VORNADO REALTY TRUST
Form 10-K
February 17, 2015

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, 2014

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
Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
6.625% Series G	New York Stock Exchange
6.625% Series I	New York Stock Exchange
6.875% Series J	New York Stock Exchange
5.70% Series K	New York Stock Exchange
5.40% Series L	New York Stock Exchange

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

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. x

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 $18,241,786,000 at June 30, 2014.

As of December 31, 2014, there were 187,887,498 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 21, 2015.

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

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2014, portions of which are incorporated by reference herein.

Forward-Looking Statements

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

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

PART I

ITEM 1. BUSINESS

Vornado 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 94.1% of the common limited partnership interest in the Operating Partnership at December 31, 2014. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On January 15, 2015, we completed the spin-off of substantially all of our retail segment comprised of 79 strip shopping centers, three malls, a warehouse park and $225 million of cash to Urban Edge Properties ("UE") (NYSE: UE). As part of this transaction, we received 5,712,000 UE operating partnership units (5.4% ownership interest).

We currently own all or portions of:

New York:

- 20.1 million square feet of Manhattan office space in 31 properties;
- 2.5 million square feet of Manhattan street retail space in 56 properties;
- Four residential properties containing 1,654 units;
- 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:

- 16.1 million square feet of office space in 59 properties;

- Seven residential properties containing 2,414 units;

Other Real Estate and Related Investments:

- The 3.6 million square foot 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 real estate fund. We are the general partner and investment manager of the fund;

- A 32.6% interest in Toys "R" Us, Inc.; and

- Other real estate and related investments.

Objectives and Strategy

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

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

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

ACQUISITIONS

Since January 1, 2014, we completed the following acquisitions:

- A 74.3% interest in the retail condominium of the St. Regis Hotel, located on the Southeast corner of 55th Street and Fifth Avenue, for $700 million
- The land under our 715 Lexington Avenue retail property, located on the Southeast corner of 58th Street and Lexington Avenue in Manhattan, for $63 million
- We increased our ownership in One Park Avenue to 55.0% from 46.5% through a joint venture with an institutional investor

- We increased our ownership in Crowne Plaza Times Square Hotel to 33% from 11% by co-investing with our 25% owned Real Estate Fund and one of the Fund's limited partners to buy out the Fund's joint venture partner's 57% interest

Additional details about our acquisitions are provided in the "Overview" of Management's Discussion and Analysis of Financial Condition and Results of Operations.

DISPOSITIONS

Since January 1, 2014, we sold nine assets for an aggregate of $1.025 billion, with net proceeds of approximately $989 million. Below is a summary of these sales.

- 1740 Broadway for $605 million resulting in net proceeds of approximately $580 million
- Beverly Connection Shopping Center for $260 million resulting in net proceeds of $252 million
- Broadway Mall for $94 million resulting in net proceeds of $92.2 million
- Six retail assets for an aggregate of $66.4 million resulting in net proceeds of $64.8 million

Additional details about our dispositions are provided in the "Overview" of Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCINGS

Since January 1, 2014, we completed the following financing transactions:

- Extended one of two $1.25 billion unsecured revolving credit facilities to November 2018 with two six-month extension options, lowering the interest rate to LIBOR plus 1.05% from LIBOR plus 1.25% and reducing the facility fee to 20 basis points from 25 basis points
- Issued $450 million 2.50% senior unsecured notes due June 2019
- Redeemed $445 million 7.875% senior unsecured notes due October 2039
- Redeemed $500 million 4.25% senior unsecured notes due April 2015
- Obtained $2.0 billion of mortgage financings and repaid $519 million and defeased $193 million of existing mortgages for aggregate net proceeds of $1.3 billion

Additional details about our financings are provided in the "Overview" of Management's Discussion and Analysis of Financial Condition and Results of Operations.

SEGMENT DATA

We operate in the following business segments: New York, Washington, DC, Retail Properties, and Toys "R" Us ("Toys"). Financial information related to these business segments for the years ended December 31, 2014, 2013 and 2012 is set forth in Note 25 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K.

SEASONALITY

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

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2014, 2013 and 2012.

Certain Activities

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

Employees

As of December 31, 2014, we have approximately 4,503 employees, of which 329 are corporate staff. The New York segment has 3,400 employees, including 2,735 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 508 employees at the Hotel Pennsylvania. The Washington, DC and Retail Properties segments have 457 and 77 employees, respectively and the Mart properties have 240 employees. The foregoing does not include employees of partially owned entities.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of our Annual Report on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners 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:

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

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

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

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

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

Real estate is a competitive business.

We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments 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 global, 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 and employment trends.

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

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a majority of our income comes from renting of real property, our income, funds available to pay indebtedness and funds available for distribution to 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. The bankruptcy or insolvency of a major tenant could cause us to suffer lower revenues and operational difficulties, including leasing the remainder of the property. As a result, the bankruptcy or insolvency of a major tenant could result in decreased revenue, net income and funds available to pay our indebtedness or make distributions to shareholders.

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

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance

and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. Our predecessor companies may be subject to similar liabilities for activities of those companies in the past. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Each of our properties has been subject to varying degrees of environmental assessment. To date, these environmental assessments have not revealed any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, human exposure to contamination or changes in clean-up or compliance requirements could result in significant costs to us.

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

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

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

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

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

The occurrence of cyber incidents, or a deficiency in our cyber security, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, 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 primary risks that could directly result from the occurrence of a cyber incident are theft of assets, operational interruption, damage to our relationship with our tenants, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

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

We maintain general liability insurance with limits of $300,000,000 per occurrence and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a $180,000,000 annual aggregate. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological ("NBCR") terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of $3,200,000 and 15% of the balance of a covered loss (16% effective January 1, 2016) and the Federal government is responsible for the remaining 85% of a covered loss (84% effective January 1, 2016). We are ultimately responsible for any loss incurred by PPIC.

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

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

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

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

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

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

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

In 2014, approximately 98% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City metropolitan area and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

- financial performance and productivity of the media, advertising, financial, technology, retail, insurance and real estate industries;

- space needs of, and budgetary constraints affecting, the United States Government, including the effect of a deficit reduction plan and/or base closures and repositioning under the Defense Base Closure and Realignment Act of 2005, as amended;

- business layoffs or downsizing;

- industry slowdowns;

- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

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

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

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

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

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

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

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

We may acquire, develop or redevelop properties or acquire real estate related companies when we believe doing so is consistent with our business strategy. We may not succeed in (i) developing, redeveloping or acquiring real estate and real estate related companies; (ii) completing these activities on time or within budget; and (iii) leasing or selling developed, redeveloped or acquired properties at amounts sufficient to cover our costs. Competition in these activities could also significantly increase our costs. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in weaker than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred. Furthermore, we may be exposed to the liabilities of properties or companies acquired, some of which we may not be aware of at the time of acquisition.

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

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

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

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

We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn similar returns.

As part of an acquisition of a property, or a portfolio of properties, we may agree, and in the past have agreed, not to dispose of the acquired properties or reduce the mortgage indebtedness for a long-term period, unless we pay certain of the resulting tax costs of the seller. These agreements could result in us holding on to properties that we would otherwise sell and not pay down or refinance. In addition, when we dispose of or sell assets, we may not be able to reinvest the sales proceeds and earn returns similar to those generated by the assets that were sold.

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

From time to time we have made, and in the future we may seek to make, investments in companies that we may not control, including, but not limited to, Alexander's, Inc. ("Alexander's"), Toys "R" Us ("Toys"), Lexington Realty Trust ("Lexington"), and other equity and mezzanine investments. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from investing and operating real estate, including operating or managing toy stores. Consequently, we are subject to operating and financial risks of those industries and to the risks associated with lack of control, such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing directly or indirectly with these partners or entities. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

We are subject to risks that affect the general and New York City retail environments.

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

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

We carry our Toys investment at zero. As a result, we no longer record our equity in Toys' income or loss. Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal and substantially all of Toys net income is generated in its fourth quarter. It is possible that the value of Toys may increase and we could again resume recording our equity in Toys' income or loss, which would increase the seasonality and volatility of our reported earnings.

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

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

We invest in marketable equity securities. The value of these investments may decline as a result of operating performance or economic or market conditions.

We invest in marketable equity securities of publicly-traded companies, such as Lexington Realty Trust. As of December 31, 2014, our marketable securities have an aggregate carrying amount of $206,323,000, 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, 2014, there were three series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of $56,206,000.

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

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

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

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

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

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

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we may fail to remain so qualified. Qualifications are governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations and depend on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the relevant tax laws and/or the federal income tax consequences of qualifying as a REIT. If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If we had to pay federal income tax, the amount of money available to distribute to shareholders and pay our indebtedness would be reduced for the year or years involved, and we would no longer be required to make distributions to shareholders. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions.

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

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

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

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

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

Our Amended and Restated Declaration of Trust (the "declaration of trust") sets limits on the ownership of our shares.

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

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

The MGCL imposes conditions and restrictions on certain "business combinations" (including, among other transactions, a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance of equity securities) between a Maryland REIT and certain persons who beneficially own at least 10% of the corporation's stock (an "interested shareholder"). Unless approved in advance by the board of trustees of the trust, or otherwise exempted by the statute, such a business combination is prohibited for a period of five years after the most recent date on which the interested shareholder became an interested shareholder. After such five-year period, a business combination with an interested shareholder must be: (a) recommended by the board of trustees of the trust, and (b) approved by the affirmative vote of at least (i) 80% of the trust's outstanding shares entitled to vote and (ii) two-thirds of the trust's outstanding shares entitled to vote which are not held by the interested shareholder with whom the business combination is to be effected, unless, among other things, the trust's common shareholders receive a "fair price" (as defined by the statute) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for his or her shares.

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 6.6% of the common shares of Vornado and 26.3% of the common stock of Alexander's Inc. (NYSE: ALX) ("Alexander's"), which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's.

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

We manage and lease the real estate assets of Interstate Properties under a management agreement for which we receive an annual fee equal to 4% of base rent and percentage rent. See the related party disclosures in the notes to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

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

As of December 31, 2014, 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, 2014. Mr. Roth is the Chairman of the Board and Chief Executive Office of Vornado, the Managing General Partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's and general partners of Interstate Properties. Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President – Finance and Chief Administrative Officer, is the Executive Vice President and Chief Financial Officer of Alexander's, and Stephen W. Theriot, our Chief Financial Officer, is the Assistant Treasurer of Alexander's.

We manage, develop and lease Alexander's properties under management and development agreements and leasing agreements under which we receive annual fees from Alexander's. See the related party disclosures in the notes to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

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

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

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

- our financial condition and performance;

- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;

- actual or anticipated quarterly fluctuations in our operating results and financial condition;

- our dividend policy;

- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;

- uncertainty and volatility in the equity and credit markets;

- fluctuations in interest rates;

- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;

- failure to meet analysts' revenue or earnings estimates;

- speculation in the press or investment community;

- strategic actions by us or our competitors, such as acquisitions or restructurings;

- the extent of institutional investor interest in us;

- the extent of short-selling of our common shares and the shares of our competitors;

- fluctuations in the stock price and operating results of our competitors;

- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;

- domestic and international economic factors unrelated to our performance; and

- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

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

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

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2014, we had authorized but unissued, 62,112,502 common shares of beneficial interest, $.04 par value and 57,266,023 preferred shares of beneficial interest, no par value; of which 19,488,139 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 11,200,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

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

Item 1b. unresolved staff comments

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

Item 2. Properties

We operate in four business segments: New York, Washington, DC, Retail Properties and Toys "R" Us. The following pages provide details of our real estate properties as of December 31, 2014.

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
NEW YORK:						
One Penn Plaza (ground leased through 2098)	100.0%	Office / Retail	95.1%	2,521,000	-	2,521,000
1290 Avenue of the Americas	70.0%	Office / Retail	97.8%	2,109,000	-	2,109,000
Two Penn Plaza	100.0%	Office / Retail	97.7%	1,619,000	-	1,619,000
666 Fifth Avenue Office Condominium [1]	49.5%	Office / Retail	76.9%	1,416,000	-	1,416,000
909 Third Avenue (ground leased through 2063)	100.0%	Office	100.0%	1,344,000	-	1,344,000
280 Park Avenue [1]	50.0%	Office / Retail	100.0%	755,000	486,000	1,241,000
Independence Plaza, Tribeca (1,328 units) [1]	50.1%	Residential / Retail	94.9%	1,241,000	-	1,241,000
Eleven Penn Plaza	100.0%	Office / Retail	99.1%	1,152,000	-	1,152,000
770 Broadway	100.0%	Office / Retail	100.0%	1,148,000	-	1,148,000
One Park Avenue [1]	55.0%	Office / Retail	96.8%	943,000	-	943,000
90 Park Avenue	100.0%	Office / Retail	97.2%	936,000	-	936,000
888 Seventh Avenue (ground leased through 2067)	100.0%	Office / Retail	93.7%	877,000	-	877,000
100 West 33rd Street	100.0%	Office	99.6%	849,000	-	849,000
330 Madison Avenue [1]	25.0%	Office / Retail	99.1%	838,000	-	838,000
330 West 34th Street (ground leased through 2148)	100.0%	Office / Retail	100.0%	379,000	292,000	671,000
650 Madison Avenue [1]	20.1%	Office / Retail	87.9%	598,000	-	598,000
350 Park Avenue	100.0%	Office / Retail	99.4%	570,000	-	570,000

150 East 58th Street	100.0%	Office / Retail	98.2%	544,000	-	544,000
7 West 34th Street	100.0%	Office / Retail	100.0%	480,000	-	480,000
20 Broad Street (ground leased through 2081)	100.0%	Office	99.3%	472,000	-	472,000
640 Fifth Avenue	100.0%	Office / Retail	89.9%	325,000	-	325,000
595 Madison Avenue	100.0%	Office / Retail	98.7%	322,000	-	322,000
50-70 W 93rd Street (326 units) (1)	49.9%	Residential	98.8%	283,000	-	283,000
Manhattan Mall	100.0%	Retail	92.6%	256,000	-	256,000
40 Fulton Street	100.0%	Office / Retail	99.0%	249,000	-	249,000
4 Union Square South	100.0%	Retail	100.0%	206,000	-	206,000
57th Street (5 buildings) (1)	50.0%	Office / Retail	96.6%	158,000	27,000	185,000
825 Seventh Avenue (1)	51.1%	Office / Retail	100.0%	174,000	-	174,000
1540 Broadway	100.0%	Retail	100.0%	160,000	-	160,000
Paramus	100.0%	Office	96.1%	129,000	-	129,000
608 Fifth Avenue (ground leased through 2033)	100.0%	Office / Retail	96.0%	125,000	-	125,000
666 Fifth Avenue Retail Condominium	100.0%	Retail	100.0%	114,000	-	114,000
1535 Broadway (Marriott Marquis - retail and signage) (ground and building leased through 2032)	100.0%	Retail / Theatre	100.0%	66,000	42,000	108,000
689 Fifth Avenue	100.0%	Office / Retail	100.0%	99,000	-	99,000
478-486 Broadway (2 buildings)	100.0%	Retail	100.0%	85,000	-	85,000
510 Fifth Avenue	100.0%	Retail	90.6%	65,000	-	65,000
655 Fifth Avenue	92.5%	Retail	100.0%	57,000	-	57,000
155 Spring Street	100.0%	Retail	98.5%	49,000	-	49,000
3040 M Street	100.0%	Retail	100.0%	44,000	-	44,000
435 Seventh Avenue	100.0%	Retail	100.0%	43,000	-	43,000
692 Broadway	100.0%	Retail	100.0%	35,000	-	35,000
697-703 Fifth Avenue (St. Regis)	74.3%	Retail	100.0%	25,000	-	25,000
715 Lexington	100.0%	Retail	100.0%	23,000	-	23,000
1131 Third Avenue	100.0%	Retail	85.9%	22,000	-	22,000
828-850 Madison Avenue	100.0%	Retail	100.0%	18,000	-	18,000
443 Broadway	100.0%	Retail	100.0%	16,000	-	16,000
484 Eighth Avenue	100.0%	Retail	n/a	16,000	-	16,000
334 Canal Street	100.0%	Retail	100.0%	3,000	12,000	15,000
304 Canal Street	100.0%	Retail	n/a	-	14,000	14,000

40 East 66th Street	100.0%	Retail	100.0%	11,000	-	11,000
431 Seventh Avenue	100.0%	Retail	100.0%	10,000	-	10,000
677-679 Madison Avenue	100.0%	Retail	100.0%	8,000	-	8,000
148 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000
150 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
NEW YORK - continued:						
966 Third Avenue	100.0%	Retail	100.0%	7,000	-	7,000
267 West 34th Street	100.0%	Retail	100.0%	6,000	-	6,000
488 Eighth Avenue	100.0%	Retail	100.0%	6,000	-	6,000
968 Third Avenue (1)	50.0%	Retail	100.0%	6,000	-	6,000
Hotel Pennsylvania	100.0%	Hotel	n/a	1,400,000	-	1,400,000
Alexander's, Inc.:						
731 Lexington Avenue (1)	32.4%	Office / Retail	100.0%	1,059,000	-	1,059,000
Rego Park II, Queens (1)	32.4%	Retail	98.9%	609,000	-	609,000
Rego Park I, Queens (1)	32.4%	Retail	100.0%	343,000	-	343,000
Rego Park II Apartment Tower, Queens (1)	32.4%	Residential	n/a	-	255,000	255,000
Flushing, Queens (1)	32.4%	Retail	100.0%	167,000	-	167,000
Paramus, New Jersey (30.3 acres ground leased through 2041) (1)	32.4%	Retail	100.0%	-	-	-
Rego Park III, Queens (3.2 acres) (1)	32.4%	n/a	n/a	-	-	-
Total New York			**96.4%**	**27,604,000**	**1,128,000**	**28,732,000**
Vornado's Ownership Interest			**96.9%**	**21,856,000**	**699,000**	**22,555,000**
WASHINGTON, DC:						
2011-2451 Crystal Drive (5 buildings)	100.0%	Office	89.3%	2,321,000	-	2,321,000
Skyline Properties (7 buildings)	100.0%	Office	42.2%	2,130,000	-	2,130,000
S. Clark Street / 12th Street (5 buildings)	100.0%	Office	76.9%	1,540,000	-	1,540,000
1550-1750 Crystal Drive / 241-251 18th Street (4 buildings)	100.0%	Office	80.4%	1,484,000	-	1,484,000
1800, 1851 and 1901 South Bell Street (3 buildings)	100.0%	Office	93.8%	506,000	363,000	869,000
Fashion Centre Mall (1)	7.5%	Office	98.0%	821,000	-	821,000
Rosslyn Plaza (4 buildings) (1)	46.2%	Office	55.8%	534,000	202,000	736,000
1825-1875 Connecticut Avenue, NW						

(Universal Buildings) (2 buildings)	100.0%	Office	98.4%	685,000	-	685,000
Waterfront Station (1)	2.5%	Office	n/a	-	675,000	675,000
2200 / 2300 Clarendon Blvd (Courthouse Plaza) (ground leased through 2062) (2 buildings)	100.0%	Office	94.7%	638,000	-	638,000
1299 Pennsylvania Avenue, NW (Warner Building) (1)	55.0%	Office	77.4%	613,000	-	613,000
Fairfax Square (3 buildings) (1)	20.0%	Office	86.2%	559,000	-	559,000
2100 / 2200 Crystal Drive (2 buildings)	100.0%	Office	100.0%	529,000	-	529,000
One Skyline Tower	100.0%	Office	100.0%	518,000	-	518,000
Commerce Executive (3 buildings)	100.0%	Office	86.8%	400,000	19,000	419,000
2101 L Street, NW	100.0%	Office	99.0%	380,000	-	380,000
1501 K Street, NW (1)	5.0%	Office	100.0%	379,000	-	379,000
223 23rd Street / 2221 South Clark Street (2 buildings)	100.0%	Office	n/a	-	316,000	316,000
1750 Pennsylvania Avenue, NW	100.0%	Office	94.0%	277,000	-	277,000
1150 17th Street, NW	100.0%	Office	91.7%	241,000	-	241,000
875 15th Street, NW (Bowen Building)	100.0%	Office	100.0%	231,000	-	231,000
Democracy Plaza One (ground leased through 2084)	100.0%	Office	92.4%	216,000	-	216,000
1101 17th Street, NW (1)	55.0%	Office	97.2%	214,000	-	214,000
1730 M Street, NW	100.0%	Office	90.8%	203,000	-	203,000
Washington Tower (1)	7.5%	Office	100.0%	170,000	-	170,000
2001 Jefferson Davis Highway	100.0%	Office	63.1%	162,000	-	162,000
1399 New York Avenue, NW	100.0%	Office	90.4%	129,000	-	129,000
1726 M Street, NW	100.0%	Office	98.0%	92,000	-	92,000
Crystal City Shops at 2100	100.0%	Office	96.0%	80,000	-	80,000
Crystal Drive Retail	100.0%	Office	100.0%	57,000	-	57,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
WASHINGTON, DC - continued:						
Riverhouse (1,670 units) (3 buildings)	100.0%	Residential	97.4%	1,802,000	-	1,802,000
The Bartlett	100.0%	Residential	n/a	-	618,000	618,000
West End 25 (283 units)	100.0%	Residential	96.8%	273,000	-	273,000
220 20th Street (265 units)	100.0%	Residential	98.5%	269,000	-	269,000
Crystal City Hotel	100.0%	Hotel	100.0%	266,000	-	266,000
Rosslyn Plaza (196 units) (2 buildings) (1)	43.7%	Residential	95.9%	253,000	-	253,000
Met Park / Warehouses	100.0%	Warehouse	100.0%	109,000	20,000	129,000
Other (3 buildings)	100.0%	Other	100.0%	9,000	2,000	11,000
Total Washington, DC			**84.5%**	**19,090,000**	**2,215,000**	**21,305,000**
Vornado's Ownership Interest			**83.8%**	**16,570,000**	**1,442,000**	**18,012,000**

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES:						
Wayne Town Center, Wayne, NJ (ground leased through 2064)	100.0%	Strip	100.0%	544,000	119,000	663,000
Allentown, PA	100.0%	Strip	100.0%	554,000	-	554,000
Bronx (Bruckner Boulevard), NY	100.0%	Strip	89.6%	501,000	-	501,000
East Brunswick, NJ	100.0%	Strip	100.0%	427,000	-	427,000
North Bergen (Tonnelle Avenue), NJ	100.0%	Strip	98.9%	410,000	-	410,000
East Hanover (200 - 240 Route 10 West), NJ	100.0%	Strip	86.3%	343,000	-	343,000
Wilkes-Barre, PA (461 - 499 Mundy Street), PA	100.0%	Strip	91.7%	329,000	-	329,000
Huntington, NY	100.0%	Strip	100.0%	324,000	-	324,000
Buffalo (Amherst), NY	100.0%	Strip	100.0%	311,000	-	311,000
Bricktown, NJ	100.0%	Strip	92.8%	278,000	-	278,000
Union (Route 22 and Morris Avenue), NJ	100.0%	Strip	99.4%	276,000	-	276,000
Hackensack, NJ	100.0%	Strip	74.5%	275,000	-	275,000
Totowa, NJ	100.0%	Strip	100.0%	271,000	-	271,000
Cherry Hill, NJ	100.0%	Strip	97.3%	261,000	-	261,000
Jersey City, NJ	100.0%	Strip	100.0%	236,000	-	236,000

Union (2445 Springfield Avenue), NJ	100.0%	Strip	100.0%	232,000	-	232,000
Middletown, NJ	100.0%	Strip	94.9%	231,000	-	231,000
Lancaster, PA	100.0%	Strip	82.1%	228,000	-	228,000
Woodbridge NJ	100.0%	Strip	100.0%	226,000	-	226,000
Chicopee, MA	100.0%	Strip	100.0%	224,000	-	224,000
Marlton, NJ	100.0%	Strip	100.0%	213,000	-	213,000
North Plainfield, NJ	100.0%	Strip	88.3%	212,000	-	212,000
Bergen Town Center - East, Paramus, NJ	100.0%	Strip	93.6%	211,000	-	211,000
Manalapan, NJ	100.0%	Strip	100.0%	208,000	-	208,000
Rochester, NY	100.0%	Strip	100.0%	205,000	-	205,000
East Rutherford, NJ	100.0%	Strip	100.0%	197,000	-	197,000
Garfield, NJ	100.0%	Strip	100.0%	195,000	-	195,000
Mt. Kisco, NY	100.0%	Strip	100.0%	189,000	-	189,000
Newington, CT	100.0%	Strip	100.0%	188,000	-	188,000
Bensalem, PA	100.0%	Strip	98.9%	185,000	-	185,000
Springfield, MA	100.0%	Strip	100.0%	182,000	-	182,000
Morris Plains, NJ	100.0%	Strip	95.9%	177,000	-	177,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES - continued:						
Dover, NJ	100.0%	Strip	93.0%	173,000	-	173,000
Freeport (437 East Sunrise Highway), NY	100.0%	Strip	100.0%	173,000	-	173,000
Lodi (Route 17 North), NJ	100.0%	Strip	100.0%	171,000	-	171,000
Watchung, NJ	100.0%	Strip	96.6%	170,000	-	170,000
Broomall, PA	100.0%	Strip	100.0%	169,000	-	169,000
Rochester (Henrietta), NY (ground leased through 2056)	100.0%	Strip	96.2%	165,000	-	165,000
Staten Island, NY	100.0%	Strip	88.2%	165,000	-	165,000
Baltimore (Towson), MD	100.0%	Strip	100.0%	155,000	-	155,000
Waterbury, CT	100.0%	Strip	68.8%	148,000	-	148,000
Bethlehem, PA	100.0%	Strip	98.9%	147,000	-	147,000
Lawnside, NJ	100.0%	Strip	100.0%	145,000	-	145,000
Annapolis, MD (ground and building leased through 2042)	100.0%	Strip	100.0%	128,000	-	128,000
Hazlet, NJ	100.0%	Strip	100.0%	123,000	-	123,000
Glen Burnie, MD	100.0%	Strip	90.5%	121,000	-	121,000
Norfolk, VA (ground and building leased through 2069)	100.0%	Strip	100.0%	114,000	-	114,000
York, PA	100.0%	Strip	86.2%	111,000	-	111,000
Kearny, NJ	100.0%	Strip	100.0%	104,000	-	104,000
Glenolden, PA	100.0%	Strip	100.0%	102,000	-	102,000
New Hyde Park, NY (ground and building leased through 2029)	100.0%	Strip	100.0%	101,000	-	101,000
Inwood, NY	100.0%	Strip	80.1%	96,000	-	96,000
Turnersville, NJ	100.0%	Strip	96.3%	96,000	-	96,000
Rockville, MD	100.0%	Strip	98.1%	94,000	-	94,000
Lodi (Washington Street), NJ	100.0%	Strip	94.1%	85,000	-	85,000
Milford, MA (ground and building leased through 2019)	100.0%	Strip	100.0%	83,000	-	83,000

Carlstadt, NJ (ground leased through 2050)	100.0%	Strip	100.0%	78,000	-	78,000
Bronx (1750-1780 Gun Hill Road), NY	100.0%	Strip	90.7%	77,000	-	77,000
Wyomissing, PA (ground and building leased through 2065)	100.0%	Strip	93.2%	76,000	-	76,000
West Babylon, NY	100.0%	Strip	95.4%	66,000	-	66,000
Wheaton, MD (ground leased through 2060)	100.0%	Strip	100.0%	66,000	-	66,000
Paramus, NJ (ground leased through 2033)	100.0%	Strip	100.0%	63,000	-	63,000
North Bergen (Kennedy Boulevard), NJ	100.0%	Strip	100.0%	62,000	-	62,000
South Plainfield, NJ (ground leased through 2039)	100.0%	Strip	85.9%	56,000	-	56,000
San Francisco (2675 Geary Street), CA (ground and building leased through 2043)	100.0%	Strip	100.0%	55,000	-	55,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES - continued:						
Cambridge, MA (ground and building leased through 2033)	100.0%	Strip	100.0%	48,000	-	48,000
Commack, NY (ground and building leased through 2021)	100.0%	Strip	100.0%	47,000	-	47,000
Arlington Heights, IL (ground and building leased through 2043)	100.0%	Strip	100.0%	46,000	-	46,000
Dewitt, NY (ground leased through 2041)	100.0%	Strip	100.0%	46,000	-	46,000
Charleston, SC (ground leased through 2063)	100.0%	Strip	100.0%	45,000	-	45,000
Signal Hill, CA	100.0%	Strip	100.0%	45,000	-	45,000
Vallejo, CA (ground leased through 2043)	100.0%	Strip	100.0%	45,000	-	45,000
Freeport (240 West Sunrise Highway), NY (ground and building leased through 2040)	100.0%	Strip	100.0%	44,000	-	44,000
San Antonio, TX (ground and building leased through 2041)	100.0%	Strip	100.0%	43,000	-	43,000
Chicago, IL (ground and building leased through 2051)	100.0%	Strip	100.0%	41,000	-	41,000
Englewood, NJ	100.0%	Strip	73.6%	41,000	-	41,000
Springfield, PA (ground and building leased through 2025)	100.0%	Strip	100.0%	41,000	-	41,000
Tyson's Corner, VA (ground and building leased through 2035)	100.0%	Strip	100.0%	38,000	-	38,000

Salem, NH (ground leased through 2102)	100.0%	Strip	100.0%	37,000	-	37,000
Owensboro, KY (ground and building leased through 2046)	100.0%	Strip	100.0%	32,000	-	32,000
Eatontown, NJ	100.0%	Strip	73.7%	30,000	-	30,000
Walnut Creek (1149 South Main Street), CA	100.0%	Strip	100.0%	29,000	-	29,000
East Hanover (280 Route 10 West), NJ	100.0%	Strip	100.0%	26,000	-	26,000
Montclair, NJ	100.0%	Strip	100.0%	18,000	-	18,000
Oceanside, NY	100.0%	Strip	100.0%	16,000	-	16,000
Walnut Creek (Mt. Diablo), CA	95.0%	Strip	100.0%	7,000	-	7,000
Monmouth Mall, Eatontown, NJ (1)	50.0%	Mall	92.5%	1,463,000	-	1,463,000
Bergen Town Center - West, Paramus, NJ	100.0%	Mall	99.4%	952,000	-	952,000
Montehiedra, Puerto Rico	100.0%	Mall	90.9%	542,000	-	542,000
Las Catalinas, Puerto Rico	100.0%	Mall	94.0%	494,000	-	494,000
Total Retail Properties			**95.8%**	**16,797,000**	**119,000**	**16,916,000**
Vornado's Ownership Interest			**95.9%**	**15,273,000**	**119,000**	**15,392,000**

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
OTHER (The Mart):						
The Mart, Chicago	100.0%	Office / Retail / Showroom	94.7%	3,568,000	-	3,568,000
Other [1]	50.0%	Retail	100.0%	19,000	-	19,000
Total The Mart			**94.7%**	**3,587,000**	**-**	**3,587,000**
Vornado's Ownership Interest			**94.7%**	**3,578,000**	**-**	**3,578,000**
OTHER (555 California Street):						
555 California Street	70.0%	Office	97.0%	1,506,000	-	1,506,000
315 Montgomery Street	70.0%	Office / Retail	100.0%	231,000	-	231,000
345 Montgomery Street	70.0%	Office / Retail	100.0%	64,000	-	64,000
Total 555 California Street			**97.6%**	**1,801,000**	**-**	**1,801,000**
Vornado's Ownership Interest			**97.6%**	**1,261,000**	**-**	**1,261,000**

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
OTHER (Vornado Capital Partners Real Estate Fund) [2] :						
800 Corporate Pointe, Culver City, CA (2 buildings)	100.0%	Office	57.0%	243,000	-	243,000
Crowne Plaza Times Square, NY	38.2%	Office / Retail / Hotel	100.0%	235,000	-	235,000
Lucida, 86th Street and Lexington Avenue, NY (ground leased through 2082)	100.0%	Retail / Residential	100.0%	146,000	-	146,000
1100 Lincoln Road, Miami, FL	100.0%	Retail / Theatre	100.0%	127,000	-	127,000
520 Broadway, Santa Monica, CA	100.0%	Office	90.9%	112,000	-	112,000
11 East 68th Street Retail, NY	100.0%	Retail	100.0%	8,000	3,000	11,000

501 Broadway, NY	100.0%	Retail	100.0%	9,000	-	9,000
Total Real Estate Fund Properties			**84.4%**	**880,000**	**3,000**	**883,000**
Vornado's Ownership Interest			**84.4%**	**184,000**	**1,000**	**185,000**
OTHER:						
85 Tenth Avenue, Manhattan	n/a (3)	Office / Retail	100.0%	613,000	-	613,000
East Hanover Warehouse Park (5 buildings)	100.0%	Warehouse	60.8%	942,000	-	942,000
Total Other			**76.3%**	**1,555,000**	**-**	**1,555,000**
Vornado's Ownership Interest			**60.8%**	**942,000**	**-**	**942,000**

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

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

(3) As of December 31, 2014, we own junior and senior mezzanine loans of 85 Tenth Avenue with an accreted balance of $147.6 million. The junior and senior mezzanine loans bear paid-in-kind interest of 12% and 9%, respectively and mature in May 2017. We account for our investment in 85 Tenth Avenue using the equity method of accounting because we will receive a 49.9% interest in the property after repayment of the junior mezzanine loan. As a result of recording our share of the GAAP losses of the property, the net carrying amount of these loans is $28.2 million on our consolidated balance sheets.

New York

As of December 31, 2014, our New York segment consisted of 27.6 million square feet in 72 properties. The 27.6 million square feet is comprised of 20.1 million square feet of office space in 31 properties, 2.5 million square feet of retail space in 56 properties, four residential properties containing 1,654 units, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, Inc. ("Alexander's"), which owns six properties in the greater New York metropolitan area. The New York segment also includes 10 garages totaling 1.7 million square feet (4,909 spaces) which are managed by, or leased to, third parties.

New York lease terms generally range from five to seven years for smaller tenants to as long as 20 years for major tenants, and may provide for extension options at market rates. Leases typically provide for periodic step ups in rent over the term of the lease and pass through to tenants their share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for free rent and tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

As of December 31, 2014, the occupancy rate for our New York segment was 96.9%.

Occupancy and weighted average annual rent per square foot:

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2014	20,052,000	16,808,000	96.9 %	$ 65.37
2013	19,217,000	15,776,000	96.5 %	61.86
2012	18,792,000	15,811,000	95.7 %	60.18
2011	18,637,000	15,664,000	96.1 %	58.68
2010	15,592,000	14,413,000	96.0 %	56.13

Retail:

		Vornado's Ownership Interest		
	Total Property Square Feet	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**

As of December 31,				
2014	2,450,000	2,179,000	96.4 %	$ 174.08
2013	2,370,000	2,147,000	97.4 %	162.92
2012	2,192,000	2,032,000	96.8 %	148.71
2011	2,234,000	1,975,000	95.6 %	105.36
2010	1,991,000	1,899,000	96.4 %	101.82

Residential:

As of December 31,	Number of Units	Occupancy Rate	Average Monthly Rent Per Unit
2014	1,654	95.2 %	$ 3,163
2013	1,653	94.8 %	2,864
2012	1,651	96.5 %	2,672

NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2014 Revenues	Percentage of New York Revenues	Percentage of Total Revenues
IPG and affiliates	755,000	$ 40,327,000	2.8 %	1.5 %
AXA Equitable Life Insurance	423,000	37,725,000	2.6 %	1.4 %
Macy’s	646,000	35,337,000	2.4 %	1.3 %

2014 rental revenue by tenants’ industry:

Industry		Percentage
Office:		
	Financial Services	14 %
	Communications	7 %
	Family Apparel	6 %
	Real Estate	6 %
	Legal Services	6 %
	Insurance	4 %
	Advertising / Marketing	4 %
	Publishing	3 %
	Technology	3 %
	Banking	2 %
	Pharmaceutical	2 %
	Engineering, Architect & Surveying	2 %
	Home Entertainment & Electronics	2 %
	Government	2 %
	Health Services	1 %
	Other	10 %
		74 %
Retail:		
	Family Apparel	8 %
	Women's Apparel	5 %
	Luxury Retail	3 %
	Banking	2 %
	Restaurants	2 %
	Department Stores	1 %
	Discount Stores	1 %
	Other	4 %
		26 %
Total		100 %

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NEW YORK – CONTINUED

Lease expirations as of December 31, 2014, 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	13	38,000	0.2 %	$ 2,044,000	$ 53.79
2015	100	846,000 (1)	5.5 %	54,370,000	64.27 (1)
2016	156	1,246,000	8.0 %	78,552,000	63.04
2017	85	713,000	4.6 %	45,551,000	63.89
2018	96	1,017,000 (2)	6.6 %	76,091,000	74.82
2019	95	987,000	6.4 %	66,135,000	67.01
2020	97	1,367,000	8.8 %	81,391,000	59.54
2021	58	1,139,000	7.4 %	74,125,000	65.08
2022	56	862,000	5.6 %	54,673,000	63.43
2023	44	1,587,000	10.2 %	110,510,000	69.63
2024	59	1,098,000	7.1 %	79,538,000	72.44
Retail:					
Month to month	4	32,000	1.7 %	$ 4,809,000	$ 150.28
2015	18	94,000 (3)	5.1 %	20,242,000	215.34 (3)
2016	14	56,000 (4)	3.0 %	16,378,000	292.46
2017	7	14,000	0.8 %	2,999,000	214.21
2018	29	159,000	8.6 %	38,525,000	242.30
2019	20	121,000	6.5 %	30,882,000	255.22
2020	19	61,000	3.3 %	8,909,000	146.05
2021	8	38,000 (5)	2.1 %	7,361,000	193.71
2022	8	30,000	1.6 %	3,641,000	121.37
2023	12	81,000	4.4 %	18,271,000	225.57
2024	11	171,000	9.2 %	53,064,000	310.32

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(1) Based on current market conditions, we expect to re-lease this space at weighted average rents ranging from $70 to $75 per square foot.

(2) Excludes 492,000 square feet leased to the U.S. Post Office through 2038 (including four 5-year renewal options) for which the annual escalated rent is $11.27 per square foot.

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

(4) Excludes 141,000 square feet leased to Kmart through 2036 (including four 5-year renewal options) for which the annual escalated rent is $43.94 per square foot.

(5) Excludes 146,000 square feet leased to Kmart through 2036 (including four 5-year renewal options) for which the annual escalated rent is $37.64 per square foot.

Alexander’s

As of December 31, 2014, 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 $1.03 billion of outstanding debt at December 31, 2014, of which our pro rata share was $334.6 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,				
	2014	**2013**	**2012**	**2011**	**2010**
Hotel:					
Average occupancy rate	92.0 %	93.4 %	89.1 %	89.1 %	83.2 %
Average daily rate	$ 161.93	$ 158.01	$ 152.79	$ 152.53	$ 144.21
Revenue per available room	$ 148.93	$ 147.63	$ 136.21	$ 135.87	$ 120.00

Washington, DC

As of December 31, 2014, our Washington, DC segment consisted of 72 properties aggregating 19.1 million square feet comprised of 16.1 million square feet of office space in 59 properties, seven residential properties containing 2,414 units and a hotel property. In addition, we are in the process of developing a 699-unit residential project with a 37,000 square foot Whole Foods Market at the base of the building and own 18.2 acres of undeveloped land. The Washington, DC segment also includes 56 garages totaling approximately 8.9 million square feet (29,628 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, 2014, the occupancy rate for our Washington DC segment was 83.8%, and 25.8% of the occupied space was leased to various agencies of the U.S. Government.

Occupancy and weighted average annual rent per square foot:

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2014	16,109,000	13,731,000	80.9 %	$ 42.80
2013	16,233,000	13,803,000	80.7 %	42.44
2012	16,106,000	13,637,000	81.2 %	41.57
2011	16,623,000	14,162,000	89.3 %	40.80
2010	17,219,000	14,035,000	94.8 %	39.65

Residential:

	Number of Units	Occupancy Rate	Average Monthly Rent Per Unit

As of December 31,			
2014	2,414	97.4 %	$ 2,078
2013	2,405	96.3 %	2,101
2012	2,414	97.9 %	2,145
2011	2,414	96.6 %	2,056
2010	2,414	95.5 %	1,925

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2014 Revenues	Percentage of Washington, DC Revenues	Percentage of Total Revenues
U.S. Government	3,576,000	$ 133,050,000	24.8 %	5.0 %
Boeing	253,000	17,249,000	3.2 %	0.7 %
Lockheed Martin	329,000	14,755,000	2.8 %	0.6 %
Family Health International	359,000	12,407,000	2.3 %	0.5 %
Arlington County	241,000	11,728,000	2.2 %	0.4 %

WASHINGTON, DC – CONTINUED

2014 rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	29%
Government Contractors	14%
Membership Organizations	8%
Legal Services	5%
Manufacturing	4%
Business Services	3%
Management Consulting Services	3%
State and Local Government	2%
Computer and Data Processing	2%
Health Services	2%
Food	2%
Real Estate	2%
Education	2%
Communication	1%
Television Broadcasting	1%
Other	20%
	100%

Lease expirations as of December 31, 2014, 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	38	324,000	3.1 %	$ 9,293,000	$ 28.70
2015	211	1,680,000 (1)	16.1 %	72,084,000	42.90 (1)
2016	140	1,179,000	11.3 %	50,596,000	42.93
2017	88	626,000	6.0 %	25,649,000	40.97
2018	97	987,000	9.5 %	43,790,000	44.36
2019	80	1,557,000	15.0 %	65,604,000	42.13
2020	61	728,000	7.0 %	36,326,000	49.89
2021	24	573,000	5.5 %	26,117,000	45.58
2022	35	963,000	9.3 %	42,194,000	43.80
2023	12	161,000	1.5 %	7,473,000	46.38
2024	30	374,000	3.6 %	14,547,000	38.85

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

Base Realignment and Closure (“BRAC”)

Our Washington, DC segment was impacted by the BRAC statute, which required the Department of Defense (“DOD”) to relocate from 2,395,000 square feet in our buildings in the Northern Virginia area to government owned military bases. See page 47 for the status of BRAC related move-outs.

RETAIL PROPERTIES

During 2014, we substantially completed our exit from our Retail Properties segment which comprises our non-Manhattan strip shopping centers and regional malls business as follows:

On February 24, 2014, we sold the Broadway Mall in Hicksville, Long Island, New York, for $94,000,000.

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to Pennsylvania Real Estate Investment Trust (NYSE: PEI) ("PREIT") in exchange for $465,000,000 comprised of $340,000,000 of cash and $125,000,000 of PREIT operating partnership units. The redevelopment was substantially completed in October 2014, at which time we reclassified the assets, liabilities and financial results to discontinued operations. The transfer of the property to PREIT is expected to be completed no later than March 31, 2015.

On July 8, 2014, we sold the Beverly Connection, a 335,000 square foot power shopping center in Los Angeles, California, for $260,000,000, of which $239,000,000 was cash and $21,000,000 was 10-year mezzanine seller financing.

We sold six small retail assets during 2014 in separate transactions, for an aggregate of $66,410,000 in cash.

On January 15, 2015, we spun-off 79 strip shopping centers, three malls, and a warehouse park to Urban Edge Properties ("UE") (NYSE: UE). Beginning with the first quarter of 2015, the financial results of these properties will be classified as discontinued operations.

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 2014.

As of December 31, 2014, the occupancy rate for the Retail Properties segment was 95.9%.

SEASONALITY

Occupancy and weighted average annual rent per square foot:

Strip Shopping Centers:

As of December 31,	Total Property Square Feet	Vornado's Ownership Interest: Square Feet	Vornado's Ownership Interest: Occupancy Rate	Vornado's Ownership Interest: Weighted Average Annual Net Rent Per Square Foot
2014	13,346,000	12,920,000	96.1 %	$ 17.45
2013	13,302,000	12,923,000	95.4 %	17.24
2012	13,080,000	12,701,000	95.2 %	16.93
2011	13,126,000	12,747,000	95.3 %	16.69
2010	13,028,000	12,675,000	94.6 %	15.98

Regional Malls:

As of December 31,	Total Property Square Feet	Vornado's Ownership Interest: Square Feet	Vornado's Ownership Interest: Occupancy Rate	Weighted Average Annual Net Rent Per Square Foot: Mall Tenants	Weighted Average Annual Net Rent Per Square Foot: Mall and Anchor Tenants
2014	3,451,000	2,353,000	95.1 %	$ 43.89	$ 26.30
2013	3,451,000	2,352,000	95.4 %	43.83	25.95
2012	3,424,000	2,326,000	93.6 %	46.37	26.20
2011	3,409,000	2,305,000	92.9 %	45.07	25.49
2010	3,362,000	2,133,000	93.5 %	45.18	26.47

RETAIL PROPERTIES – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2014 Revenues	Percentage of Retail Properties Revenues	Percentage of Total Revenues
The Home Depot	994,000	$ 19,431,000	5.9 %	0.7 %
Wal-Mart	1,439,000	18,144,000	5.5 %	0.7 %
Lowe's	976,000	13,120,000	4.0 %	0.5 %
Best Buy	443,000	12,536,000	3.8 %	0.5 %
The TJX Companies, Inc.	567,000	11,902,000	3.6 %	0.5 %
Stop & Shop / Koninklijke Ahold NV	633,000	10,471,000	3.2 %	0.4 %
Kohl's	716,000	9,554,000	2.9 %	0.4 %
Sears Holding Company (Kmart Corp. and Sears Corp.)	547,000	7,733,000	2.4 %	0.3 %
Shop Rite	337,000	7,587,000	2.3 %	0.3 %
BJ's Wholesale Club	454,000	7,411,000	2.3 %	0.3 %

2014 rental revenue by type of retailer

Industry	Percentage
Discount Stores	20 %
Home Improvement	11 %
Supermarkets	11 %
Family Apparel	8 %
Restaurants	8 %
Home Entertainment and Electronics	7 %
Banking and Other Business Services	4 %
Personal Services	4 %
Sporting Goods, Toys and Hobbies	4 %
Home Furnishings	3 %
Membership Warehouse Clubs	3 %
Women's Apparel	3 %
Other	14 %
	100 %

RETAIL PROPERTIES – CONTINUED

Lease expirations as of December 31, 2014, 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	7	38,000	0.3 %	$	1,036,000	$	27.03
2015	32	177,000 (1)	1.3 %		5,798,000		32.62 (1)
2016	60	606,000	4.3 %		10,304,000		16.99
2017	55	425,000	3.0 %		7,525,000		17.69
2018	53	1,293,000	9.2 %		18,767,000		14.51
2019	75	1,317,000	9.4 %		20,056,000		15.23
2020	47	1,142,000	8.2 %		15,751,000		13.79
2021	32	578,000	4.1 %		8,572,000		14.83
2022	43	927,000	6.6 %		11,147,000		12.03
2023	39	1,136,000	8.1 %		18,424,000		16.22
2024	46	1,225,000	8.7 %		14,966,000		12.22
Regional Malls:							
Month to month	10	30,000	0.2 %	$	952,000	$	32.10
2015	33	80,000 (2)	0.6 %		3,408,000		42.27 (2)
2016	33	87,000	0.6 %		4,065,000		46.75
2017	21	40,000	0.3 %		2,453,000		61.82
2018	24	53,000	0.4 %		3,476,000		65.09
2019	26	173,000	1.2 %		6,298,000		36.38
2020	23	105,000	0.7 %		4,738,000		45.22
2021	12	130,000	0.9 %		3,721,000		28.72
2022	6	37,000	0.3 %		1,370,000		37.28
2023	8	37,000	0.3 %		1,454,000		39.55
2024	10	105,000	0.7 %		3,253,000		31.06

(1) Based on current market conditions, we expect the space to be re-leased at weighted average rents ranging from $33 to $37 per square foot.

(2) Based on current market conditions, we expect the space to be re-leased at weighted average rents ranging from $43 to $47 per square foot.

OTHER INVESTMENTS

The Mart

As of December 31, 2014, we own the 3.6 million square foot the Mart in Chicago, whose largest tenant is Motorola Mobility, guaranteed by Google, which leases 608,000 square feet. The Mart is encumbered by a $550,000,000 mortgage loan that bears interest at a fixed rate of 5.57% and matures in December 2016. As of December 31, 2014 the Mart had an occupancy rate of 94.7% and a weighted average annual rent per square foot of $35.97.

555 California Street

As of December 31, 2014, 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 $597,868,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2014, 555 California Street had an occupancy rate of 97.6% and a weighted average annual rent per square foot of $65.98.

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

As of December 31, 2014, we own a 25.0% interest in the Fund. We are the general partner and investment manager of the Fund. At December 31, 2014, the Fund had seven investments which are carried at an aggregate fair value of $513,973,000. Our share of unfunded commitments is $36,031,000.

Toys "R" Us, Inc. ("Toys")

As of December 31, 2014 we own a 32.6% interest in Toys, a worldwide specialty retailer of toys and baby products, which has 1,826 stores worldwide. Toys had $11.3 billion of total assets and $5.7 billion of outstanding debt at November 1, 2014, of which our pro rata share of the outstanding debt was $1.9 billion, none of which is recourse to us.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

Quarterly high and low sales prices of the common shares and dividends paid per common share for the years ended December 31, 2014 and 2013 were as follows:

	Year Ended December 31, 2014			Year Ended December 31, 2013		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
1st	$ 100.02	$ 87.82	$ 0.73	$ 85.94	$ 79.43	$ 0.73
2nd	109.01	96.93	0.73	88.73	76.19	0.73
3rd	109.12	99.26	0.73	89.35	79.56	0.73
4th	120.23	93.09	0.73	91.91	82.73	0.73

As of February 1, 2015, there were 1,117 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2014, we issued 6,179 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, 2009 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.

	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Vornado Realty Trust	$ 100	$ 123	$ 118	$ 128	$ 147	$ 201
S&P 500 Index	100	115	117	136	180	205
The NAREIT All Equity Index	100	128	139	166	171	218

ITEM 6. SELECTED FINANCIAL DATA

(Amounts in thousands, except per share amounts)	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Operating Data:					
Revenues:					
Property rentals	$ 2,110,797	$ 2,081,115	$ 1,990,784	$ 2,015,461	$ 2,002,920
Tenant expense reimbursements	329,398	301,167	279,075	288,889	290,998
Cleveland Medical Mart development project	-	36,369	235,234	154,080	-
Fee and other income	195,745	250,618	144,124	149,165	146,140
Total revenues	2,635,940	2,669,269	2,649,217	2,607,595	2,440,058
Expenses:					
Operating	1,064,753	1,030,951	988,883	959,166	950,453
Depreciation and amortization	536,230	515,724	490,028	493,657	467,475
General and administrative	185,924	196,267	190,109	188,450	198,117
Cleveland Medical Mart development project	-	32,210	226,619	145,824	-
Acquisition and transaction related costs, and impairment losses	33,391	43,857	25,786	35,205	36,958
Total expenses	1,820,298	1,819,009	1,921,425	1,822,302	1,653,003
Operating income	815,642	850,260	727,792	785,293	787,055
Income (loss) from Real Estate Fund	163,034	102,898	63,936	22,886	(303)
(Loss) income applicable to Toys "R" Us	(73,556)	(362,377)	14,859	48,540	71,624
Income from partially owned entities	15,425	23,592	408,267	70,072	20,869
Interest and debt expense	(467,715)	(481,304)	(484,794)	(508,555)	(509,912)
Interest and other investment income (loss), net	38,787	(24,876)	(261,179)	148,537	234,913
Net gain on disposition of wholly owned and partially owned assets	13,568	3,407	13,347	15,134	81,432
Net loss on extinguishment of debt	-	-	-	-	(10,782)
Income before income taxes	505,185	111,600	482,228	581,907	674,896
Income tax (expense) benefit	(11,002)	6,406	(8,132)	(23,925)	(22,137)
Income from continuing operations	494,183	118,006	474,096	557,982	652,759
Income from discontinued operations	514,843	446,734	220,445	182,018	55,272

Net income	1,009,026	564,740	694,541	740,000	708,031
Less net income attributable to noncontrolling interests in:					
Consolidated subsidiaries	(96,561)	(63,952)	(32,018)	(21,786)	(4,920)
Operating Partnership	(47,563)	(23,659)	(35,327)	(41,059)	(44,033)
Preferred unit distributions of the Operating Partnership	(50)	(1,158)	(9,936)	(14,853)	(11,195)
Net income attributable to Vornado	864,852	475,971	617,260	662,302	647,883
Preferred share dividends	(81,464)	(82,807)	(76,937)	(65,531)	(55,534)
Preferred unit and share redemptions	-	(1,130)	8,948	5,000	4,382
Net income attributable to common shareholders	$ 783,388	$ 392,034	$ 549,271	$ 601,771	$ 596,731
Per Share Data:					
Income (loss) from continuing operations, net - basic	$ 1.59	$ (0.14)	$ 1.83	$ 2.34	$ 2.99
Income (loss) from continuing operations, net - diluted	1.58	(0.14)	1.82	2.32	2.96
Net income per common share - basic	4.18	2.10	2.95	3.26	3.27
Net income per common share - diluted	4.15	2.09	2.94	3.23	3.24
Dividends per common share	2.92	2.92	3.76 (1)	2.76	2.60
Balance Sheet Data:					
Total assets	$ 21,248,320	$ 20,097,224	$ 22,065,049	$ 20,446,487	$ 20,517,471
Real estate, at cost	18,845,392	17,418,946	17,365,533	15,444,754	15,165,420
Accumulated depreciation	(3,629,135)	(3,296,717)	(2,966,067)	(2,742,244)	(2,395,247)
Debt	10,898,859	9,978,718	11,042,050	9,710,265	9,971,527
Total equity	7,489,382	7,594,744	7,904,144	7,508,447	6,830,405

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

ITEM 6. SELECTED FINANCIAL DATA - CONTINUED

	Year Ended December 31,				
(Amounts in thousands)	**2014**	**2013**	**2012**	**2011**	**2010**
Other Data:					
Funds From Operations ("FFO")[1]:					
Net income attributable to Vornado	$ 864,852	$ 475,971	$ 617,260	$ 662,302	$ 647,883
Depreciation and amortization of real property	517,493	501,753	504,407	530,113	505,806
Net gains on sale of real estate	(507,192)	(411,593)	(245,799)	(51,623)	(57,248)
Real estate impairment losses	26,518	37,170	129,964	28,799	97,500
Proportionate share of adjustments to equity in net (loss) income of Toys, to arrive at FFO:					
Depreciation and amortization of real property	21,579	69,741	68,483	70,883	70,174
Net gains on sale of real estate	(760)	-	-	(491)	-
Real estate impairment losses	-	6,552	9,824	-	-
Income tax effect of above adjustments	(7,287)	(26,703)	(27,493)	(24,634)	(24,561)
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	96,187	87,529	86,197	99,992	78,151
Net gains on sale of real estate	(10,820)	(465)	(241,602)	(9,276)	(5,784)
Real estate impairment losses	-	-	1,849	-	11,481
Noncontrolling interests' share of above adjustments	(8,073)	(15,089)	(16,649)	(40,957)	(46,794)
FFO	992,497	724,866	886,441	1,265,108	1,276,608
Preferred share dividends	(81,464)	(82,807)	(76,937)	(65,531)	(55,534)
Preferred unit and share redemptions	-	(1,130)	8,948	5,000	4,382
FFO attributable to common shareholders	911,033	640,929	818,452	1,204,577	1,225,456
Convertible preferred share dividends	97	108	113	124	160
Interest on 3.88% exchangeable senior debentures	-	-	-	26,272	25,917

FFO attributable to common shareholders plus assumed conversions[1]	$ 911,130	$ 641,037	$ 818,565	$ 1,230,973	$ 1,251,533

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

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

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Overview

Vornado Realty Trust ("Vornado") is a fully integrated real estate investment trust ("REIT") and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 94.1% of the common limited partnership interest in the Operating Partnership at December 31, 2014. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On January 15, 2015, we completed the spin-off of substantially all of our retail segment comprised of 79 strip shopping centers, three malls, a warehouse park and $225 million of cash to Urban Edge Properties ("UE") (NYSE: UE). As part of this transaction, we received 5,712,000 UE operating partnership units (5.4% ownership interest). We are providing transition services to UE for an initial period of up to two years, including information technology, human resources, tax and public reporting. UE is providing us with leasing and property management services for (i) the Monmouth Mall, (ii) certain small retail properties which did not fit UE's strategy that we plan to sell, and (iii) our affiliate, Alexander's, Inc. (NYSE: ALX), Rego Park retail assets. Steven Roth, our Chairman and Chief Executive Officer is a member of the Board of Trustees of UE. The spin-off distribution was effected by Vornado distributing one UE common share for every two Vornado common shares. Beginning in the first quarter of 2015, the historical financial results of UE will be reflected in our consolidated financial statements as discontinued operations for all periods presented.

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

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the FTSE NAREIT Office Index ("Office REIT") and the Morgan Stanley REIT Index ("RMS") for the following periods ended December 31, 2014:

	Total Return[1]		
	Vornado	Office REIT	RMS
Three-months	18.5%	12.7%	14.3%
One-year	36.4%	25.9%	30.4%
Three-year	70.8%	51.7%	57.3%
Five-year	100.6%	78.2%	119.7%
Ten-year	131.1%	89.5%	122.2%

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

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

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

We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments than we are. Principal factors of competition include rents charged, sales prices, attractiveness of location, the quality of the property and the breadth and the quality of services provided. See “Risk Factors” in Item 1A for additional information regarding these factors.

Overview - continued

Year Ended December 31, 2014 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2014 was $783,388,000, or $4.15 per diluted share, compared to $392,034,000, or $2.09 per diluted share for the year ended December 31, 2013. Net income for the years ended December 31, 2014 and 2013 includes $518,772,000 and $412,058,000, respectively, of net gains on sale of real estate, and $26,518,000 and $43,722,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2014 and 2013 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 for the year ended December 31, 2014 by $371,567,000, or $1.97 per diluted share and $26,657,000, or $0.14 per diluted share for the year ended December 31, 2013.

Funds from operations attributable to common shareholders plus assumed conversions (“FFO”) for the year ended December 31, 2014 was $911,130,000, or $4.83 per diluted share, compared to $641,037,000, or $3.41 per diluted share for the prior year. FFO for the years ended December 31, 2014 and 2013 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 for the year ended December 31, 2014 by $69,122,000, or $0.37 per diluted share and $255,502,000, or $1.36 per diluted share for the year ended December 31, 2013.

	For the Year Ended December 31,	
(Amounts in thousands)	**2014**	**2013**
Items that affect comparability income (expense):		
Toys "R" Us negative FFO (including impairment losses of $75,196 and $240,757, respectively)	$ (60,024)	$ (312,788)
FFO from discontinued operations, including LNR in 2013	39,525	80,779
Acquisition and transaction related costs	(31,348)	(24,857)
Write-off of deferred financing costs and defeasance costs in connection with refinancings	(22,660)	(8,814)
Net gain on sale of residential condominiums and land parcels	13,568	2,997
Impairment loss and loan reserve on investment in Suffolk Downs	(10,263)	-
Losses from the disposition of investment in J.C. Penney	-	(127,888)
Stop & Shop litigation settlement income	-	59,599
Net gain on sale of marketable securities	-	31,741
Net gain on sale of Harlem Park property under development	-	23,507
Other, net	(2,097)	3,847

	(73,299)	(271,877)
Noncontrolling interests' share of above adjustments	4,177	16,375
Items that affect comparability, net	$ (69,122)	$ (255,502)

The percentage increase (decrease) in same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and cash basis same store EBITDA of our operating segments for the year ended December 31, 2014 over the year ended December 31, 2013 is summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**
December 31, 2014 vs. December 31, 2013			
Same store EBITDA	4.7%	(2.4%)	1.7%
Cash basis same store EBITDA	7.6%	(2.3%)	2.3%

Overview - continued

Quarter Ended December 31, 2014 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2014 was $513,238,000, or $2.72 per diluted share, compared to a net loss of $68,887,000, or $0.37 per diluted share for the quarter ended December 31, 2013. Net income for the quarter ended December 31, 2014 and net loss for the quarter ended December 31, 2013 include $460,216,000 and $127,512,000, respectively, of net gains on sale of real estate, and $5,676,000 and $32,899,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2014 and 2013 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarter ended December 31, 2014 by $400,211,000, or $2.12 per diluted share and decreased net loss attributable to common shareholders for the quarter ended December 31, 2013 by $167,086,000, or $0.89 per diluted share.

FFO for the quarter ended December 31, 2014 was a positive $230,143,000, or $1.22 per diluted share, compared to a negative $6,784,000, or $0.04 per diluted share for the prior year's quarter. FFO for the quarters ended December 31, 2014 and 2013 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO for the quarter ended December 31, 2014 by $25,994,000, or $0.14 per diluted share and $241,605,000, or $1.29 per diluted share for the quarter ended December 31, 2013.

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2014**	**2013**
Items that affect comparability income (expense):		
Acquisition and transaction related costs	$ (18,376)	$ (18,088)
Write-off of deferred financing costs and defeasance costs in connection with refinancings	(16,747)	(8,436)
FFO from discontinued operations	8,656	15,757
Toys "R" Us FFO (negative FFO) (including a $162,215 impairment loss in 2013)	606	(282,041)
Net gain on sale of residential condominiums and land parcels	363	481
Net gain on sale of Harlem Park property under development	-	23,507
Deferred income tax reversal	-	16,055
Other, net	(2,097)	(4,183)
	(27,595)	(256,948)
Noncontrolling interests' share of above adjustments	1,601	15,343
Items that affect comparability, net	$ (25,994)	$ (241,605)

The percentage increase (decrease) in same store EBITDA and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2014 over the quarter ended December 31, 2013 and the trailing quarter ended September 30, 2014 are summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**
December 31, 2014 vs. December 31, 2013			
Same store EBITDA	3.3%	(2.3%)	1.9%
Cash basis same store EBITDA	8.2%	(3.8%)	2.4%
December 31, 2014 vs. September 30, 2014			
Same store EBITDA	1.8%	(3.0%)	0.6%
Cash basis same store EBITDA	4.7%	(3.4%)	0.7%

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

Overview – continued

Acquisitions

On June 26, 2014, we invested an additional $22,700,000 to increase our ownership in One Park Avenue to 55.0% from 46.5% through a joint venture with an institutional investor, who increased its ownership interest to 45.0%. The transaction was based on a property value of $560,000,000. The property is encumbered by a $250,000,000 interest-only mortgage loan that bears interest at 4.995% and matures in March 2016.

On July 23, 2014, a joint venture in which we are a 50.1% partner entered into a 99-year ground lease for 61 Ninth Avenue located on the Southwest corner of Ninth Avenue and 15th Street in Manhattan. The venture's current plans are to construct an office building, with retail at the base, of approximately 130,000 square feet. Total development costs are currently estimated to be approximately $125,000,000.

On August 1, 2014, we acquired the land under our 715 Lexington Avenue retail property located on the Southeast corner of 58th Street and Lexington Avenue in Manhattan, for $63,000,000.

On October 28, 2014, we completed the purchase of the retail condominium of the St. Regis Hotel for $700,000,000. We own a 74.3% controlling interest of the joint venture which owns the property. The acquisition was used in a like-kind exchange for income tax purposes for the sale of 1740 Broadway (see below). We consolidate the accounts of the venture into our consolidated financial statements from the date of acquisition.

On November 21, 2014, we entered into an agreement to acquire the Center Building, an eight story 437,000 square foot office building, located at 33-00 Northern Boulevard in Long Island City, New York. The building is 98% leased. The purchase price is approximately $142,000,000, including the assumption of an existing $62,000,000 4.43% mortgage maturing in October 2018. The purchase is expected to close in the first quarter of 2015, subject to customary closing conditions. As of December 31, 2014, our $14,200,000 non-refundable deposit was included in "other assets" on our consolidated balance sheet.

On January 20, 2015, we co-invested with our 25% owned Fund and one of the Fund's limited partners to buy out the Fund's joint venture partner's 57% interest in the Crowne Plaza Times Square Hotel. The purchase price for the 57% interest was approximately $95,000,000 (our share $39,000,000) which valued the property at approximately

$480,000,000. The property is encumbered by a newly placed $310,000,000 mortgage loan bearing interest at LIBOR plus 2.80% and maturing in December 2018 with a one-year extension option. Our aggregate ownership interest in the property increased to 33% from 11%.

Dispositions

New York

On December 18, 2014, we completed the sale of 1740 Broadway, a 601,000 square foot office building in Manhattan for $605,000,000. The sale resulted in net proceeds of approximately $580,000,000, after closing costs, and resulted in a financial statement gain of approximately $441,000,000. The tax gain of approximately $484,000,000, was deferred in like-kind exchanges, primarily for the acquisition of the St. Regis Fifth Avenue retail.

Retail Properties

On February 24, 2014, we completed the sale of Broadway Mall in Hicksville, Long Island, New York, for $94,000,000. The sale resulted in net proceeds of $92,174,000 after closing costs.

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to Pennsylvania Real Estate Investment Trust (NYSE: PEI) ("PREIT") in exchange for $465,000,000 comprised of $340,000,000 of cash and $125,000,000 of PREIT operating partnership units. In connection therewith, we recorded a non-cash impairment loss of $20,000,000 in the first quarter of 2014, which is included in "income from discontinued operations" on our consolidated statements of income. The redevelopment was substantially completed in October 2014, at which time we reclassified the assets, liabilities and financial results to discontinued operations, and the transfer of the property to PREIT is expected to be completed no later than March 31, 2015.

On July 8, 2014, we completed the sale of Beverly Connection, a 335,000 square foot power shopping center in Los Angeles, California, for $260,000,000, of which $239,000,000 was cash and $21,000,000 was 10-year mezzanine seller financing. The sale resulted in a net gain of $44,155,000, which was recognized in the third quarter of 2014.

In addition to the above, during 2014, we sold six of the 22 strip shopping centers which did not fit UE's strategy, in separate transactions, for an aggregate of $66,410,000 in cash, which resulted in a net gain aggregating $22,500,000.

Overview – continued

Financings

Secured Debt

On January 31, 2014, we completed a $600,000,000 loan secured by our 220 Central Park South development site. The loan bears interest at LIBOR plus 2.75% (2.92% at December 31, 2014) and matures in January 2016, with three one-year extension options.

On April 16, 2014, we completed a $350,000,000 refinancing of 909 Third Avenue, a 1.3 million square foot Manhattan office building. The seven-year interest only loan bears interest at 3.91% and matures in May 2021. We realized net proceeds of approximately $145,000,000 after defeasing the existing 5.64%, $193,000,000 mortgage, defeasance cost and other closing costs.

On July 16, 2014, we completed a $130,000,000 financing of Las Catalinas, a 494,000 square foot mall located in the San Juan area of Puerto Rico. The 10-year fixed rate loan bears interest at 4.43% and matures in August 2024. The loan amortizes based on a 30-year schedule beginning in year six.

On August 12, 2014, we completed a $185,000,000 financing of the Universal buildings, a 690,000 square foot, two-building office complex located in Washington, DC. The loan bears interest at LIBOR plus 1.90% (2.06% at December 31, 2014) and matures in August 2019 with two one-year extension options. The loan amortizes based on a 30-year schedule beginning in the fourth year.

On August 26, 2014, we obtained a standby commitment for up to $500,000,000 of five-year mezzanine loan financing to fund a portion of the development expenditures at 220 Central Park South.

On October 27, 2014, we completed a $140,000,000 financing of 655 Fifth Avenue, a 57,500 square foot retail and office property. The loan is interest only at LIBOR plus 1.40% (1.56% at December 31, 2014) and matures in October 2019 with two one-year extension options.

On December 8, 2014, we completed a $575,000,000 refinancing of Two Penn Plaza, a 1.6 million square foot Manhattan office building. The loan is interest-only at LIBOR plus 1.65% (1.81% at December 31, 2014) and matures in 2019 with two one-year extension options. We realized net proceeds of approximately $143,000,000. Pursuant to an existing swap agreement, the $422,000,000 previous loan on the property was swapped to a fixed rate of 4.78% through March 2018. Therefore, $422,000,000 of the new loan bears interest at a fixed rate of 4.78% through March 2018 and the balance of $153,000,000 floats through March 2018. The entire $575,000,000 will float thereafter for the duration of the new loan.

On January 6, 2015, we completed the modification of the $120,000,000, 6.04% mortgage loan secured by our Montehiedra Town Center, in the San Juan area of Puerto Rico. The loan has been extended from July 2016 to July 2021 and separated into two tranches, a senior $90,000,000 position with interest at 5.33% to be paid currently, and a junior $30,000,000 position with interest accruing at 3%. Montehiedra Town Center and the loan were included in the spin-off to UE on January 15, 2015. As part of the planned redevelopment of the property, UE is committed to fund $20,000,000 through a loan for leasing and building capital expenditures of which $8,000,000 has been funded. This loan is senior to the $30,000,000 position noted above and accrues interest at 10%.

Senior Unsecured Notes

On June 16, 2014, we completed a green bond public offering of $450,000,000 2.50% senior unsecured notes due June 30, 2019. The notes were sold at 99.619% of their face amount to yield 2.581%.

On October 1, 2014, we redeemed all of the $445,000,000 principal amount of our outstanding 7.875% senior unsecured notes, which were scheduled to mature on October 1, 2039, at a redemption price of 100% of the principal amount plus accrued interest through the redemption date. In the fourth quarter of 2014, we wrote off $12,532,000 of unamortized deferred financing costs, which are included as a component of "interest and debt expense" on our consolidated statements of income.

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

Unsecured Revolving Credit Facility

On September 30, 2014, we extended one of our two $1.25 billion unsecured revolving credit facilities from November 2015 to November 2018 with two six-month extension options. The interest rate on the extended facility

was lowered to LIBOR plus 105 basis points from LIBOR plus 125 basis points and the facility fee was reduced to 20 basis points from 25 basis points.

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	
(Square feet in thousands)	**Office**	**Retail**	**Office**	**Strips**	**Malls**
Quarter Ended December 31, 2014:					
Total square feet leased	1,248	51	658	210	57
Our share of square feet leased	1,095	51	619	210	51
Initial rent [(1)]	$ 66.79	$ 410.63	$ 36.86	$ 18.98	$ 49.18
Weighted average lease term (years)	12.3	11.5	9.4	6.6	6.4
Second generation relet space:					
Square feet	732	45	461	92	15
Cash basis:					
Initial rent [(1)]	$ 68.25	$ 260.31	$ 36.64	$ 13.16	$ 69.20
Prior escalated rent	$ 60.63	$ 175.49	$ 39.68	$ 13.16	$ 69.64
Percentage increase (decrease)	12.6%	48.3%	(7.7%)	-	(0.6%)
GAAP basis:					
Straight-line rent [(2)]	$ 67.80	$ 307.92	$ 34.42	$ 13.21	$ 70.22
Prior straight-line rent	$ 55.87	$ 173.75	$ 36.89	$ 12.72	$ 67.21
Percentage increase (decrease)	21.4%	77.2%	(6.7%)	3.9%	4.5%

Tenant improvements and leasing commissions:					
Per square foot	$ 78.45	$ 177.43	$ 61.48	$ 5.24	$ 16.53
Per square foot per annum:	$ 6.38	$ 15.43	$ 6.54	$ 0.79	$ 2.58
Percentage of initial rent	9.5%	3.8%	17.7%	4.2%	5.3%
Year Ended December 31, 2014:					
Total square feet leased	3,973	119	1,817 (3)	890	161
Our share of square feet leased	3,416	114	1,674 (3)	890	142
Initial rent [(1)]	$ 66.78	$ 327.38	$ 38.57	$ 19.15	$ 36.19
Weighted average lease term (years)	11.3	11.2	8.2	6.8	5.6
Second generation relet space:					
Square feet	2,550	92	1,121	434	70
Cash basis:					
Initial rent [(1)]	$ 68.18	$ 289.74	$ 38.57	$ 20.31	$ 34.16
Prior escalated rent	$ 60.50	$ 206.62	$ 41.37	$ 19.45	$ 32.98
Percentage increase (decrease)	12.7%	40.2%	(6.8%)	4.4%	3.6%
GAAP basis:					
Straight-line rent [(2)]	$ 67.44	$ 331.33	$ 36.97	$ 20.53	$ 34.71
Prior straight-line rent	$ 56.76	$ 204.15	$ 38.25	$ 18.77	$ 32.29
Percentage increase (decrease)	18.8%	62.3%	(3.3%)	9.4%	7.5%
Tenant improvements and leasing commissions:					
Per square foot	$ 75.89	$ 110.60	$ 46.77	$ 10.66 (4)	$ 11.96
Per square foot per annum:	$ 6.72	$ 9.88	$ 5.70	$ 1.57 (4)	$ 2.14
Percentage of initial rent	10.1%	3.0%	14.8%	8.2% (4)	5.9%

See notes on the following page.

Overview - continued
Leasing Activity - continued

(Square feet in thousands)	New York Office	New York Retail	Washington, DC Office	Retail Properties Strips	Retail Properties Malls
Year Ended December 31, 2013:					
Total square feet leased	2,410	138	1,836	1,388	674
Our share of square feet leased:	2,024	121	1,392	1,388	600
Initial rent [(1)]	$ 60.78	$ 268.52	$ 39.91	$ 17.27	$ 26.39
Weighted average lease term (years)	11.0	8.6	7.0	6.2	8.1
Second generation relet space:					
Square feet	1,716	103	910	959	205
Cash basis:					
Initial rent [(1)]	$ 60.04	$ 262.67	$ 40.91	$ 16.57	$ 23.59
Prior escalated rent	$ 56.84	$ 117.45	$ 41.16	$ 15.18	$ 22.76
Percentage increase (decrease)	5.6%	123.7%	(0.6%)	9.2%	3.6%
GAAP basis:					
Straight-line rent[(2)]	$ 59.98	$ 293.45	$ 40.87	$ 16.91	$ 24.04
Prior straight-line rent	$ 52.61	$ 152.34	$ 39.36	$ 14.76	$ 21.87
Percentage increase	14.0%	92.6%	3.8%	14.6%	9.9%
Tenant improvements and leasing commissions:					
Per square foot	$ 61.78	$ 100.93	$ 33.24	$ 3.96	$ 20.69
Per square foot per annum:	$ 5.61	$ 11.64	$ 4.75	$ 0.64	$ 2.55
Percentage of initial rent	9.2%	4.3%	11.9%	3.7%	9.7%

(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) Excludes (i) 165 square feet leased to WeWork that will be redeveloped into rental residential apartments, and (ii) 82 square feet of retail space that was leased at an initial rent of $46.76 per square foot.

(4) Tenant improvements and leasing commissions for the year ended December 31, 2014 reflect first generation leasing activity at our Kearny strip shopping center.

Overview - continued

Square footage (in service) and Occupancy as of December 31, 2014:

(Square feet in thousands)	Number of properties	Square Feet (in service) Total Portfolio	Our Share	Occupancy %
New York:				
Office	31	20,052	16,808	96.9%
Retail	56	2,450	2,179	96.4%
Alexander's	6	2,178	706	99.7%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,654 units	4	1,524	763	95.2%
		27,604	21,856	96.9%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,461	11,083	87.5%
Skyline Properties	8	2,648	2,648	53.5%
Total Office	59	16,109	13,731	80.9%
Residential - 2,414 units	7	2,597	2,455	97.4%
Other	6	384	384	100.0%
		19,090	16,570	83.8%
Retail Properties:				
Strip Shopping Centers	86	13,346	12,920	96.1%
Regional Malls	4	3,451	2,353	95.1%
		16,797	15,273	95.9%
Other:				
The Mart	2	3,587	3,578	94.7%
555 California Street	3	1,801	1,261	97.6%
Primarily Warehouses	6	1,555	942	60.8%
		6,943	5,781	
Total square feet at December 31, 2014		70,434	59,480	

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Overview - continued

Square footage (in service) and Occupancy as of December 31, 2013:

(Square feet in thousands)	Number of properties	Square Feet (in service) Total Portfolio	Our Share	Occupancy %
New York:				
Office	30	19,217	15,776	96.5%
Retail	54	2,370	2,147	97.4%
Alexander's	6	2,178	706	99.4%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,653 units	4	1,523	762	94.8%
		26,688	20,791	96.7%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,581	11,151	85.4%
Skyline Properties	8	2,652	2,652	60.8%
Total Office	59	16,233	13,803	80.7%
Residential - 2,405 units	7	2,588	2,446	96.3%
Other	5	379	379	100.0%
		19,200	16,628	83.4%
Retail Properties:				
Strip Shopping Centers	89	13,302	12,923	95.4%
Regional Malls	4	3,451	2,352	95.4%
		16,753	15,275	95.4%
Other:				
The Mart	3	3,703	3,694	96.3%
555 California Street	3	1,795	1,257	94.5%
Primarily Warehouses	6	1,555	942	45.6%
		7,053	5,893	
Total square feet at December 31, 2013		69,694	58,587	

Overview - continued

Washington, DC Segment

Of the 2,395,000 square feet subject to the effects of the Base Realignment and Closure ("BRAC") statute, 393,000 square feet has been taken out of service for redevelopment and 1,137,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space.

	Rent Per	Square Feet			
	Square Foot	Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet	$ 37.19	1,126,000	664,000	381,000	81,000
Leases pending	34.29	11,000	11,000	-	-
Taken out of service for redevelopment		393,000	393,000	-	-
		1,530,000	1,068,000	381,000	81,000
To Be Resolved:					
Vacated	35.92	771,000	281,000	425,000	65,000
Expiring in 2015	43.79	94,000	88,000	6,000	-
		865,000	369,000	431,000	65,000
Total square feet subject to BRAC		2,395,000	1,437,000	812,000	146,000

Due to the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area, EBITDA from continuing operations for the year ended December 31, 2013 was lower than 2012 by $14,254,000 and EBITDA from continuing operations for the year ended December 31, 2014 was lower than 2013 by $5,633,000, which was offset by an interest expense reduction of $18,568,000 from the restructuring of the Skyline properties mortgage loan in October 2013. We expect 2015 EBITDA from continuing operations will be flat to 2014.

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. Betterments, major renewals and certain costs directly related to the improvement and leasing of real estate are capitalized. Maintenance and repairs are expensed as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the net book value of the existing property, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is recognized on a straight-line basis over estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets.

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

As of December 31, 2014 and 2013, the carrying amounts of real estate, net of accumulated depreciation, were $15.2 billion and $14.1 billion, respectively. As of December 31, 2014 and 2013, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were

$276,239,000 and $307,436,000, respectively, and the carrying amounts of identified intangible liabilities, a component of “deferred revenue” on our consolidated balance sheets, were $488,868,000 and $496,489,000, respectively.

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

Critical Accounting Policies – continued

Partially Owned Entities

We consolidate entities in which we have a controlling financial interest. In determining whether we have a controlling financial interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity ("VIE") and we are the primary beneficiary. We are deemed to be the primary beneficiary of a VIE when we have (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. We generally do not control a partially owned entity if the entity is not considered a VIE and the approval of all of the partners/members is contractually required with respect to major decisions, such as operating and capital budgets, the sale, exchange or other disposition of real property, the hiring of a chief executive officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of new or additional financing secured by assets of the venture. We account for investments under the equity method when the requirements for consolidation are not met, and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

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

As of December 31, 2014 and 2013, the carrying amounts of investments in partially owned entities, including Toys "R" Us, was $1.2 billion and $1.2 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 collectibility of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest on impaired loans is recognized when received in cash. 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, 2014 and 2013, the carrying amounts of mortgage and mezzanine loans receivable were $16,748,000 and $170,972,000, respectively, net of an allowance of $5,811,000 and $5,845,000, respectively, and are included in "other assets" on our consolidated balance sheets.

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 ($17,060,000 and $21,869,000 as of December 31, 2014 and 2013, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents ($3,188,000 and $4,355,000 as of December 31, 2014 and 2013, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

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

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

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

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

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

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

- Cleveland Medical Mart — revenue arising from the development of the Cleveland Medical Mart. This revenue was recognized as the related services were performed under the respective agreements using the criteria set forth in ASC 605-25, *Multiple Element Arrangements.*

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

Income Taxes

We operate in a manner intended to enable us to continue to qualify as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to our shareholders 100% of our taxable income and 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, 2014, 2013 and 2012

Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the years ended December 31, 2014, 2013 and 2012.

(Amounts in thousands)	For the Year Ended December 31, 2014					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,635,940	$ 1,520,845	$ 537,151	$ 326,947	$ -	$ 250,997
Total expenses	1,820,298	946,466	358,019	197,206	-	318,607
Operating income (loss)	815,642	574,379	179,132	129,741	-	(67,610)
(Loss) income from partially owned entities, including Toys	(58,131)	20,701	(3,677)	1,730	(73,556)	(3,329)
Income from Real Estate Fund	163,034	-	-	-	-	163,034
Interest and other investment income, net	38,787	6,711	183	35	-	31,858
Interest and debt expense	(467,715)	(183,427)	(75,395)	(54,754)	-	(154,139)
Net gain on disposition of wholly owned and partially owned assets	13,568	-	-	-	-	13,568
Income (loss) before income taxes	505,185	418,364	100,243	76,752	(73,556)	(16,618)
Income tax expense	(11,002)	(4,305)	(242)	(1,721)	-	(4,734)

Income (loss) from continuing operations	494,183	414,059	100,001	75,031	(73,556)	(21,352)
Income from discontinued operations	514,843	463,163	-	50,873	-	807
Net income (loss)	1,009,026	877,222	100,001	125,904	(73,556)	(20,545)
Less net income attributable to noncontrolling interests	(144,174)	(8,626)	-	(119)	-	(135,429)
Net income (loss) attributable to Vornado	864,852	868,596	100,001	125,785	(73,556)	(155,974)
Interest and debt expense[2]	654,398	241,959	89,448	59,322	100,549	163,120
Depreciation and amortization[2]	685,973	324,239	145,853	73,433	64,533	77,915
Income tax expense[2]	24,248	4,395	288	1,721	12,106	5,738
EBITDA[1]	$ 2,229,471	$ 1,439,189 (3)	$ 335,590 (4)	$ 260,261 (5)	$ 103,632	$ 90,799 (6)

See notes on pages 53 and 54.

Net Income and EBITDA by Segment for the Years Ended December 31, 2014, 2013 and 2012 - continued

(Amounts in thousands)	For the Year Ended December 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,669,269	$ 1,470,907	$ 541,161	$ 372,435	$ -	$ 284,766
Total expenses	1,819,009	910,498	347,686	199,650	-	361,175
Operating income (loss)	850,260	560,409	193,475	172,785	-	(76,409)
(Loss) income from partially owned entities, including Toys	(338,785)	15,527	(6,968)	2,097	(362,377)	12,936
Income from Real Estate Fund	102,898	-	-	-	-	102,898
Interest and other investment (loss) income, net	(24,876)	5,357	129	11	-	(30,373)
Interest and debt expense	(481,304)	(181,966)	(102,277)	(55,219)	-	(141,842)
Net gain on disposition of wholly owned and partially owned assets	3,407	-	-	1,377	-	2,030
Income (loss) before income taxes	111,600	399,327	84,359	121,051	(362,377)	(130,760)
Income tax benefit (expense)	6,406	(2,794)	14,031	(2,311)	-	(2,520)
Income (loss) from continuing operations	118,006	396,533	98,390	118,740	(362,377)	(133,280)
Income (loss) from discontinued operations	446,734	160,314	-	287,067	-	(647)
Net income (loss)	564,740	556,847	98,390	405,807	(362,377)	(133,927)
Less net income attributable to noncontrolling interests	(88,769)	(10,786)	-	(3,065)	-	(74,918)

	Total	New York	Washington, DC	Retail Properties	Toys	Other
Net income (loss) attributable to Vornado	475,971	546,061	98,390	402,742	(362,377)	(208,845)
Interest and debt expense[2]	758,781	236,645	116,131	63,803	181,586	160,616
Depreciation and amortization[2]	732,757	293,974	142,409	72,161	135,178	89,035
Income tax expense (benefit)[2]	26,371	3,002	(15,707)	2,311	33,532	3,233
EBITDA[1]	$ 1,993,880	$ 1,079,682 (3)	$ 341,223 (4)	$ 541,017 (5)	$ (12,081)	$ 44,039 (6)

(Amounts in thousands)	For the Year Ended December 31, 2012					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,649,217	$ 1,319,470	$ 554,028	$ 318,566	$ -	$ 457,153
Total expenses	1,921,425	835,563	360,056	189,480	-	536,326
Operating income (loss)	727,792	483,907	193,972	129,086	-	(79,173)
Income (loss) from partially owned entities, including Toys	423,126	207,773	(5,612)	1,458	14,859	204,648
Income from Real Estate Fund	63,936	-	-	-	-	63,936
Interest and other investment (loss) income, net	(261,179)	4,002	126	21	-	(265,328)
Interest and debt expense	(484,794)	(146,350)	(115,574)	(53,772)	-	(169,098)
Net gain on disposition of wholly owned and partially owned assets	13,347	-	-	8,491	-	4,856
Income (loss) before income taxes	482,228	549,332	72,912	85,284	14,859	(240,159)
Income tax expense	(8,132)	(3,491)	(1,650)	-	-	(2,991)
Income (loss) from continuing operations	474,096	545,841	71,262	85,284	14,859	(243,150)
Income (loss) from discontinued operations	220,445	30,293	167,766	(52,561)	-	74,947
Net income (loss)	694,541	576,134	239,028	32,723	14,859	(168,203)

Less net (income) loss attributable to noncontrolling interests	(77,281)	(2,138)	-	1,812	-	(76,955)
Net income (loss) attributable to Vornado	617,260	573,996	239,028	34,535	14,859	(245,158)
Interest and debt expense[2]	760,523	187,855	133,625	79,462	147,880	211,701
Depreciation and amortization[2]	735,293	252,257	157,816	86,529	135,179	103,512
Income tax expense (benefit)[2]	7,026	3,751	1,943	-	(16,629)	17,961
EBITDA[1]	$ 2,120,102	1,0$17,859 (3)	$532,412 (4)	2$0,526 (5)	2$1,289	$8,016 (6)

See notes on pages 53 and 54.

Net Income and EBITDA by Segment for the Years Ended December 31, 2014, 2013 and 2012 - continued

Notes to preceding tabular information:

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

(2) Interest and debt expense, depreciation and amortization and income tax 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)	**2014**	**2013**	**2012**
Office[a]	$ 1,085,262	$ 759,941	$ 568,518
Retail[b]	281,428	246,808	189,484
Alexander's [c]	41,746	42,210	231,402
Hotel Pennsylvania	30,753	30,723	28,455
Total New York	$ 1,439,189	$ 1,079,682	$ 1,017,859

(a)
2014, 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $462,239, $163,528 and $37,129, respectively. Excluding these items, EBITDA was $623,023, $596,413 and $531,389, respectively.

(b)
2014, 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $1,751, $934 and $510, respectively. Excluding these items, EBITDA was $279,677, $245,874 and $188,974, respectively.

(c)
2014, 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $171, $730 and $191,040, respectively. Excluding these items, EBITDA was $41,575, $41,480 and $40,362, respectively.

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2014**	**2013**	**2012**
Office, excluding the Skyline Properties [a]	$ 266,859	$ 268,373	$ 449,448
Skyline properties	27,150	29,499	40,037
Total Office	294,009	297,872	489,485
Residential	41,581	43,351	42,927
Total Washington, DC	$ 335,590	$ 341,223	$ 532,412

(a)
2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $176,935. Excluding these items, EBITDA was $272,513.

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2014**	**2013**	**2012**
Strip shopping centers[a]	$ 219,122	$ 285,612	$ 172,708

Regional malls[b]	41,139	255,405	27,818
Total Retail properties	$ 260,261	$ 541,017	$ 200,526

(a)

2014, 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $72,010, $143,504 and $32,697, respectively. Excluding these items, EBITDA was $147,112, $142,108 and $140,011, respectively.

(b)

2014, 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating net losses of $16,608, net gains of $199,285 and net losses of $27,826, respectively. Excluding these items, EBITDA was $57,747, $56,120 and $55,644, respectively.

Net Income and EBITDA by Segment for the Years Ended December 31, 2014, 2013 and 2012 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Year Ended December 31,		
	2014	**2013**	**2012**
Our share of Real Estate Fund:			
Income before net realized/unrealized gains	$ 8,056	$ 7,752	$ 6,385
Net realized/unrealized gains on investments	37,535	23,489	13,840
Carried interest	24,715	18,230	4,379
Total	70,306	49,471	24,604
The Mart and trade shows	79,636	74,270	62,470
555 California Street	48,844	42,667	46,167
India real estate ventures	6,434	5,841	3,654
LNR [(a)]	-	20,443	75,202
Lexington [(b)]	-	6,931	32,595
Other investments	17,270	18,981	25,612
	222,490	218,604	270,304
Corporate general and administrative expenses[(c)]	(94,929)	(94,904)	(89,082)
Investment income and other, net[(c)]	31,665	46,525	45,563
Acquisition and transaction related costs, and impairment losses[(d)]	(31,348)	(24,857)	(17,386)
Net gain on sale of marketable securities, land parcels and residential condominiums	13,568	56,868	4,856
Our share of net gains on extinguishment of debt and net gains on sale of real estate of partially owned entities	13,000	-	-
Suffolk Downs impairment loss and loan reserve	(10,263)	-	-
Our share of impairment losses of partially owned entities	(5,771)	-	(4,936)
Losses from the disposition of investment in J.C. Penney	-	(127,888)	(300,752)
Severance costs (primarily reduction in force at the Mart)	-	(5,492)	(3,005)
Purchase price fair value adjustment and accelerated amortization of discount on investment in subordinated debt of Independence Plaza	-	-	105,366
The Mart discontinued operations	-	-	93,588
Net gain resulting from Lexington's stock issuance and asset acquisition	-	-	28,763
Net income attributable to noncontrolling interests in the Operating Partnership	(47,563)	(23,659)	(35,327)
Preferred unit distributions of the Operating Partnership	(50)	(1,158)	(9,936)
	$ 90,799	$ 44,039	$ 88,016

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

(b)

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

(c) The amounts in these captions (for this table only) exclude income/expense from the mark-to-market of our deferred compensation plan of $11,557, $10,636 and $6,809 for the years ended December 31, 2014, 2013 and 2012, respectively.

(d) The year ended December 31, 2014, includes $14,956 of transaction costs related to the spin-off of our strip shopping centers and malls to UE on January 15, 2015.

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Net Income and EBITDA by Segment for the Years Ended December 31, 2014, 2013 and 2012 - continued

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region (excluding discontinued operations, other gains and losses that affect comparability and our Toys and Other Segments).

		For the Year Ended December 31,		
		2014	2013	2012
Region:				
	New York City metropolitan area	75%	73%	70%
	Washington, DC / Northern Virginia area	23%	24%	27%
	Puerto Rico	1%	2%	2%
	Other geographies	1%	1%	1%
		100%	100%	100%

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013

Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,635,940,000 in the year ended December 31, 2014, compared to $2,669,269,000 in the prior year, a decrease of $33,329,000. This decrease was primarily attributable to income in the prior year of $59,599,000 pursuant to a settlement agreement with Stop & Shop, $36,369,000 related to the Cleveland Medical Mart development project and $23,992,000 from the deconsolidation of Independence Plaza. Excluding these items, revenues increased by $86,631,000. Below are the details of the (decrease) increase by segment:

(Amounts in thousands)

(Decrease) increase due to:	Total	New York	Washington, DC	Retail Properties	Other
Property rentals:					
Acquisitions and other	$ 16,910	$ 20,244	$ (1,867)	$ (188)	$ (1,279)
Deconsolidation of Independence Plaza [1]	(23,992)	(23,992)	-	-	-
Properties placed into / taken out of service for redevelopment	(9,143)	229	(2,274)	1,251	(8,349)
Same store operations	45,907	30,213	(2,399)	3,877	14,216
	29,682	26,694	(6,540)	4,940	4,588
Tenant expense reimbursements:					
Acquisitions and other	934	353	809	(34)	(194)
Properties placed into / taken out of service for redevelopment	(2,338)	(1,650)	94	(101)	(681)
Same store operations	29,635	17,782	(879)	9,356	3,376
	28,231	16,485	24	9,221	2,501
Cleveland Medical Mart development project	(36,369)[2]	-	-	-	(36,369)[2]
Fee and other income:					
BMS cleaning fees	19,152	19,358	-	-	(206)[3]
Signage revenue	5,063	5,063	-	-	-
Management and leasing fees	(3,254)	(862)	(2,769)	(87)	464
Lease termination fees	(75,454)	(17,093)[4]	4,138	(59,187)[5]	(3,312)
Other income	(380)	293	1,137	(375)	(1,435)
	(54,873)	6,759	2,506	(59,649)	(4,489)

Total (decrease) increase in revenues	$	(33,329)	$	49,938	$	(4,010)	$	(45,488)	$	(33,769)

(1) On June 7, 2013, we sold an 8.65% economic interest in our investment of Independence Plaza, which reduced our economic interest to 50.1%. As a result, we determined that we were no longer the primary beneficiary of the VIE and accordingly, we deconsolidated the operations of the property on June 7, 2013 and began accounting for our investment under the equity method.

(2) Due to the completion of the project. This decrease in revenue is substantially offset by a decrease in development costs expensed in the period. See note (4) on page 57.

(3) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (3) on page 57.

(4) Primarily due to a $19,500 termination fee from a tenant at 1290 Avenue of the Americas recognized during the third quarter of 2013.

(5) Results primarily from $59,599 of income recognized in the first quarter of 2013 pursuant to a settlement with Stop & Shop.

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,820,298,000 in the year ended December 31, 2014, compared to $1,819,009,000 in the prior year, an increase of $1,289,000. Excluding expenses of $32,210,000 related to the Cleveland Medical Mart development project in 2013 and $25,899,000 from the deconsolidation of Independence Plaza, expenses increased by $59,398,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Operating:					
Acquisitions and other	$ (728)	$ (197)	$ 1,008	$ (71)	$ (1,468)
Deconsolidation of Independence Plaza[1]	(9,592)	(9,592)	-	-	-
Properties placed into / taken out of service for redevelopment	(10,158)	(4,374)	(1,113)	1,966	(6,637)
Non-reimbursable expenses, including bad-debt reserves	87	1,301	-	(12)	(1,202)
BMS expenses	11,813	12,019	-	-	(206)[3]
Same store operations	42,380	27,651	4,927	7,984	1,818
	33,802	26,808	4,822	9,867	(7,695)
Depreciation and amortization:					
Acquisitions and other	9,734	9,856	-	(111)	(11)
Deconsolidation of Independence Plaza[1]	(16,307)	(16,307)	-	-	-
Properties placed into / taken out of service for redevelopment	27,676	23,488	(649)	8,004	(3,167)
Same store operations	(597)	(7,150)	5,881	1,102	(430)
	20,506	9,887	5,232	8,995	(3,608)
General and administrative:					
Mark-to-market of deferred compensation plan liability [2]	921	-	-	-	921

Non-same store	(5,403)	-	-	-	(5,403)
Same store operations	(5,861)	(727)	279	(2,306)	(3,107)
	(10,343)	(727)	279	(2,306)	(7,589)
Cleveland Medical Mart development project	(32,210)**(4)**	-	-	-	(32,210)**(4)**
Impairment losses, acquisition related costs and tenant buy-outs	(10,466)	-	-	(19,000)	8,534
Total increase (decrease) in expenses	$ 1,289	$ 35,968	$ 10,333	$ (2,444)	$ (42,568)

(1) On June 7, 2013, we sold an 8.65% economic interest in our investment of Independence Plaza, which reduced our economic interest to 50.1%. As a result, we determined that we were no longer the primary beneficiary of the VIE and accordingly, we deconsolidated the operations of the Property on June 7, 2013 and began accounting for our investment under the equity method.

(2) 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.

(3) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (3) on page 56.

(4) Due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (2) on page 56.

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

(Loss) Applicable to Toys

We account for Toys on the equity method, which means our investment is increased or decreased for our pro rata share of Toys undistributed net income or loss. We have not guaranteed any of Toys' obligations and are not committed to provide any support to Toys. Pursuant to ASC 323-10-35-20, we discontinued applying the equity method for our Toys' investment when the carrying amount was reduced to zero in the third quarter of 2014. We will resume application of the equity method if during the period the equity method was suspended our share of unrecognized net income exceeds our share of unrecognized net losses.

In the year ended December 31, 2014, we recognized a net loss of $73,556,000 from our investment in Toys, comprised of (i) $4,691,000 for our share of Toys' net loss and a (ii) $75,196,000 non-cash impairment loss, partially offset by (iii) $6,331,000 of management fee income. In the year ended December 31, 2013, we recognized a net loss of $362,377,000 from our investment in Toys, comprised of (i) $128,919,000 for our share of Toys' net loss and (ii) $240,757,000 non-cash impairment losses, partially offset by (iii) $7,299,000 of management fee income.

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

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

In the first quarter of 2014, we recognized our share of Toys' fourth quarter net income of $75,196,000 and a corresponding non-cash impairment loss of the same amount to continue to carry our investment at fair value.

Income from Partially Owned Entities

Summarized below are the components of income (loss) from partially owned entities for the years ended December 31, 2014 and 2013.

(Amounts in thousands)	Percentage Ownership at December 31, 2014	For the Year Ended December 31, 2014	2013
Equity in Net Income (Loss):			
Alexander's	32.4%	$ 30,009	$ 24,402
India real estate ventures [1]	4.1%-36.5%	(8,309)	(3,533)
Partially owned office buildings [2]	Various	93	(4,212)
Other investments [3]	Various	(6,368)	(10,817)
LNR [4]	n/a	-	18,731
Lexington [5]	n/a	-	(979)
		$ 15,425	$ 23,592

(1)
Includes a $5,771 non-cash impairment loss in 2014.

(2)
Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others.

(3)
Includes interests in Independence Plaza, Monmouth Mall, 85 Tenth Avenue, Fashion Center Mall, 50-70 West 93rd Street and others. In the third quarter of 2014, we recognized a $10,263 non-cash impairment loss and loan loss reserve on our equity and debt investments in Suffolk Downs race track and adjacent land.

(4)
On April 19, 2013, LNR was sold.

(5)
In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable security - available for sale.

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

Income from Real Estate Fund

Below are the components of the income from our Real Estate Fund for the years ended December 31, 2014 and 2013.

(Amounts in thousands)	**For the Year Ended December 31,**	
	2014	**2013**
Net investment income	$ 12,895	$ 8,943
Net realized gains	76,337	8,184
Net unrealized gains	73,802	85,771
Income from Real Estate Fund	163,034	102,898
Less income attributable to noncontrolling interests	(92,728)	(53,427)
Income from Real Estate Fund attributable to Vornado [1]	$ 70,306	$ 49,471

(1) Excludes management and leasing fees of $2,865 and $2,992 in the years ended December 31, 2014 and 2013, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment Income (Loss), net

Interest and other investment income (loss), net was income of $38,787,000 in the year ended December 31, 2014, compared to a loss of $24,876,000 in the prior year, an increase in income of $63,663,000. This increase resulted from:

(Amounts in thousands)	
Losses from the disposition of investment in J.C. Penney in 2013	$ 72,974
Lower average mezzanine loans receivable balances in 2014	(15,575)
Higher dividends on marketable securities	1,261
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)	921
Other, net		4,082
		$ 63,663

Interest and Debt Expense

Interest and debt expense was $467,715,000 in the year ended December 31, 2014, compared to $481,304,000 in the prior year, a decrease of $13,589,000. This decrease was primarily due to (i) $20,483,000 of higher capitalized interest and debt expense and (ii) $18,568,000 of interest savings from the restructuring of the Skyline properties mortgage loan in the fourth quarter of 2013, partially offset by (iii) $13,287,000 of interest expense from the $600,000,000 financing of our 220 Central Park South development site in January 2014, (iv) $6,265,000 of interest expense from the issuance of the $450,000,000 unsecured notes in June 2014, and (v) $5,589,000 of defeasance cost in connection with the refinancing of 909 Third Avenue.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

Net gain on disposition of wholly owned and partially owned assets was $13,568,000 in the year ended December 31, 2014, primarily from the sale of residential condominiums and a land parcel, compared to $3,407,000 in the year ended December 31, 2013, primarily of net gains from the sale of marketable securities, land parcels (including Harlem Park), and residential condominiums aggregating $58,245,000, partially offset by a $54,914,000 net loss on sale of J.C. Penney common shares.

Income Tax (Expense) Benefit

In the year ended December 31, 2014, we had an income tax expense of $11,002,000, compared to a benefit of $6,406,000 in the prior year, an increase in expense of $17,408,000. This increase resulted primarily from a reversal of previously accrued deferred tax liabilities in the prior year due to a change in the effective tax rate resulting from an amendment of the Washington, DC Unincorporated Business Tax Statute.

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold or are currently held for sale to "income from discontinued operations" and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the years ended December 31, 2014 and 2013.

(Amounts in thousands)	For the Year Ended December 31,	
	2014	**2013**
Total revenues	$ 70,593	$ 129,860
Total expenses	36,424	79,458
	34,169	50,402
Net gains on sales of real estate	507,192	414,502
Impairment losses	(26,518)	(18,170)
Income from discontinued operations	$ 514,843	$ 446,734

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $96,561,000 in the year ended December 31, 2014, compared to $63,952,000 in the prior year, an increase of $32,609,000. This increase resulted primarily from higher net income allocated to the noncontrolling interests, including 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 $47,563,000 in the year ended December 31, 2014, compared to $23,659,000 in the prior year, an increase of $23,904,000. This increase resulted primarily from higher net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

Preferred unit distributions of the Operating Partnership were $50,000 in the year ended December 31, 2014, compared to $1,158,000 in the prior year, a decrease of $1,108,000. This decrease resulted from the redemption of the 6.875% Series D-15 cumulative redeemable preferred units in May 2013.

Preferred Share Dividends

Preferred share dividends were $81,464,000 in the year ended December 31, 2014, compared to $82,807,000 in the prior year, a decrease of $1,343,000. This decrease resulted primarily from the redemption of $262,500,000 of 6.75% Series F and Series H cumulative redeemable preferred shares in February 2013.

Preferred Unit and Share Redemptions

In the year ended December 31, 2014, we recognized $0 of expense in connection with preferred unit and share redemptions. In the year ended December 31, 2013, we recognized $1,130,000 of expense in connection with preferred unit and share redemptions, comprised of $9,230,000 of expense from the redemption of the 6.75% Series F and Series H cumulative redeemable preferred shares in February 2013, partially offset by an $8,100,000 discount from the redemption of all of the 6.875% Series D-15 cumulative redeemable preferred units in May 2013.

Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

Same Store EBITDA

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

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the year ended December 31, 2014, compared to the year ended December 31, 2013.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
EBITDA for the year ended December 31, 2014	$ 1,439,189	$ 335,590	$ 260,261
Add-back:			
Non-property level overhead expenses included above	28,479	27,339	16,686
Less EBITDA from:			
Acquisitions	(33,917)	-	-
Dispositions, including net gains on sale	(463,991)	(1,858)	(54,499)
Properties taken out-of-service for redevelopment	(26,056)	(1,432)	(2,660)
Other non-operating income	(9,013)	(5,446)	(18,217)
Same store EBITDA for the year ended December 31, 2014	$ 934,691	$ 354,193	$ 201,571
EBITDA for the year ended December 31, 2013	$ 1,079,682	$ 341,223	$ 541,017
Add-back:			
Non-property level overhead expenses included above	29,206	27,060	18,992
Less EBITDA from:			
Acquisitions	(4,764)	-	-
Dispositions, including net gains on sale	(160,232)	(150)	(302,264)
Properties taken out-of-service for redevelopment	(20,013)	(4,056)	(2,758)
Other non-operating income	(31,522)	(1,129)	(56,698)
	$ 892,357	$ 362,948	$ 198,289

Same store EBITDA for the year ended December 31, 2013						
Increase (decrease) in same store EBITDA -						
Year ended December 31, 2014 vs. December 31, 2013[1]	$	42,334	$	(8,755)	$	3,282
% increase (decrease) in same store EBITDA		4.7%		(2.4%)		1.7%

(1) See notes on following page

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Results of Operations – Year Ended December 31, 2014 Compared to December 31, 2013 - continued

Notes to preceding tabular information:

New York:

The $42,334,000 increase in New York same store EBITDA resulted primarily from higher (i) rental revenue of $30,213,000 (primarily due to an increase in average rent per square foot) and (ii) cleaning fees, signage revenue, and other income of $26,882,000, partially offset by (iii) higher office operating expenses, net of reimbursements, of $14,761,000.

Washington, DC:

The $8,755,000 decrease in Washington, DC same store EBITDA resulted primarily from (i) lower rental revenue of $2,399,000, (ii) lower management and leasing fee income of $2,769,000 and (iii) higher operating expenses of $4,927,000, partially offset by an increase in other income of $1,538,000.

Retail Properties:

The $3,282,000 increase in Retail Properties same store EBITDA resulted primarily from an increase in rental revenue of $3,877,000, primarily due to an increase in average same store occupancy, partially offset by higher operating expenses, net of reimbursements.

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York	Washington, DC	Retail Properties
Same store EBITDA for the year ended December 31, 2014	$ 934,691	$ 354,193	$ 201,571
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(103,496)	(9,726)	(6,174)
Cash basis same store EBITDA for the year ended December 31, 2014	$ 831,195	$ 344,467	$ 195,397
Same store EBITDA for the year ended December 31, 2013	$ 892,357	$ 362,948	$ 198,289
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(119,625)	(10,198)	(7,346)
Cash basis same store EBITDA for the year ended December 31, 2013	$ 772,732	$ 352,750	$ 190,943
Increase (decrease) in Cash basis same store EBITDA - Year ended December 31, 2014 vs. December 31, 2013	$ 58,463	$ (8,283)	$ 4,454
% increase (decrease) in Cash basis same store EBITDA	7.6%	(2.3%)	2.3%

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

Revenues

Our revenues, which consist primarily of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,669,269,000 in the year ended December 31, 2013, compared to $2,649,217,000 in the year ended December 31, 2012, an increase of $20,052,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Property rentals:					
Acquisitions and other	$ 64,524	$ 75,004	$ 462	$ (10,369)	$ (573)
Properties placed into / taken out of service for redevelopment	(2,782)	(1,138)	(2,333)	735	(46)
Same store operations	28,589	32,602	(15,267)	2,850	8,404
	90,331	106,468	(17,138)	(6,784)	7,785
Tenant expense reimbursements:					
Acquisitions and other	1,287	2,715	(604)	(1,728)	904
Properties placed into / taken out of service for redevelopment	67	(402)	193	374	(98)
Same store operations	20,738	8,385	2,443	3,939	5,971
	22,092	10,698	2,032	2,585	6,777
Cleveland Medical Mart development project	(198,865)(1)	-	-	-	(198,865)(1)
Fee and other income:					
BMS cleaning fees	(1,079)	(9,208)	-	-	8,129 (2)
Signage revenue	11,974	11,974	-	-	-
Management and leasing fees	2,788	4,177	1,691	(1,567)	(1,513)
Lease termination fees	90,136	25,333 (3)	983	59,793 (4)	4,027 (5)
Other income	2,675	1,995	(435)	(158)	1,273
	106,494	34,271	2,239	58,068	11,916
Total increase (decrease) in revenues	$ 20,052	$ 151,437	$ (12,867)	$ 53,869	$ (172,387)

(1) Due to the completion of the project. This decrease in revenue is substantially offset by a decrease in development costs expensed in the period. See note (3) on page 64.

(2) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 64.

(3) Primarily due to a $19,500 termination fee from a tenant at 1290 Avenue of the Americas recognized during the third quarter of 2013.

(4) Results primarily from $59,599 of income recognized in the first quarter of 2013 pursuant to a settlement with Stop & Shop.

(5) Primarily due to $3,000 in 2013 from the termination of our subsidiaries' agreements with Cuyahoga County to operate the Cleveland Medical Mart Convention Center.

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

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,819,009,000 in the year ended December 31, 2013, compared to $1,921,425,000 in the year ended December 31, 2012, a decrease of $102,416,000. Below are the details of the (decrease) increase by segment:

(Amounts in thousands)

(Decrease) increase due to:	Total	New York	Washington, DC	Retail Properties	Other
Operating:					
Acquisitions and other	$ 23,791	$ 26,583	$ -	$ (1,209)	$ (1,583)
Properties placed into / taken out of service for redevelopment	(5,445)	(1,933)	(992)	(1,382)	(1,138)
Non-reimbursable expenses, including bad-debt reserves	928	(3,366)	-	1,470	2,824
BMS expenses	(4,151)	(7,889)	-	-	3,738 (2)
Same store operations	26,945	20,812	2,045	4,747	(659)
	42,068	34,207	1,053	3,626	3,182
Depreciation and amortization:					
Acquisitions and other	39,154	41,047	-	(1,519)	(374)
Properties placed into / taken out of service for redevelopment	(16,216)	(552)	(16,177)	513	-
Same store operations	2,758	(2,955)	2,369	1,612	1,732
	25,696	37,540	(13,808)	606	1,358
General and administrative:					
Mark-to-market of deferred compensation plan liability (1)	3,827	-	-	-	3,827
Non-same store	9,244	-	-	-	9,244
Same store operations	(6,913)	3,188	385	(4,662)	(5,824)
	6,158	3,188	385	(4,662)	7,247
Cleveland Medical Mart development project	(194,409)(3)	-	-	-	(194,409)(3)

Impairment losses, acquisition related costs and tenant buy-outs	18,071	-	-	10,600	7,471
Total (decrease) increase in expenses	$ (102,416)	$ 74,935	$ (12,370)	$ 10,170	$ (175,151)

(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) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 63.

(3) Due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (1) on page 63.

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

(Loss) Income Applicable to Toys

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

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

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

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

Income from Partially Owned Entities

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

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

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

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

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

(4) 2012 includes $105,366 of income from Independence Plaza comprised of (i) $60,396 from the accelerated amortization of discount on investment in the subordinated debt of the property and (ii) a $44,970 purchase price fair value adjustment from the exercise of a warrant to acquire 25% of the equity interest in the property.

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

(6) 2012 includes a $28,763 net gain resulting primarily from Lexington's stock issuances. In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale.

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

Income from Real Estate Fund

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

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

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

Interest and Other Investment Loss, net

Interest and other investment loss, net was a loss of $24,876,000 in the year ended December 31, 2013, compared to a loss of $261,179,000 in the year ended December 31, 2012, a decrease in loss of $236,303,000. This decrease resulted from:

(Amounts in thousands)	
Non-cash impairment loss on J.C. Penney common shares ($39,487 in 2013, compared to $224,937 in 2012)	$ 185,450
J.C. Penney derivative position ($33,487 mark-to-market loss in 2013, compared to a $75,815	

mark-to-market loss in 2012)	42,328
Higher interest on mezzanine loans receivable	5,634
Increase in the value of investments in our deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses)	3,827
Lower dividends and interest on marketable securities	(533)
Other, net	(403)
	$ 236,303

Interest and Debt Expense

Interest and debt expense was $481,304,000 in the year ended December 31, 2013, compared to $484,794,000 in the year ended December 31, 2012, a decrease of $3,490,000. This decrease was primarily due to (i) $25,502,000 of higher capitalized interest and (ii) $4,738,000 of interest savings from the restructuring of the Skyline properties mortgage loan in the fourth quarter of 2013, partially offset by (iii) interest expense of $12,319,000 from the financing of the retail condominium at 666 Fifth Avenue in the first quarter of 2013, (iv) an $8,436,000 prepayment penalty in connection with the refinancing of Eleven Penn Plaza, and (v) interest expense of $6,855,000 from the financing of 1290 Avenue of the Americas in the fourth quarter of 2012.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

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

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

Income Tax Benefit (Expense)

Income tax benefit (expense) was a benefit of $6,406,000 in the year ended December 31, 2013, compared to an expense of $8,132,000 in the year ended December 31, 2012 a decrease in expense of $14,538,000. This decrease resulted primarily from a reversal of previously accrued deferred tax liabilities in the current year due to a change in the effective tax rate resulting from an amendment of the Washington, DC Unincorporated Business Tax Statute.

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, 2013 and 2012.

	For the Year Ended December 31,	
(Amounts in thousands)	**2013**	**2012**
Total revenues	$ 129,860	$ 264,878
Total expenses	79,458	190,450
	50,402	74,428
Net gains on sales of real estate	414,502	245,799
Impairment losses	(18,170)	(119,439)
Gain on sale of Canadian Trade Shows, net of $11,448 of income taxes	-	19,657
Income from discontinued operations	$ 446,734	$ 220,445

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $63,952,000 in the year ended December 31, 2013, compared to $32,018,000 in the year ended December 31, 2012, an increase of $31,934,000. This increase resulted primarily from (i) $14,095,000 of higher net income allocated to the noncontrolling interests of our Real Estate Fund, (ii) $13,222,000 of lower income in the prior year resulting from a priority return on our investment in 1290 Avenue of the Americas and 555 California Street, and (iii) $2,909,000 of income allocated to the noncontrolling interest for its share of the net gain on sale of a retail property in Tampa, Florida.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was $23,659,000 in the year ended December 31, 2013, compared to $35,327,000 in the year ended December 31, 2012, a decrease of $11,668,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

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

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

Preferred Share Dividends

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

Preferred Unit and Share Redemptions

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

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

Same Store EBITDA

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

(Amounts in thousands)	New York	Washington, DC	Retail Properties
EBITDA for the year ended December 31, 2013	$ 1,079,682	$ 341,223	$ 541,017
Add-back:			
Non-property level overhead expenses included above	29,206	27,630	18,992
Less EBITDA from:			
Acquisitions	(67,613)	-	-
Dispositions, including net gains on sale	(160,232)	(150)	(300,995)
Properties taken out-of-service for redevelopment	(20,050)	(4,457)	(5,089)
Other non-operating income	(27,418)	(1,129)	(41,741)
Same store EBITDA for the year ended December 31, 2013	$ 833,575	$ 363,117	$ 212,184
EBITDA for the year ended December 31, 2012	$ 1,017,859	$ 532,412	$ 200,526
Add-back:			
Non-property level overhead expenses included above	26,096	27,237	23,654
Less EBITDA from:			
Acquisitions	(4,131)	-	-
Dispositions, including net gains on sale	(221,076)	(176,052)	(8,576)
Properties taken out-of-service for redevelopment	(20,056)	(9,319)	(1,394)
Other non-operating income	(6,790)	(838)	(4,519)
Same store EBITDA for the year ended December 31, 2012	$ 791,902	$ 373,440	$ 209,691
Increase (decrease) in same store EBITDA - Year ended December 31, 2013 vs. December 31,2012[1]	$ 41,673	$ (10,323)	$ 2,493
% increase (decrease) in same store EBITDA	5.3%	(2.8%)	1.2%

(1) See notes on following page.

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

Notes to preceding tabular information:

New York:

The $41,673,000 increase in New York same store EBITDA resulted primarily from increases in Office and Retail of $29,693,000 and $9,229,000, respectively. The Office increase resulted primarily from higher (i) rental revenue of $13,983,000 (primarily due to a $1.85 increase in average annual rents per square foot) and (ii) signage revenue and management and leasing fees of $16,037,000. The Retail increase resulted primarily from higher rental revenue of $10,414,000, (primarily due to a $9.35 increase in average annual rents per square foot).

Washington, DC:

The $10,323,000 decrease in Washington, DC same store EBITDA resulted primarily from lower rental revenue of $15,267,000, primarily due to a 330 basis point decrease in office average same store occupancy to 82.8% from 86.1%, a significant portion of which resulted from the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area (see page 47 for details).

Retail Properties:

The $2,493,000 increase in Retail Properties same store EBITDA resulted primarily from higher rental revenue of $2,847,000, due to a 70 basis point increase in average same store occupancy to 94.2% from 93.5%, and a $0.23 increase in average annual rents per square foot.

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York	Washington, DC	Retail Properties
Same store EBITDA for the year ended December 31, 2013	$ 833,575	$ 363,117	$ 212,184
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(105,981)	(10,181)	(7,902)
Cash basis same store EBITDA for the year ended December 31, 2013	$ 727,594	$ 352,936	$ 204,282
Same store EBITDA for the year ended December 31, 2012	$ 791,902	$ 373,440	$ 209,691
Less: Adjustments for straight line rents, amortization of acquired			