership	(14,853)	-	-	-	-	-	(14,853)
Net income (loss) attributable to Vornado	662,302	355,025	162,124	129,520	53,574	48,540	(86,481)
Interest and debt expense(2)	797,920	181,740	134,270	82,608	40,916	157,135	201,251
Depreciation and amortization(2)	777,421	247,630	181,560	91,040	46,725	134,967	75,499
Income tax expense (benefit)(2)	4,812	2,170	3,123	34	2,237	(1,132)	(1,620)
EBITDA(1)	$ 2,242,455	$ 786,565 (3)	$ 481,077	$ 303,202 (4)	$ 143,452	$ 339,510	$ 188,649 (5)

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability which are described in the “Overview,” aggregating $(8,698), $70,743 and $73,275, respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was $795,263, $410,334 and $229,927, respectively.

See notes on page 87.

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010 - continued

(Amounts in thousands)	For the Year Ended December 31, 2010						
	Total	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**	**Toys**	**Other**
Property rentals	$ 1,957,130	$ 944,322	$ 536,947	$ 256,654	$ 132,120	$ -	$ 87,087
Straight-line rent adjustments	70,972	51,385	6,089	9,401	301	-	3,796
Amortization of acquired below-market leases, net	65,373	44,879	2,453	12,384	-	-	5,657
Total rentals	2,093,475	1,040,586	545,489	278,439	132,421	-	96,540
Tenant expense reimbursements	317,777	159,369	49,792	93,032	5,274	-	10,310
Fee and other income:							
BMS cleaning fees	58,053	84,945	-	-	-	-	(26,892)
Signage revenue	18,618	18,618	-	-	-	-	-
Management and leasing fees	21,686	4,427	15,934	1,820	156	-	(651)
Lease termination fees	14,818	7,470	1,148	4,441	459	-	1,300
Other income	33,780	6,051	20,594	927	3,068	-	3,140
Total revenues	2,558,207	1,321,466	632,957	378,659	141,378	-	83,747
Operating expenses	983,424	556,270	202,569	141,116	65,842	-	17,627
Depreciation and amortization	494,898	212,903	136,391	71,556	28,416	-	45,632
General and administrative	211,399	25,560	25,454	27,676	24,199	-	108,510
Impairment losses, acquisition related costs and tenant buy-outs	109,458	1,605	-	70,895	-	-	36,958
Total expenses	1,799,179	796,338	364,414	311,243	118,457	-	208,727
Operating income (loss)	759,028	525,128	268,543	67,416	22,921	-	(124,980)

Income applicable to Toys	71,624	-	-	-	-	71,624	-
Income (loss) from partially owned entities	20,869	13,317	(564)	8,220	(179)	-	75
(Loss) from Real Estate Fund	(303)	-	-	-	-	-	(303)
Interest and other investment income, net	235,267	4,237	154	164	3	-	230,709
Interest and debt expense	(539,370)	(145,406)	(125,272)	(63,265)	(31,208)	-	(174,219)
Net gain (loss) on extinguishment of debt	94,789	-	-	105,571	-	-	(10,782)
Net gain on disposition of wholly owned and partially owned assets	81,432	-	54,742	-	765	-	25,925
Income (loss) before income taxes	723,336	397,276	197,603	118,106	(7,698)	71,624	(53,575)
Income tax (expense) benefit	(22,137)	(2,167)	(1,679)	(37)	29	-	(18,283)
Income (loss) from continuing operations	701,199	395,109	195,924	118,069	(7,669)	71,624	(71,858)
Income (loss) from discontinued operations	6,832	168	4,143	19,061	(20,948)	-	4,408
Net income (loss)	708,031	395,277	200,067	137,130	(28,617)	71,624	(67,450)
Less net (income) loss attributable to noncontrolling interests in:							
Consolidated subsidiaries	(4,920)	(9,559)	-	(778)	-	-	5,417
Operating Partnership	(44,033)	-	-	-	-	-	(44,033)
Preferred unit distributions	(11,195)	-	-	-	-	-	(11,195)

of the Operating Partnership							
Net income (loss) attributable to Vornado	647,883	385,718	200,067	136,352	(28,617)	71,624	(117,261)
Interest and debt expense(2)	828,082	158,249	136,174	79,545	61,379	177,272	215,463
Depreciation and amortization(2)	729,426	218,766	159,283	86,629	51,064	131,284	82,400
Income tax (benefit) expense(2)	(23,036)	1,311	2,027	37	232	(45,418)	18,775
EBITDA(1)	$ 2,182,355	$ 764,044 (3)	$ 497,551	$ 302,563 (4)	$ 84,058	$ 334,762	$ 199,377 (5)

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability which are described in the "Overview," aggregating $1,881, $73,526 and $78,005, respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was $762,163, $424,025 and $224,558, respectively.

See notes on the following page.

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010 - continued

Notes to preceding tabular information:

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

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

(3) The elements of "New York" EBITDA are summarized below.

	For the Year Ended December 31,		
(Amounts in thousands)	**2012**	**2011**	**2010**
Office[(a)]	$ 568,518	$ 539,734	$ 510,187
Retail[(b)]	189,484	163,033	180,225
Alexander's[(c)]	231,402	53,663	49,869
Hotel Pennsylvania	28,455	30,135	23,763
Total New York	$ 1,017,859	$ 786,565	$ 764,044

(a) 2012 includes income of $6,958, primarily from a priority return on our investment in 1290 Avenue of the Americas.

(b) 2011 includes a $23,777 expense for tenant buy-out costs.

(c) 2012 includes income of $179,934 for our share of a net gain on sale of real estate.

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2012**	**2011**	**2010**
Strip shopping centers[(a)]	$ 172,708	$ 210,022	$ 180,323
Regional malls[(b)]	27,818	93,180	122,240
Total Retail properties	$ 200,526	$ 303,202	$ 302,563

(a) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating $515, $44,990 and $15,541, respectively. Excluding these items, EBITDA was $172,193, $165,032 and $164,782, respectively.

(b) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating $(36,390), $28,285 and $62,464, respectively. Excluding these items, EBITDA was $64,208, $64,895 and $59,776, respectively.

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Year Ended December 31, 2012	2011	2010
Our share of Real Estate Fund:			
Income before net realized/unrealized gains	$ 4,926	$ 4,205	$ 503
Net unrealized gains	13,840	2,999	-
Net realized gains	-	1,348	-
Carried interest	5,838	736	-
Total	24,604	9,288	503
LNR (acquired in July 2010)	79,520	47,614	6,116
555 California Street	46,167	44,724	46,782
Lexington Realty Trust ("Lexington")	32,595	34,779	41,594
Other investments	29,266	33,529	30,463
	212,152	169,934	125,458
Corporate general and administrative expenses[(a)]	(90,567)	(85,922)	(90,343)
Investment income and other, net[(a)]	35,397	52,405	65,499
Fee income from Alexander's (including a $6,423 sales commission in 2012)	13,748	7,417	7,556
Non-cash impairment loss on J.C. Penney owned shares	(224,937)	-	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(75,815)	12,984	130,153
Purchase price fair value adjustment and accelerated amortization of discount on investment in subordinated debt of Independence Plaza	105,366	-	-
Net gain resulting from Lexington's stock issuance and asset acquisition	28,763	9,760	13,710
Impairment losses and acquisition related costs	(17,386)	(5,925)	(36,958)
Verde Realty impairment loss	(4,936)	-	-
Our share of impairment losses of partially owned entities	(4,318)	(13,794)	-
Net gain on sale of residential condominiums	1,274	5,884	3,149
Mezzanine loans loss reversal and net gain on disposition	-	82,744	53,100
Net gain from Suffolk Downs' sale of a partial interest	-	12,525	-
Real Estate Fund placement fees	-	(3,451)	(5,937)
Net loss on extinguishment of debt	-	-	(10,782)
Net income attributable to noncontrolling interests in the Operating Partnership	(35,327)	(41,059)	(44,033)
Preferred unit distributions of the Operating Partnership	(9,936)	(14,853)	(11,195)

	$ (66,522)	$ 188,649	$ 199,377

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

Net Income and EBITDA by Segment for the Years Ended December 31, 2012, 2011 and 2010 - continued

EBITDA by Region

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

		For the Year Ended December 31,		
		2012	**2011**	**2010**
Region:				
	New York City metropolitan area	66%	64%	63%
	Washington, DC / Northern Virginia metropolitan area	25%	28%	30%
	Chicago	4%	3%	3%
	California	2%	2%	1%
	Puerto Rico	1%	2%	2%
	Other geographies	2%	1%	1%
		100%	100%	100%

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

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were $2,766,457,000 in the year ended December 31, 2012, compared to $2,732,836,000 in the prior year, an increase of $33,621,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Property rentals:						
Acquisitions	$ 15,139	$ 9,528	$ 5,611	$ -	$ -	$ -
Development (out of service)	(29,707)	(5,339)	(22,312)	(2,056)	-	-
Hotel Pennsylvania	1,113	1,113	-	-	-	-
Trade Shows	(4,460)	-	-	-	(4,460)	-
Amortization of acquired below-market leases, net	(7,912)	(9,406)	(117)	933	-	678
Leasing activity (see page 77)	(2,846)	37,415	(38,541)	6,516	(4,879)	(3,357)
	(28,673)	33,311	(55,359)	5,393	(9,339)	(2,679)
Tenant expense reimbursements:						
Acquisitions/development	(12,076)	(5,635)	1,081	(4,835)	-	(2,687)
Operations	(1,584)	335	3,362	(3,425)	(1,978)	122
	(13,660)	(5,300)	4,443	(8,260)	(1,978)	(2,565)
Cleveland Medical Mart development project	81,154 (1)	-	-	-	81,154 (1)	-
Fee and other income:						
BMS cleaning fees	5,830	4,932	-	-	-	898
Signage revenue	1,069	1,069	-	-	-	-

Management and leasing fees	66	544	414	(859)	(111)	78
Lease termination fees	(13,973)	(10,703)	(3,151)	(393)	274	-
Other income	1,808	(1,985)	4,364	(84)	(644)	157
	(5,200)	(6,143)	1,627	(1,336)	(481)	1,133
Total increase (decrease) in revenues	$ 33,621	$ 21,868	$ (49,289)	$ (4,203)	$ 69,356	$ (4,111)

(1) This increase in income is offset by an increase in development costs expensed in the period. See note (5) on page 91.

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

Expenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were $2,088,829,000 in the year ended December 31, 2012, compared to $1,909,267,000 in the prior year, an increase of $179,562,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Operating:						
Acquisitions	$ 7,422	$ 6,617	$ 3,492	$ -	$ -	$ (2,687)
Development (out of service)	(9,037)	(1,074)	(4,829)	(3,134)	-	-
Non-reimbursable expenses, including bad-debt reserves	7,745	(3,347)	2,662	15,060 (2)	(6,630)	-
Hotel Pennsylvania	2,594	2,594	-	-	-	-
Trade Shows	(5,216)	-	-	-	(5,216)	-
BMS expenses	5,139	4,241	-	-	-	898
Operations	17,486	15,508	4,454	(3,597)	(309)	1,430
	26,133	24,539	5,779	8,329	(12,155)	(359)
Depreciation and amortization:						
Acquisitions/development	(8,817)	2,323	(10,526) (3)	(614)	-	-
Operations	2,078	2,810	(5,320)	16	4,974	(402)
	(6,739)	5,133	(15,846)	(598)	4,974	(402)
General and administrative:						
Mark-to-market of deferred compensation plan liability (1)	5,151	-	-	-	-	5,151
Real Estate	(3,451)	-	-	-	-	(3,451)
Fund placement						

fees						
Operations	(7,814)	3,245	868	(1,835)	(9,141)(4)	(951)
	(6,114)	3,245	868	(1,835)	(9,141)	749
Cleveland Medical Mart development project	80,795 (5)	-	-	-	80,795 (5)	-
Impairment losses, acquisition related costs and tenant buy-outs	85,487	(23,777)(6)	-	103,031 (7)	(5,228)	11,461
Total increase (decrease) in expenses	$ 179,562	$ 9,140	$ (9,199)	$ 108,927	$ 59,245	$ 11,449

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

(2) Primarily from a $16,820 reversal of the Stop & Shop accounts receivable reserve in the prior year.

(3) Primarily from depreciation expense on 1851 South Bell Street in the prior year, which was taken out of service for redevelopment.

(4) Primarily from lower payroll costs due to a reduction in workforce.

(5) This increase in expense is offset by the increase in development revenue in the period. See note (1) on page 90.

(6) Represents the buy-out of below-market leases in the prior year.

(7) Primarily from a non-cash impairment loss of $70,100 on the Broadway Mall.

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

Income Applicable to Toys

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

In the year ended December 31, 2011, we recognized net income of $48,540,000 from our investment in Toys, comprised of $39,592,000 for our 32.7% share of Toys' net income and $8,948,000 of management fees.

We account for Toys on the equity method, which means our investment is increased for our pro rata share of Toys undistributed net income. Since our acquisition in July 2005, the carrying amount of our investment has grown from $396,000,000 to $518,041,000 after we recognized our share of Toys third quarter net loss in our fourth quarter. We estimate that the fair value of our investment is approximately $478,000,000 at December 31, 2012. We have concluded that the $40,000,000 decline in the value of our investment is "other-than-temporary" based on, among other factors, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized a non-cash impairment loss of $40,000,000 in the fourth quarter.

We will continue to assess the recoverability of our investment each quarter. To the extent that the current facts don't change, we would recognize a non-cash impairment loss equal to our share of Toys fourth quarter net income in our 2013 first quarter. In the first quarter of 2012, our share of Toys fourth quarter net income was approximately $114,000,000.

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

Income from Partially Owned Entities

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

(Amounts in thousands)	**Percentage Ownership at December 31, 2012**	**For the Year Ended December 31, 2012**	**2011**
Equity in Net Income (Loss):			
Alexander's [(1)]	32.4%	$ 218,391	$ 32,430
Lexington [(2)]	10.5%	28,740	8,351
LNR (see page 74) [(3)]	26.2%	66,270	58,786
India real estate ventures [(4)]	4.0%-36.5%	(5,008)	(14,881)
Partially owned office buildings:			
280 Park Avenue (acquired in May 2011)	49.5%	(11,510)	(18,079)
Warner Building [(5)]	55.0%	(10,186)	(18,875)
666 Fifth Avenue Office Condominium (acquired in December 2011)	49.5%	7,009	198
330 Madison Avenue	25.0%	3,609	2,126
1101 17th Street	55.0%	2,576	2,740
One Park Avenue (acquired in March 2011)	30.3%	1,123	(1,142)
West 57th Street Properties	50.0%	1,014	876
Rosslyn Plaza	43.7%-50.4%	822	2,193
Fairfax Square	20.0%	(132)	(42)
Other partially owned office buildings	Various	1,905	7,735
Other investments:			
Independence Plaza Partnership (see page 73) [(6)]	n/a	111,865	2,457
Verde Realty Operating Partnership [(7)]	n/a	(5,703)	1,661
Monmouth Mall	50.0%	1,429	2,556
Downtown Crossing, Boston	50.0%	(1,309)	(1,461)
Other investments [(8)]	Various	(2,638)	2,443
		$ 408,267	$ 70,072

(1) 2012 includes $186,357 of income comprised of (i) a $179,934 net gain and (ii) $6,423 of commissions, in connection with the sale of real estate.

(2) 2012 and 2011 include $28,763 and $9,760, respectively, of net gains resulting primarily from Lexington's stock issuances.

(3) 2011 includes $27,377 of income comprised of (i) a $12,380 income tax benefit, (ii) an $8,977 tax settlement gain and (iii) $6,020 of net gains from asset sales.

(4) 2011 includes $13,794 for our share of an impairment loss.

(5) 2011 includes $9,022 for our share of expense, primarily for straight-line reserves and the write-off of tenant improvements in connection with a tenant's bankruptcy.

(6) 2012 includes $105,366 of income comprised of (i) $60,396 from the accelerated amortization of discount on investment in subordinated debt of the property and (ii) a $44,970 purchase price fair value adjustment from the exercise of a warrant to acquire 25% of the equity interest in the property.

(7) 2012 includes a $4,936 impairment loss on our equity investment, which was sold in the third quarter.

(8) 2011 includes a $12,525 net gain from Suffolk Downs' sale of a partial interest.

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

Income from Real Estate Fund

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

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

(1) Excludes management, leasing and development fees of $2,780 and $2,695 for the years ended December 31, 2012 and 2011, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net (comprised of impairment losses on marketable equity securities, the mark-to-market of derivative positions in marketable equity securities, interest income on mortgage and mezzanine loans receivable, other interest income and dividend income) was a loss of $260,945,000 in the year ended December 31, 2012, compared to income of $148,784,000 in the prior year, a decrease in income of $409,729,000. This decrease resulted from:

(Amounts in thousands)		
Non-cash impairment loss on J.C. Penney owned shares in 2012	$	(224,937)
J.C. Penney derivative position ($75,815 mark-to-market loss in 2012, compared to a $12,984 mark-to-market gain in 2011)		(88,799)

Mezzanine loan loss reversal and net gain on disposition in 2011		(82,744)
Lower dividends and interest on marketable securities		(17,608)
Increase in the value of investments in our deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses)		5,151
Other, net		(792)
	$	(409,729)

Interest and Debt Expense

Interest and debt expense was $500,361,000 in the year ended December 31, 2012, compared to $526,175,000 in the prior year, a decrease of $25,814,000. This decrease was primarily due to (i) $27,077,000 from the redemption of our exchangeable and convertible senior debentures in April 2012 and November 2011, respectively, (ii) $15,604,000 of higher capitalized interest and (iii) $12,082,000 from the refinancing of 350 Park Avenue in January 2012 (of which $7,274,000 was due to a lower rate and $4,808,000 was due to a lower outstanding loan balance), partially offset by (iv) $18,833,000 from the issuance of $400,000,000 of senior unsecured notes in November 2011, (v) $6,093,000 from the refinancing of 100 West 33rd Street in March 2012 and (vi) $4,715,000 from borrowings under our revolving credit facilities.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

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

Income Tax Expense

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

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

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold and that 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, 2012 and 2011.

(Amounts in thousands)	For the Year Ended December 31, 2012	2011
Total revenues	$ 147,404	$ 230,314
Total expenses	102,479	175,930
	44,925	54,384
Net gains on sale of real estate	245,799	51,623
Gain on sale of Canadian Trade Shows, net of $11,448 of income taxes	19,657	-
Impairment losses	(24,439)	(28,799)
Net gain on extinguishment of High Point debt	-	83,907
Income from discontinued operations	$ 285,942	$ 161,115

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

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

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

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

Preferred Unit Distributions of the Operating Partnership

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

Preferred Share Dividends

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

Discount on Preferred Share and Unit Redemptions

Discount on preferred share and unit redemptions were $8,948,000 in the year ended December 31, 2012 and resulted primarily from the redemption of all of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units, compared to a $5,000,000 discount in the prior year, which resulted from the redemption of the Series D-11 cumulative redeemable preferred units.

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

Same Store EBITDA

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

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

(Amounts in thousands)		**New York**		**Washington, DC**		**Retail Properties**		**Merchandise Mart**
EBITDA for the year ended December 31, 2012	$	1,017,859	$	532,412	$	200,526	$	154,538
Add-back: non-property level overhead expenses included above		30,053		27,237		23,654		18,899
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses		(243,481)		(183,889)		33,082		(93,679)
GAAP basis same store EBITDA for the year ended December 31, 2012		804,431		375,760		257,262		79,758
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments		(94,560)		(5,573)		(15,676)		(1,655)
Cash basis same store EBITDA for the year ended December 31, 2012	$	709,871	$	370,187	$	241,586	$	78,103

EBITDA for the year ended December 31, 2011	$	786,565	$	481,077	$	303,202	$	143,452
Add-back: non-property level overhead expenses included above		26,808		26,369		25,489		28,040
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses		(24,533)		(96,519)		(74,505)		(95,187)
GAAP basis same store EBITDA for the year ended December 31, 2011		788,840		410,927		254,186		76,305
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments		(93,053)		(357)		(15,685)		1,284
Cash basis same store EBITDA for the year ended December 31, 2011	$	695,787	$	410,570	$	238,501	$	77,589
Increase (decrease) in GAAP basis same store EBITDA for the year ended December 31, 2012 over the year ended December 31, 2011	$	15,591	$	(35,167)	$	3,076	$	3,453
Increase (decrease) in Cash basis same store EBITDA for the year ended December 31, 2012 over the year ended December 31, 2011	$	14,084	$	(40,383)	$	3,085	$	514
% increase (decrease) in GAAP basis same store EBITDA		2.0%		(8.6%)		1.2%		4.5%
% increase (decrease) in Cash basis same store EBITDA		2.0%		(9.8%)		1.3%		0.7%

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

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were $2,732,836,000 in the year ended December 31, 2011, compared to $2,558,207,000 in the year ended December 31, 2010, an increase of $174,629,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	**Total**	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**	**Other**
Property rentals:						
Acquisitions, sale of partial interests and other	$ (10,242)	$ (1,608)	$ (26,936)(1)	$ 13,458 (2)	$ -	$ 4,844
Development (out of service)	5,513	-	6,100	(587)	-	-
Hotel Pennsylvania	10,006	10,006	-	-	-	-
Trade Shows	3,062	-	-	-	3,062	-
Amortization of acquired below-market leases, net	(3,268)	(3,921)	(293)	1,585	-	(639)
Leasing activity (see page 77)	15,709	9,373	6,741	2,183	(363)	(2,225)
	20,780	13,850	(14,388)	16,639	2,699	1,980
Tenant expense reimbursements:						
Acquisitions/development, sale of partial interests and other	(5,094)	5,658	(12,999)(1)	2,573 (2)	-	(326)
Operations	2,069	406	(494)	1,200	1,047	(90)
	(3,025)	6,064	(13,493)	3,773	1,047	(416)
Cleveland Medical Mart development project	154,080 (3)	-	-	-	154,080 (3)	-

Fee and other income:						
BMS cleaning fees	3,701	5,088	-	-	-	(1,387)(4)
Signage revenue	1,205	1,205	-	-	-	-
Management and leasing fees	115	668	(3,573)(5)	2,170	186	664
Lease termination fees	1,516	4,369	2,646	(3,974)	(225)	(1,300)
Other	(3,743)	406	(832)	935	(850)	(3,402)
	2,794	11,736	(1,759)	(869)	(889)	(5,425)
Total increase (decrease) in revenues	$ 174,629	$ 31,650	$ (29,640)	$ 19,543	$ 156,937	$ (3,861)

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

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

(3) This income is offset by $145,824 of development cost expensed in the period. See note (7) on page 98.

(4) Primarily from the elimination of inter-company fees from operating segments upon consolidation.

(5) Primarily from leasing fees in the prior year in connection with our management of a development project.

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

Expenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were $1,909,267,000 in the year ended December 31, 2011, compared to $1,799,179,000 in the year ended December 31, 2010, an increase of $110,088,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Operating:						
Acquisitions, sale of partial interests and other	$ (374)	$ 2,341	$ (14,123)(1)	$ 11,734 (2)	$ -	$ (326)
Development projects placed into service	1,006	-	(248)	1,254	-	-
Non-reimbursable expenses, including bad-debt reserves	(16,498)	3,412	(2,133)	(24,338)(3)	6,561	
Hotel Pennsylvania	3,330	3,330	-	-	-	-
Trade Shows	(316)	-	-	-	(316)	-
BMS expenses	3,262	6,349	-	-	-	(3,087)
Operations	21,752	6,642	2,679	3,637	5,405	3,389
	12,162	22,074	(13,825)	(7,713)	11,650	(24)
Depreciation and amortization:						
Acquisitions/development, sale of partial interests and other	(4,466)	786	(10,261)(1)	5,009 (2)	-	-
Operations	34,118	7,831	28,012 (4)	868	388	(2,981)
	29,652	8,617	17,751	5,877	388	(2,981)

General and administrative:						
Mark-to-market of deferred compensation plan liability (5)	(6,391)	-	-	-	-	(6,391)
Real Estate Fund placement fees	(3,031)	-	-	-	-	(3,031)
Operations	6,031	1,248	915	(2,187)	3,841 (6)	2,214
	(3,391)	1,248	915	(2,187)	3,841	(7,208)
Cleveland Medical Mart development project	145,824 (7)	-	-	-	145,824 (7)	-
Impairment losses, acquisition related costs and tenant buy-outs	(74,159)	22,172 (8)	-	(70,526)(9)	5,228	(31,033)(10)
Total increase (decrease) in expenses	$ 110,088	$ 54,111	$ 4,841	$ (74,549)	$ 166,931	$ (41,246)

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

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

(3) Includes a $16,820 reversal for the Stop & Shop accounts receivable reserve.

(4) Includes $25,000 of depreciation expense on 1851 South Bell Street, which was taken out of service for redevelopment.

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

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

(7) This expense is entirely offset by development revenue in the year. See note (3) on page 97.

(8) Primarily from the buy-out of below market leases.

(9) Primarily from a $64,500 non-cash impairment loss on the Springfield Mall in 2010.

(10) Primarily from $30,013 of impairment losses on condominium units held for sale in 2010.

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

Income Applicable to Toys

In the year ended December 31, 2011, we recognized net income of $48,540,000 from our investment in Toys, comprised of $39,592,000 for our 32.7% share of Toys' net income and $8,948,000 of management fees.

In the year ended December 31, 2010, we recognized net income of $71,624,000 from our investment in Toys, comprised of $61,819,000 for our 32.7% share of Toys' net income and $9,805,000 of management fees.

Income from Partially Owned Entities

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

(Amounts in thousands)	Percentage Ownership at December 31, 2011	For the Year Ended December 31, 2011	2010
Equity in Net Income (Loss):			
Alexander's	32.4%	$ 32,430	$ 27,615
Lexington (1)	12.0%	8,351	11,018
LNR (2)	26.2%	58,786	1,973
India real estate ventures (3)	4.0%-36.5%	(14,881)	2,581
Partially owned office buildings:			
280 Park Avenue (acquired in May 2011)	49.5%	(18,079)	-
Warner Building (4)	55.0%	(18,875)	(344)
666 Fifth Avenue Office Condominium (acquired in December 2011)	49.5%	198	-
330 Madison Avenue	25.0%	2,126	2,059
1101 17th Street	55.0%	2,740	416
One Park Avenue (acquired in March 2011)	30.3%	(1,142)	-
West 57th Street Properties (5)	50.0%	876	(10,990)

Rosslyn Plaza	43.7%-50.4%	2,193	(2,419)
Fairfax Square	20.0%	(42)	(28)
Other partially owned office buildings	Various	7,735	2,405
Other equity method investments:			
Verde Realty Operating Partnership	8.3%	1,661	(537)
Independence Plaza Partnership (acquired in June 2011)	51.0%	2,457	-
Monmouth Mall	50.0%	2,556	1,952
Downtown Crossing, Boston	50.0%	(1,461)	(1,155)
Other investments (6)	Various	2,443	(13,677)
		$ 70,072	$ 20,869

(1) Includes net gains of $9,760 and $13,710 in 2011 and 2010, respectively, resulting from Lexington's stock issuances.

(2) 2011 includes $27,377 of income comprised of (i) a $12,380 income tax benefit, (ii) an $8,977 tax settlement gain and (iii) $6,020 of net gains from asset sales.

(3) 2011 includes $13,794 for our share of an impairment loss.

(4) 2011 includes $9,022 for our share of expense, primarily for straight-line rent reserves and the write-off of tenant-improvements in connection with a tenant's bankruptcy.

(5) 2010 includes $11,481 of impairment losses.

(6) 2011 includes a $12,525 net gain from Suffolk Downs' sale of a partial interest.

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

Income (loss) from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the year ended December 31, 2011 and 2010.

(Amounts in thousands)	For the Year Ended December 31,			
	2011		2010	
Operating income (loss)	$	5,500	$	(303)
Net realized gain		5,391		-
Net unrealized gains		11,995		-
Income (loss) from Real Estate Fund		22,886		(303)
Less (income) loss attributable to noncontrolling interests		(13,598)		806
Income from Real Estate Fund attributable to Vornado [(1)]	$	9,288	$	503

(1) Excludes management, leasing and development fees of $2,695 and $248 for the years ended December 31, 2011 and 2010, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment (Loss) Income, net

Interest and other investment income, net was $148,784,000 in the year ended December 31, 2011, compared to $235,267,000 in the year ended December 31, 2010, a decrease of $86,483,000. This decrease resulted from:

(Amounts in thousands)		
J.C. Penney derivative position (mark-to-market gain of $12,984 in 2011, compared to $130,153 in 2010)	$	(117,169)
Mezzanine loans ($82,744 loss reversal and net gain on disposition in 2011, compared to $53,100 loss		

reversal in 2010)		29,644
Decrease in value of investments in the deferred compensation plan (offset by a corresponding decrease in the liability for plan assets in general and administrative expenses)		(6,391)
Other, net		7,433
	$	(86,483)

Interest and Debt Expense

Interest and debt expense was $526,175,000 in the year ended December 31, 2011, compared to $539,370,000 in the year ended December 31, 2010, a decrease of $13,195,000. This decrease was primarily due to savings of (i) $22,865,000 applicable to the repurchase and retirement of convertible senior debentures and repayment of senior unsecured notes, (ii) $18,157,000 from the repayment of the Springfield Mall mortgage at a discount in December 2010 and (iii) $14,856,000 from the deconsolidation of the Warner Building resulting from the sale of a 45% interest in October 2010, partially offset by (iv) $17,204,000 from the issuance of $660,000,000 of cross-collateralized debt secured by 40 of our strip shopping centers in August 2010, (v) $14,777,000 from the financing of 2121 Crystal Drive and Two Penn Plaza in the first quarter of 2011, (vi) $5,057,000 from the issuance of $500,000,000 of senior unsecured notes in March 2010 and (vii) $3,854,000 from the consolidation of the San Jose Shopping Center resulting from the October 2010 acquisition of the 55% interest we did not previously own.

Net Gain on Extinguishment of Debt

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

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

In the year ended December 31, 2011, we recognized a $15,134,000 net gain on disposition of wholly owned and partially owned assets (primarily from the sale of residential condominiums and marketable securities), compared to a $81,432,000 net gain in the year ended December 31, 2010 (primarily from the sale of a 45% interest in the Warner Building and sales of marketable securities).

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

Income Tax Expense

Income tax expense was $23,925,000 in the year ended December 31, 2011, compared to $22,137,000 in the year ended December 31, 2010 an increase of $1,788,000. This increase resulted primarily from higher taxable income of our taxable REIT subsidiaries.

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, 2011 and 2010.

	For the Year Ended December 31,	
(Amounts in thousands)	2011	2010
Total revenues	$ 230,314	$ 267,008
Total expenses	175,930	227,626
	54,384	39,382
Net gain on extinguishment of High Point debt	83,907	-
Net gains on sale of real estate	51,623	2,506
Impairment losses and litigation loss accrual	(28,799)	(35,056)
Income from discontinued operations	$ 161,115	$ 6,832

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $21,786,000 in the year ended December 31, 2011, compared to $4,920,000 in the year ended December 31, 2010, an increase of $16,866,000. This resulted primarily from a $14,404,000 increase in income allocated to the noncontrolling interests of our Real Estate Fund.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was $41,059,000 in the year ended December 31, 2011, compared to $44,033,000 in the year ended December 31, 2010, a decrease of $2,974,000.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were $14,853,000 in the year ended December 31, 2011, compared to $11,195,000 in the year ended December 31, 2010, an increase of $3,658,000.

Preferred Share Dividends

Preferred share dividends were $65,531,000 in the year ended December 31, 2011, compared to $55,534,000 in the year ended December 31, 2010, an increase of $9,997,000. This increase resulted from the issuance of $246,000,000 of 6.875% Series J cumulative redeemable preferred shares in 2011, partially offset by the redemption of $40,000,000 7.0% Series D-10 cumulative redeemable preferred shares in 2010.

Discount on Preferred Share and Unit Redemptions

In the year ended December 31, 2011, we recognized a $5,000,000 discount from the redemption of 1,000,000 Series D-11 cumulative redeemable preferred units with a par value of $25.00 per unit, for an aggregate of $20,000,000 in cash, compared to a $4,382,000 discount in the year ended December 31, 2010 from the redemption of 1,600,000 Series D-10 cumulative redeemable preferred shares with a par value of $25.00 per share, for an aggregate of $35,618,000.

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

Same Store EBITDA

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

(Amounts in thousands)	New York	Washington, DC	Retail Properties	Merchandise Mart
EBITDA for the year ended December 31, 2011	$ 786,565	$ 481,077	$ 303,202	$ 143,452
Add-back: non-property level overhead expenses included above	26,808	26,369	25,489	28,040
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(25,330)	(49,502)	(45,324)	(72,601)
GAAP basis same store EBITDA for the year ended December 31, 2011	788,043	457,944	283,367	98,891
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(93,241)	(274)	(15,862)	2,642
Cash basis same store EBITDA for the year ended December 31, 2011	$ 694,802	$ 457,670	$ 267,505	$ 101,533
EBITDA for the year ended December 31, 2010	$ 764,044	$ 497,551	$ 302,563	$ 84,058
Add-back: non-property level overhead expenses included above	25,560	25,454	27,676	24,199
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(14,955)	(69,278)	(52,195)	(9,866)
GAAP basis same store EBITDA for the year ended December 31, 2010	774,649	453,727	278,044	98,391
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(105,013)	(4,005)	(16,301)	(307)

Cash basis same store EBITDA for the year ended December 31, 2010	$ 669,636	$ 449,722	$ 261,743	$ 98,084
Increase in GAAP basis same store EBITDA for the year ended December 31, 2011 over the year ended December 31, 2010	$ 13,394	$ 4,217	$ 5,323	$ 500
Increase in Cash basis same store EBITDA for the year ended December 31, 2011 over the year ended December 31, 2010	$ 25,166	$ 7,948	$ 5,762	$ 3,449
% increase in GAAP basis same store EBITDA	1.7%	0.9%	1.9%	0.5%
% increase in Cash basis same store EBITDA	3.8%	1.8%	2.2%	3.5%

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Net Income and EBITDA by Segment for the Three Months Ended December 31, 2012 and 2011

Effective January 1, 2012, as a result of certain organizational and operational changes, we redefined the New York business segment to encompass all of our Manhattan assets by including the 1.0 million square feet in 21 freestanding Manhattan street retail assets (formerly in our Retail segment), and the Hotel Pennsylvania and our interest in Alexander's, Inc. (formerly in our Other segment). Accordingly, we have reclassified the prior period segment financial results to conform to the current year presentation. See note (3) on page 105 for the elements of the New York segment's EBITDA. 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, 2012 and 2011.

(Amounts in thousands)	For the Three Months Ended December 31, 2012						
	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Toys	Other
Property rentals	$ 503,820	$ 268,491	$ 111,513	$ 70,272	$ 31,038	$ -	$ 22,506
Straight-line rent adjustments	13,681	9,783	1,345	2,120	183	-	250
Amortization of acquired below-market leases, net	14,668	7,776	506	4,957	-	-	1,429
Total rentals	532,169	286,050	113,364	77,349	31,221	-	24,185
Tenant expense reimbursements	75,734	41,272	10,271	22,559	641	-	991
Cleveland Medical Mart development project	51,220	-	-	-	51,220	-	-
Fee and other income:							
BMS cleaning fees	18,147	24,489	-	-	-	-	(6,342)
Signage revenue	6,640	6,640	-	-	-	-	-
Management and leasing fees	5,333	1,602	2,993	491	43	-	204
Lease termination fees	1,189	802	387	-	-	-	-
Other income	7,222	1,023	5,280	417	353	-	149
Total revenues	697,654	361,878	132,295	100,816	83,478	-	19,187
Operating expenses	263,160	154,973	50,600	35,232	16,219	-	6,136
Depreciation and amortization	131,128	58,262	30,901	19,545	12,205	-	10,215

General and administrative	51,316	8,073	7,388	4,851	4,586	-	26,418
Cleveland Medical Mart development project	49,492	-	-	-	49,492	-	-
Impairment losses, acquisition related costs and tenant buy-outs	116,472	-	-	103,400	-	-	13,072
Total expenses	611,568	221,308	88,889	163,028	82,502	-	55,841
Operating income (loss)	86,086	140,570	43,406	(62,212)	976	-	(36,654)
(Loss) applicable to Toys	(73,837)	-	-	-	-	(73,837)	-
Income (loss) from partially owned entities	354,776	187,428	(1,041)	418	169	-	167,802
Income from Real Estate Fund	26,364	-	-	-	-	-	26,364
Interest and other investment (loss) income, net	(237,961)	1,064	29	3	-	-	(239,057)
Interest and debt expense	(122,674)	(37,767)	(30,166)	(13,131)	(7,926)	-	(33,684)
Net gain on disposition of wholly owned and partially owned assets	8,491	-	-	8,491	-	-	-
Income (loss) before income taxes	41,245	291,295	12,228	(66,431)	(6,781)	(73,837)	(115,229)
Income tax benefit (expense)	9,187	(1,011)	(373)	-	(845)	-	11,416
Income (loss) from continuing operations	50,432	290,284	11,855	(66,431)	(7,626)	(73,837)	(103,813)
Income (loss) from discontinued operations	41,461	(1)	36,787	8,286	6,272	-	(9,883)
Net income (loss)	91,893	290,283	48,642	(58,145)	(1,354)	(73,837)	(113,696)
Less net (income) loss attributable to noncontrolling interests in:							
	(1,090)	5,128	-	1,504	-	-	(7,722)

Consolidated subsidiaries Operating Partnership	(3,882)	-	-	-	-	-	(3,882)
Preferred unit distributions of the Operating Partnership	(786)	-	-	-	-	-	(786)
Net income (loss) attributable to Vornado	86,135	295,411	48,642	(56,641)	(1,354)	(73,837)	(126,086)
Interest and debt expense(2)	193,258	47,561	34,139	15,789	8,931	44,492	42,346
Depreciation and amortization(2)	182,499	63,777	34,829	20,778	12,630	34,808	15,677
Income tax (benefit) expense(2)	(43,050)	1,074	411	-	845	(34,611)	(10,769)
EBITDA(1)	$ 418,842	$ 407,823 (3)	$ 118,021	$ (20,074)(4)	$ 21,052	$ (29,148)	$ (78,832)(5)

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability which are described in the "Overview," aggregating $189,571, $37,348 and $(82,967), respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was $218,252, $80,673 and $62,893, respectively.

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See notes on page 105.

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2012 and 2011 - continued

(Amounts in thousands)	For the Three Months Ended December 31, 2011						
	Total	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**	**Toys**	**Other**
Property rentals	$ 503,824	$ 251,146	$ 130,601	$ 69,043	$ 30,032	$ -	$ 23,002
Straight-line rent adjustments	13,598	11,810	(431)	1,989	(23)	-	253
Amortization of acquired below-market leases, net	12,979	7,785	563	2,972	-	-	1,659
Total rentals	530,401	270,741	130,733	74,004	30,009	-	24,914
Tenant expense reimbursements	75,745	39,512	9,057	23,817	1,333	-	2,026
Cleveland Medical Mart development project	45,877	-	-	-	45,877	-	-
Fee and other income:							
BMS cleaning fees	15,275	23,120	-	-	-	-	(7,845)
Signage revenue	5,077	5,077	-	-	-	-	-
Management and leasing fees	5,141	1,535	2,732	922	(6)	-	(42)
Lease termination fees	3,856	2,663	781	178	234	-	-
Other income	8,587	3,066	4,446	690	427	-	(42)
Total revenues	689,959	345,714	147,749	99,611	77,874	-	19,011
Operating expenses	226,885	142,825	46,533	18,504	15,411	-	3,612
Depreciation and amortization	150,903	56,489	57,202	19,019	7,885	-	10,308
General and administrative	53,940	6,399	6,873	5,443	5,672	-	29,553
Cleveland Medical Mart development project	44,187	-	-	-	44,187	-	-
Impairment losses, acquisition related	12,844	7,219	-	334	2,188	-	3,103

costs and tenant buy-outs							
Total expenses	488,759	212,932	110,608	43,300	75,343	-	46,576
Operating income (loss)	201,200	132,782	37,141	56,311	2,531	-	(27,565)
(Loss) applicable to Toys	(32,254)	-	-	-	-	(32,254)	-
Income (loss) from partially owned entities	15,037	(1,258)	(343)	1,479	163	-	14,996
(Loss) from Real Estate Fund	(2,605)	-	-	-	-	-	(2,605)
Interest and other investment income (loss), net	53,698	1,076	80	(33)	-	-	52,575
Interest and debt expense	(131,583)	(38,005)	(29,485)	(17,528)	(7,866)	-	(38,699)
Net gain on disposition of wholly owned and partially owned assets	7,159	-	-	4,278	-	-	2,881
Income (loss) before income taxes	110,652	94,595	7,393	44,507	(5,172)	(32,254)	1,583
Income tax expense	(5,377)	(447)	(635)	(29)	(49)	-	(4,217)
Income (loss) from continuing operations	105,275	94,148	6,758	44,478	(5,221)	(32,254)	(2,634)
(Loss) income from discontinued operations	(8,288)	165	1,116	6,948	(17,467)	-	950
Net income (loss)	96,987	94,313	7,874	51,426	(22,688)	(32,254)	(1,684)
Less net (income) loss attributable to noncontrolling interests in:							
Consolidated subsidiaries	(1,143)	(3,227)	-	41	-	-	2,043
Operating Partnership	(4,674)	-	-	-	-	-	(4,674)
Preferred unit distributions of the Operating Partnership	(3,874)	-	-	-	-	-	(3,874)

Net income (loss) attributable to Vornado	87,296	91,086	7,874	51,467	(22,688)	(32,254)	(8,189)
Interest and debt expense(2)	198,252	49,492	34,253	20,464	8,891	35,589	49,563
Depreciation and amortization(2)	215,683	66,019	63,270	22,746	12,093	33,105	18,450
Income tax (benefit) expense(2)	(37,323)	526	743	29	26	(31,046)	(7,601)
EBITDA(1)	$ 463,908	$ 207,123 (3)	$ 106,140	$ 94,706 (4)	$ (1,678)	$ 5,394	$ 52,223 (5)

EBITDA for the New York, Washington, DC and Retail Properties segments above include income from discontinued operations and other gains and losses that affect comparability which are described in the "Overview," aggregating $(3,724), $5,526 and $33,037, respectively. Excluding these items, EBITDA for the New York, Washington, DC and Retail Properties segments was $210,847, $100,614 and $61,669, respectively.

See notes on the following page.

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Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2012 and 2011 - continued

Notes to preceding tabular information:

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

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

(3) The elements of "New York" EBITDA are summarized below.

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2012**	**2011**
Office[(a)]	$ 151,613	$ 141,325
Retail[(b)]	52,576	40,414
Alexander's[(c)]	191,925	13,631
Hotel Pennsylvania	11,709	11,753
Total New York	$ 407,823	$ 207,123

(a) 2012 includes income of $7,599 from a priority return on our investment in 1290 Avenue of the Americas.

(b) 2011 includes a $7,219 expense for tenant buy-out costs

(c) 2012 includes income of $179,934 for our share of a net gain on sale of real estate.

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

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2012**	**2011**
Strip shopping centers[(a)]	$ 24,154	$ 68,269
Regional malls[(b)]	(44,228)	26,437
Total Retail properties	$ (20,074)	$ 94,706

(a) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating $(21,520) and $25,281, respectively. Excluding these items, EBITDA was $45,674 and $42,988, respectively.

(b) Includes income from discontinued operations and other gains and losses that affect comparability, aggregating $(61,447) and $7,756, respectively. Excluding these items, EBITDA was $17,219 and $18,681, respectively.

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2012 and 2011 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Three Months Ended December 31, 2012	2011
Our share of Real Estate Fund:		
Income before net realized/unrealized gains	$ 764	$ 1,655
Net unrealized gain (loss)	5,456	(1,803)
Net realized gain	-	577
Carried interest	5,838	(929)
Total	12,058	(500)
LNR	33,514	9,045
555 California Street	14,761	12,116
Lexington	7,815	6,809
Other investments	(2,678)	3,518
	65,470	30,988
Corporate general and administrative expenses[a]	(23,627)	(22,958)
Investment income and other, net[a]	6,532	15,121
Fee income from Alexander's (including a $6,423 sales commission in 2012)	8,131	1,872
Non-cash impairment loss on J.C. Penney owned shares	(224,937)	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(22,472)	40,120
Purchase price fair value adjustment and accelerated amortization of discount on investment in subordinated debt of Independence Plaza	105,366	-
Net gain resulting from Lexington's stock issuance and asset acquisition	28,763	-
Impairment losses and acquisition related costs	(13,072)	(3,103)
Our share of impairment losses of partially owned entities	(4,318)	(13,794)
Net gain from Suffolk Downs' sale of a partial interest	-	12,525
Net income attributable to noncontrolling interests in the Operating Partnership	(3,882)	(4,674)
Preferred unit distributions of the Operating Partnership	(786)	(3,874)
	$ (78,832)	$ 52,223

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

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2012 and 2011 - continued

EBITDA by Region

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

		For the Three Months Ended December 31,	
		2012	**2011**
Region:			
	New York City metropolitan area	69%	66%
	Washington, DC / Northern Virginia metropolitan area	22%	26%
	Chicago	4%	3%
	California	2%	2%
	Puerto Rico	1%	1%
	Other geographies	2%	2%
		100%	100%

Supplemental Information – continued

Three Months Ended December 31, 2012 Compared to December 31, 2011

Same Store EBITDA

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

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2012, compared to the three months ended December 31, 2011.

(Amounts in thousands)	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**
EBITDA for the three months ended December 31, 2012	$ 407,823	$ 118,021	$ (20,074)	$ 21,052
Add-back: non-property level overhead expenses included above	8,073	7,388	4,851	4,586
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(205,738)	(39,787)	80,891	(6,894)
GAAP basis same store EBITDA for the three months ended December 31, 2012	210,158	85,622	65,668	18,744
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(19,668)	(705)	(4,161)	(1,075)
Cash basis same store EBITDA for the three months ended December 31, 2012	$ 190,490	$ 84,917	$ 61,507	$ 17,669

EBITDA for the three months ended December 31, 2011	$ 207,123	$ 106,140	$ 94,706	$ (1,678)
Add-back: non-property level overhead expenses included above	6,399	6,873	5,443	5,672
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(3,801)	(13,146)	(34,388)	14,716
GAAP basis same store EBITDA for the three months ended December 31, 2011	209,721	99,867	65,761	18,710
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(26,637)	(66)	(3,768)	24
Cash basis same store EBITDA for the three months ended December 31, 2011	$ 183,084	$ 99,801	$ 61,993	$ 18,734
Increase (decrease) increase in GAAP basis same store EBITDA for the three months ended December 31, 2012 over the three months ended December 31, 2011	$ 437	$ (14,245)	$ (93)	$ 34
Increase (decrease) in Cash basis same store EBITDA for the three months ended December 31, 2012 over the three months ended December 31, 2011	$ 7,406	$ (14,884)	$ (486)	$ (1,065)
% increase (decrease) in GAAP basis same store EBITDA	0.2%	(14.3%)	(0.1%)	0.2%
% increase (decrease) in Cash basis same store EBITDA	4.0%	(14.9%)	(0.8%)	(5.7%)

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Supplemental Information – continued

Three Months Ended December 31, 2012 Compared to September 30, 2012

Below are the same store EBITDA results on a GAAP and cash basis for each of our segments for the three months ended December 31, 2012, compared to the three months ended September 30, 2012.

(Amounts in thousands)	New York	Washington, DC	Retail Properties	Merchandise Mart
EBITDA for the three months ended December 31, 2012	$ 407,823	$ 118,021	$ (20,074)	$ 21,052
Add-back: non-property level overhead expenses included above	8,073	7,388	4,851	4,586
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(202,180)	(38,604)	80,891	(6,285)
GAAP basis same store EBITDA for the three months ended December 31, 2012	213,716	86,805	65,668	19,353
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(23,066)	(775)	(4,161)	(1,075)
Cash basis same store EBITDA for the three months ended December 31, 2012	$ 190,650	$ 86,030	$ 61,507	$ 18,278
EBITDA for the three months ended September 30, 2012[(1)]	$ 206,663	$ 217,567	$ 73,505	$ 44,942
Add-back: non-property level overhead expenses included above	6,739	6,668	6,103	4,120
Less: EBITDA from acquisitions, dispositions and other non-operating income or expenses	(8,565)	(129,014)	(15,117)	(32,087)

GAAP basis same store EBITDA for the three months ended September 30, 2012	204,837	95,221	64,491	16,975
Less: Adjustments for straight-line rents, amortization of below-market leases, net and other non-cash adjustments	(26,331)	(2,020)	(3,833)	171
Cash basis same store EBITDA for the three months ended September 30, 2012	$ 178,506	$ 93,201	$ 60,658	$ 17,146
Increase (decrease) in GAAP basis same store EBITDA for the three months ended December 31, 2012 over the three months ended September 30, 2012	$ 8,879	$ (8,416)	$ 1,177	$ 2,378
Increase (decrease) in Cash basis same store EBITDA for the three months ended December 31, 2012 over the three months ended September 30, 2012	$ 12,144	$ (7,171)	$ 849	$ 1,132
% increase (decrease) in GAAP basis same store EBITDA	4.3%	(8.8%)	1.8%	14.0%
% increase (decrease) in Cash basis same store EBITDA	6.8%	(7.7%)	1.4%	6.6%

(1) Below is the reconciliation of net income to EBITDA for the three months ended September 30, 2012.

(Amounts in thousands)	New York	Washington, DC	Retail Properties	Merchandise Mart
Net income attributable to Vornado for the three months ended September 30, 2012	$ 96,064	$ 149,241	$ 34,661	$ 19,083
Interest and debt expense	46,823	33,280	17,499	8,916
Depreciation and amortization	62,905	35,071	21,345	7,662
Income tax expense (benefit)	871	(25)	-	9,281
EBITDA for the three months ended September 30, 2012	$ 206,663	$ 217,567	$ 73,505	$ 44,942

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Related Party Transactions

Alexander's

We own 32.4% of Alexander's. Steven Roth, the Chairman of our Board, and Michael D. Fascitelli, our President and Chief Executive Officer, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 6 - Investments in Partially Owned Entities to our consolidated financial statements in this Annual Report on Form 10-K.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2012, Interstate and its partners beneficially owned an aggregate of approximately 6.5% 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.

Other

On March 8, 2012, Mr. Roth repaid his $13,122,500 outstanding loan from the Company.

Liquidity and Capital Resources

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

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions (excluding Fund acquisitions) may require funding from borrowings and/or equity offerings. Our Real Estate Fund has aggregate unfunded equity commitments of $217,676,000 for acquisitions, including $54,419,000 from us.

We may from time to time purchase or retire outstanding debt securities. Such purchases, if any will depend on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

Dividends

On January 17, 2013, we increased our quarterly common dividend to $0.73 per share (a new indicated annual rate of $2.92 per share). This dividend, if continued for all of 2013, would require us to pay out approximately $545,000,000 of cash for common share dividends. In addition, during 2013, we expect to pay approximately $81,500,000 of cash dividends on outstanding preferred shares and approximately $36,000,000 of cash distributions to unitholders of the Operating Partnership.

Financing Activities and Contractual Obligations

We have an effective shelf registration for the offering of our equity and debt securities that is not limited in amount due to our status as a "well-known seasoned issuer." Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal. As of December 31, 2012, we are in compliance with all of the financial covenants required by our revolving credit facilities.

As of December 31, 2012, we had $960,319,000 of cash and cash equivalents and $1,307,193,000 of borrowing capacity under our revolving credit facilities, net of outstanding borrowings of $1,170,000,000 and letters of credit of $22,807,000. A summary of our consolidated debt as of December 31, 2012 and 2011 is presented below.

(Amounts in thousands)	2012			2011		
	December 31,		Weighted Average Interest	December 31,		Weighted Average Interest
Consolidated debt:	Balance		Rate	Balance		Rate
Variable rate	$	3,167,181	1.93%	$	1,881,948	2.35%
Fixed rate		8,129,009	5.18%		8,194,659	5.55%
	$	11,296,190	4.27%	$	10,076,607	4.95%

During 2013 and 2014, $1,069,682,000 and $240,001,000, respectively, of our outstanding debt matures. We may refinance maturing debt as it comes due or choose to repay it using cash and cash equivalents or our revolving credit facilities. We may also refinance or prepay other outstanding debt depending on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Below is a schedule of our contractual obligations and commitments at December 31, 2012.

(Amounts in thousands) Contractual cash obligations (principal and interest[1]):	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	Thereafter
Notes and mortgages payable	$ 10,775,483	$ 1,519,315	$ 1,495,932	$ 3,377,676	$ 4,382,560
Operating leases	1,429,110	41,524	83,395	75,022	1,229,169
Senior unsecured notes due 2039 (PINES)	1,429,019	36,225	72,450	72,450	1,247,894
Revolving credit facilities	1,251,178	17,316	40,716	1,193,146	-
Senior unsecured notes due 2022	580,833	20,000	40,000	40,000	480,833
Senior unsecured notes due 2015	547,813	21,250	526,563	-	-
Capital lease obligations	422,292	12,500	25,000	25,000	359,792
Purchase obligations, primarily construction commitments	196,722	194,034	2,588	100	-
Total contractual cash obligations	$ 16,632,450	$ 1,862,164	$ 2,286,644	$ 4,783,394	$ 7,700,248
Commitments:					
Capital commitments to partially owned entities	$ 163,130	$ 101,199	$ 61,931	$ -	$ -
Standby letters of credit	22,807	22,327	480	-	-
Total commitments	$ 185,937	$ 123,526	$ 62,411	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2012.

Details of 2012 financing activities are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2011 financing activities are discussed below.

Senior Unsecured Debt

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

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

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Secured Debt

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

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

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

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

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

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

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

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

Preferred Securities

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

Liquidity and Capital Resources – continued

Acquisitions and Investments

Details of 2012 acquisitions and investments are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2011 acquisitions and investments are discussed below.

1399 New York Avenue (the "Executive Tower")

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

666 Fifth Avenue Office

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

Independence Plaza

On June 17, 2011, a joint venture in which we are a 51% partner invested $55,000,000 in cash (of which we contributed $35,000,000) to acquire a face amount of $150,000,000 of mezzanine loans and a $35,000,000 participation in a senior loan on Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan.

280 Park Avenue Joint Venture

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

Liquidity and Capital Resources – continued

Certain Future Cash Requirements

Capital Expenditures

The following table summarizes anticipated 2013 capital expenditures.

(Amounts in millions, except square foot data)	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other (2)
Expenditures to maintain assets	$ 112.0	$ 60.0	$ 28.0	$ 4.0	$ 12.0	$ 8.0
Tenant improvements	108.0	43.0	41.0	9.0	10.0	5.0
Leasing commissions	36.0	21.0	10.0	3.0	1.0	1.0
Total capital expenditures and leasing commissions	$ 256.0	$ 124.0	$ 79.0	$ 16.0	$ 23.0	$ 14.0
Square feet budgeted to be leased (in thousands)		*900*	*1,250*	*800*	*250*	
Weighted average lease term (years)		*10*	*7*	*6*	*6*	
Tenant improvements and leasing commissions:						
Per square foot		*$ 71.00* (1)	*$ 41.00*	*$ 15.00*	*$ 44.00*	
Per square foot per annum		*$ 7.10* (1)	*$ 5.86*	*$ 2.50*	*$ 7.33*	

(1) Comprised of tenant improvements and leasing commissions of $65.00 per square foot ($6.50 per square foot per annum) and $100.00 per square foot ($10.00 per square foot per annum) for the office and retail components of our New York segment, respectively.

(2) Primarily 555 California Street and Warehouses.

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

Development and Redevelopment Expenditures

In 2012, we commenced the re-tenanting and repositioning of 280 Park Avenue (50% owned), and the renovation of the 1.4 million square foot Springfield Mall, both of which are expected to be substantially completed in 2014. We budgeted approximately $285,000,000 for these projects, of which $31,000,000 was expended in 2012 and $132,000,000 is expected to be expended in 2013 and the balance is expected to be expended in 2014.

During 2012, we completed the demolition of the existing residential building down to the second-level, at 220 Central Park South.

In addition, we continued lobby renovations at several of our office buildings in New York and Washington, as well as the re-tenanting and repositioning of a number of our strip shopping centers.

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

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

Liquidity and Capital Resources – continued

Insurance

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

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

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

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

Other Commitments and Contingencies

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2012, the aggregate dollar amount of these guarantees and master leases is approximately $310,249,000.

At December 31, 2012, $22,807,000 of letters of credit were outstanding under one of our revolving credit facilities. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

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

Two of our wholly owned subsidiaries that are contracted to develop and operate the Cleveland Medical Mart and Convention Center, in Cleveland, Ohio, are required to fund $11,500,000, primarily for tenant improvements, and they are responsible for operating expenses and are entitled to the net operating income, if any, upon the completion of development and the commencement of operations. As of December 31, 2012, our subsidiaries have funded $1,100,000 of the commitment.

As of December 31, 2012, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $163,130,000.

Liquidity and Capital Resources – continued

Litigation

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

In 2003, Stop & Shop filed an action against us in the New York Supreme Court, claiming that we had no right to reallocate and therefore continue to collect $5,000,000 ($6,000,000 beginning February 1, 2012) of annual rent from Stop & Shop pursuant to a Master Agreement and Guaranty, because of the expiration of the leases to which the annual rent was previously allocated. Stop & Shop asserted that an order of the Bankruptcy Court for the Southern District of New York, as modified on appeal by the District Court, froze our right to reallocate and effectively terminated our right to collect the annual rent from Stop & Shop. We asserted a counterclaim seeking a judgment for all of the unpaid annual rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the annual rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. A trial was held in November 2010. On November 7, 2011, the Court determined that we had a continuing right to allocate the annual rent to unexpired leases covered by the Master Agreement and Guaranty, and directed entry of a judgment in our favor ordering Stop & Shop to pay us the unpaid annual rent accrued through February 28, 2011 in the amount of $37,422,000, a portion of the annual rent due from March 1, 2011 through the date of judgment, interest, and attorneys' fees. On December 16, 2011, a money judgment based on the Court's decision was entered in our favor in the amount of $56,597,000 (including interest and costs). Stop & Shop appealed the Court's decision and the judgment and posted a bond to secure payment of the judgment. On January 12, 2012, we commenced a new action against Stop & Shop seeking recovery of $2,500,000 of annual rent not included in the money judgment, plus additional annual rent as it accrues. At December 31, 2012, we had a $47,900,000 receivable from Stop & Shop, which is included as a component of "tenant and other receivables" on our consolidated balance sheet. On February 6, 2013, we received $124,000,000 pursuant to a settlement agreement with Stop & Shop. The settlement terminates our right to receive $6,000,000 of additional annual rent under the 1992 agreement, for a period potentially through 2031. As a result of this settlement, we collected the aforementioned $47,900,000 receivable and will recognize approximately $59,000,000 of net income in the first quarter of 2013.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2012

Our cash and cash equivalents were $960,319,000 at December 31, 2012, a $353,766,000 increase over the balance at December 31, 2011. Our consolidated outstanding debt was $11,296,190,000 at December 31, 2012, a $1,219,583,000 increase over the balance at December 31, 2011. As of December 31, 2012 and December 31, 2011, $1,170,000,000 and $138,000,000, respectively, was outstanding under our revolving credit facilities. During 2013 and 2014, $1,069,682,000 and $240,001,000 of our outstanding debt matures, respectively. We may refinance this maturing debt as it comes due or choose to repay it.

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

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

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

$39,073,000 of debt issuance and other costs, and (xi) $30,168,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings.

Liquidity and Capital Resources - continued

Capital Expenditures in the Year Ended December 31, 2012

Capital expenditures consist of expenditures to maintain assets, tenant improvement allowances and leasing commissions. Recurring capital improvements include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures to lease space that has been vacant for more than nine months and expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition, as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Below is a summary of capital expenditures, leasing commissions and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2012.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Expenditures to maintain assets	$ 69,912	$ 27,434	$ 20,582	$ 4,676	$ 10,635	$ 6,585
Tenant improvements	177,743	71,572	50,384	9,052	46,316	419
Leasing commissions	57,961	27,573	13,151	2,368	14,774	95
Non-recurring capital expenditures	6,902	5,822	-	-	-	1,080
Total capital expenditures and leasing commissions (accrual basis)	312,518	132,401	84,117	16,096	71,725	8,179
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	105,350	41,975	24,370	10,353	21,867	6,785
Expenditures to be made in future periods for the current period	(170,744)	(76,283)	(43,600)	(7,754)	(42,688)	(419)
Total capital expenditures and leasing commissions (cash basis)	$ 247,124	$ 98,093	$ 64,887	$ 18,695	$ 50,904	$ 14,545
Tenant improvements and leasing commissions:						
	$ 4.44	*$ 5.48*	*$ 4.86*	*$ 1.04*	*$ 5.56* (1)	*$ -*

Per square foot per annum						
Percentage of initial rent	*10.6%*	*8.8%*	*12.0%*	*5.2%*	*15.8%*	-

(1) Includes $6.50 per square foot per annum of tenant improvements and leasing commissions in connection with the 572,000 square foot Motorola Mobility / Google lease.

Development and Redevelopment Expenditures in the Year Ended December 31, 2012

Development and redevelopment expenditures consist of all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions, capitalized interest and operating costs until the property is substantially completed and ready for its intended use. Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2012.

(Amounts in thousands)	**Total**	**New York**	**Washington, DC**	**Retail Properties**	**Merchandise Mart**	**Other**
Springfield Mall	$ 18,278	$ -	$ -	$ 18,278	$ -	$ -
1290 Avenue of the Americas	16,778	16,778	-	-	-	-
Crystal Square 5	15,039	-	15,039	-	-	-
220 Central Park South	12,191	-	-	-	-	12,191
Bergen Town Center	11,404	-	-	11,404	-	-
510 Fifth Avenue	10,206	10,206	-	-	-	-
Marriott Marquis Times Square - retail and signage	9,092	9,092	-	-	-	-
1851 South Bell Street (1900 Crystal Drive)	6,243	-	6,243	-	-	-
Amherst, New York	5,585	-	-	5,585	-	-
Other	52,057	15,484	18,052	18,279	167	75
	$ 156,873	$ 51,560	$ 39,334	$ 53,546	$ 167	$ 12,266

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2011

Our cash and cash equivalents were $606,553,000 at December 31, 2011, a $84,236,000 decrease over the balance at December 31, 2010. Our consolidated outstanding debt was $10,076,607,000 at December 31, 2011, a $272,850,000 decrease from the balance at December 31, 2010.

Cash flows provided by operating activities of $702,499,000 was comprised of (i) net income of $740,000,000, (ii) distributions of income from partially owned entities of $93,635,000, and (iii) $151,745,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, income from the mark-to-market of derivative positions in marketable equity securities, impairment losses and tenant buy-out costs, net realized and unrealized gains on Real Estate Fund assets and net gain on early extinguishment of debt, partially offset by (iv) the net change in operating assets and liabilities of $282,881,000, of which $184,841,000 relates to Real Estate Fund investments.

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

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

Liquidity and Capital Resources – continued

Capital Expenditures in the Year Ended December 31, 2011

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Expenditures to maintain assets	$ 58,463	$ 22,698	$ 18,939	$ 6,448	$ 5,918	$ 4,460
Tenant improvements	138,076	76,493	33,803	6,515	15,221	6,044
Leasing commissions	43,613	28,072	9,114	2,114	2,794	1,519
Non-recurring capital expenditures	19,442	17,157	-	-	-	2,285
Total capital expenditures and leasing commissions (accrual basis)	259,594	144,420	61,856	15,077	23,933	14,308
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	90,799	43,392	13,517	9,705	15,256	8,929
Expenditures to be made in future periods for the current period	(146,062)	(79,941)	(33,530)	(7,058)	(14,185)	(11,348)
Total capital expenditures and leasing commissions (cash basis)	$ 204,331	$ 107,871	$ 41,843	$ 17,724	$ 25,004	$ 11,889
Tenant improvements and leasing commissions:						
Per square foot per annum	*$ 3.81*	*$ 5.21*	*$ 4.47*	*$ 0.71*	*$ 3.95*	*$ -*
Percentage of initial rent	*9.1%*	*9.1%*	*10.8%*	*3.3%*	*12.3%*	*-*

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

				Retail	Merchandise	

(Amounts in thousands)	Total	New York	Washington, DC	Properties	Mart	Other
Bergen Town Center	$ 23,748	$ -	$ -	$ 23,748	$ -	$ -
510 Fifth Avenue	8,833	8,833	-	-	-	-
Other	48,903	6,627	20,496	18,580	898	2,302
	$ 81,484	$ 15,460	$ 20,496	$ 42,328	$ 898	$ 2,302

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Liquidity and Capital Resources – continued

Cash Flow for the Year Ended December 31, 2010

Our cash and cash equivalents were $690,789,000 at December 31, 2010, a $155,310,000 increase over the balance at December 31, 2009. Our consolidated outstanding debt was $10,349,457,000 at December 31, 2010, a $246,029,000 increase from the balance at December 31, 2009.

Cash flows provided by operating activities of $771,086,000 was comprised of (i) net income of $708,031,000, (ii) $129,491,000 of non-cash adjustments, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, income from the mark-to-market of derivative positions in marketable equity securities, litigation loss accrual and impairment losses, net gain on early extinguishment of debt, (iii) distributions of income from partially owned entities of $61,037,000, (iv) interest received on repayment on mezzanine loan of $40,467,000, partially offset by (v) the net change in operating assets and liabilities of $167,940,000, of which $144,423,000 relates to Real Estate Fund investments.

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

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

Liquidity and Capital Resources – continued

Capital Expenditures in the Year Ended December 31, 2010

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Merchandise Mart	Other
Expenditures to maintain assets	$ 53,051	$ 21,511	$ 17,532	$ 3,799	$ 6,099	$ 4,110
Tenant improvements	116,939	51,137	17,464	9,077	31,742	7,519
Leasing commissions	30,351	16,070	6,044	1,470	4,761	2,006
Non-recurring capital expenditures	5,381	3,192	-	795	-	1,394
Total capital expenditures and leasing commissions (accrual basis)	205,722	91,910	41,040	15,141	42,602	15,029
Adjustments to reconcile to cash basis:						
Expenditures in the current year applicable to prior periods	64,216	37,161	13,296	4,617	4,825	4,317
Expenditures to be made in future periods for the current period	(87,289)	(36,332)	(13,989)	(10,077)	(20,580)	(6,311)
Total capital expenditures and leasing commissions (cash basis)	$ 182,649	$ 92,739	$ 40,347	$ 9,681	$ 26,847	$ 13,035
Tenant improvements and leasing commissions:						
Per square foot per annum	$ *3.73*	$ *6.60*	$ *2.92*	$ *1.28*	$ *4.01*	$ -
Percentage of initial rent	*10.0%*	*12.7%*	*7.6%*	*5.7%*	*11.5%*	-

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

Retail	Merchandise

(Amounts in thousands)	Total	New York	Washington, DC	Properties	Mart	Other
220 Central Park South	$ 46,769	$ -	$ -	$ -	$ -	$ 46,769
Bergen Town Center	18,783	-	-	18,783	-	-
Residential condominiums	15,600	-	-	-	-	15,600
West End 25	9,997	-	9,997	-	-	-
1540 Broadway	8,091	8,091	-	-	-	-
Green Acres Mall	7,679	-	-	7,679	-	-
Other	49,856	12,054	16,592	17,899	2,667	644
	$ 156,775	$ 20,145	$ 26,589	$ 44,361	$ 2,667	$ 63,013

Funds From Operations ("FFO")

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

FFO attributable to common shareholders plus assumed conversions was $818,565,000, or $4.39 per diluted share for the year ended December 31, 2012, compared to $1,230,973,000, or $6.42 per diluted share for the year ended December 31, 2011. FFO attributable to common shareholders plus assumed conversions was $55,890,000, or $0.30 per diluted share for the three months ended December 31, 2012, compared to $280,369,000, or $1.46 per diluted share for the three months ended December 31, 2011. Details of certain items that affect comparability are discussed in the financial results summary of our "Overview."

(Amounts in thousands, except per share amounts)	**For The Year Ended December 31,**		**For The Three Months Ended December 31,**	
Reconciliation of our net income to FFO:	**2012**	**2011**	**2012**	**2011**
Net income attributable to Vornado	$ 617,260	$ 662,302	$ 86,135	$ 87,296
Depreciation and amortization of real property	504,407	530,113	125,069	152,655
Net gains on sale of real estate	(245,799)	(51,623)	(41,998)	-
Real estate impairment losses	129,964	28,799	116,453	28,799
Proportionate share of adjustments to equity in net income of				
Toys, to arrive at FFO:				
Depreciation and amortization of real property	68,483	70,883	17,777	18,039
Net gains on sale of real estate	-	(491)	-	-
Real estate impairment losses	9,824	-	1,430	-
Income tax effect of above adjustments	(27,493)	(24,634)	(6,728)	(6,314)
Proportionate share of adjustments to equity in net income of				
partially owned entities, excluding Toys, to arrive at FFO:				
Depreciation and amortization of real property	86,197	99,992	20,387	26,699

Net gains on sale of real estate	(241,602)	(9,276)	(239,551)	(1,916)
Real estate impairment losses	1,849	-	-	-
Noncontrolling interests' share of above adjustments	(16,649)	(40,957)	418	(13,733)
FFO	886,441	1,265,108	79,392	291,525
Preferred share dividends	(76,937)	(65,531)	(20,750)	(17,788)
Discount on preferred share and unit redemptions	8,948	5,000	(2,752)	-
FFO attributable to common shareholders	818,452	1,204,577	55,890	273,737
Interest on 3.88% exchangeable senior debentures	-	26,272	-	6,602
Convertible preferred share dividends	113	124	-	30
FFO attributable to common shareholders plus assumed conversions	$ 818,565	$ 1,230,973	$ 55,890	$ 280,369
Reconciliation of Weighted Average Shares				
Weighted average common shares outstanding	185,810	184,308	186,267	184,571
Effect of dilutive securities:				
Employee stock options and restricted share awards	670	1,658	599	1,392
Convertible preferred shares	50	55	-	52
3.88% exchangeable senior debentures	-	5,736	-	5,736
Denominator for FFO per diluted share	186,530	191,757	186,866	191,751
FFO attributable to common shareholders plus assumed conversions per diluted share	$ 4.39	$ 6.42	$ 0.30	$ 1.46

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

(Amounts in thousands, except per share amounts)	2012			2011	
	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	$ 3,167,181	1.93%	$ 31,672	$ 1,881,948	2.35%
Fixed rate	8,129,009	5.18%	-	8,194,659	5.55%
	$ 11,296,190	4.27%	31,672	$ 10,076,607	4.95%
Prorata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	$ 264,531	2.88%	2,645	$ 284,372	2.85%
Variable rate – Toys	703,922	5.69%	7,039	706,301	4.83%
Fixed rate (including $1,148,407 and $1,270,029 of Toys debt in 2012 and 2011)	3,030,476 (1)	7.04%	-	3,208,472	6.96%
	$ 3,998,929	6.53%	9,684	$ 4,199,145	6.32%
Redeemable noncontrolling interests' share of above			(2,564)		
Total change in annual net income			$ 38,792		
Per share-diluted			$ 0.21		

(1) Excludes $25.4 billion for our 26.2% pro rata share of LNR's liabilities related to consolidated CMBS and CDO trusts which are non-recourse to LNR and its equity holders, including us.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of December 31, 2012, we have one interest rate cap with a principal amount of $60,000,000 and a weighted average interest rate of 2.36%. This cap is based on a notional amount of $60,000,000 and caps LIBOR at a rate of 7.00%. In addition, we have one interest rate swap on a $425,000,000 mortgage loan that swapped the rate from LIBOR plus 2.00% (2.21% at December 31, 2012) to a fixed rate of 5.13% for the remaining six-year term of the loan.

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, 2012, the estimated fair value of our consolidated debt was $11,433,000,000.

Derivative Instruments

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in J.C. Penney common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in “interest and other investment income (loss), net” on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense in any given period. In the years ended December 31, 2012 and 2011, we recognized a loss of $75,815,000 and income of $12,984,000, respectively, from derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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