

VORNADO REALTY TRUST
Form 10-K
February 11, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended: December 31, 2018

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

For the transition period from to

Commission File Number: 001 11954
(Vornado
Realty
Trust)

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

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

Vornado Realty Trust	Maryland	22-1657560
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Vornado Realty L.P.	Delaware	13-3925979
	(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)

(212) 894-7000
(Registrants' telephone number, including area code)

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

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

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Registrant	Title of Each Class	Name of Exchange on Which Registered
Vornado Realty Trust	Common Shares of beneficial interest, \$.04 par value per share	New York Stock Exchange
	Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
Vornado Realty Trust	5.70% Series K	New York Stock Exchange
Vornado Realty Trust	5.40% Series L	New York Stock Exchange
Vornado Realty Trust	5.25% Series M	New York Stock Exchange

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

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

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

Vornado Realty Trust: YES ☒ NO ☐ Vornado Realty L.P.: YES ☐ NO ☒

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

Vornado Realty Trust: YES ☐ NO ☒ Vornado Realty L.P.: YES ☐ NO ☒

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

Vornado Realty Trust: YES ☒ NO ☐ Vornado Realty L.P.: YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Vornado Realty Trust: YES ☒ NO ☐ Vornado Realty L.P.: YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Vornado Realty Trust:

☒ Large Accelerated Filer ☐ Accelerated Filer
☐ Non-Accelerated Filer ☐ Smaller Reporting Company
☐ Emerging Growth Company

Vornado Realty L.P.:

☐ Large Accelerated Filer ☐ Accelerated Filer
☒ Non-Accelerated Filer ☐ Smaller Reporting Company
☐ Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Vornado Realty Trust: YES ☐ NO ☒ Vornado Realty L.P.: YES ☐ NO ☒

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The aggregate market value of the voting and non-voting common shares held by non-affiliates of Vornado Realty Trust, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$12,877,203,000 at June 30, 2018.

As of December 31, 2018, there were 190,535,499 common shares of beneficial interest outstanding of Vornado Realty Trust.

There is no public market for the Class A units of limited partnership interest of Vornado Realty L.P. Based on the June 30, 2018 closing share price of Vornado Realty Trust's common shares, which are issuable upon redemption of the Class A units, the aggregate market value of the Class A units held by non-affiliates of Vornado Realty L.P., i.e. by persons other than Vornado Realty Trust and its officers and trustees, was \$707,001,000 at June 30, 2018.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Vornado Realty Trust's Shareholders to be held on May 16, 2019.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2018 of Vornado Realty Trust and Vornado Realty L.P. Unless stated otherwise or the context otherwise requires, references to “Vornado” refer to Vornado Realty Trust, a Maryland real estate investment trust (“REIT”), and references to the “Operating Partnership” refer to Vornado Realty L.P., a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean, collectively, Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

The Operating Partnership is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. Vornado is the sole general partner and also a 93.4% limited partner of the Operating Partnership. As the sole general partner of the Operating Partnership, Vornado has exclusive control of the Operating Partnership’s day-to-day management.

Under the limited partnership agreement of the Operating Partnership, unitholders may present their Class A units for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Class A units may be tendered for redemption to the Operating Partnership for cash; Vornado, at its option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. Vornado generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having the Operating Partnership pay cash. With each such exchange or redemption, Vornado’s percentage ownership in the Operating Partnership will increase. In addition, whenever Vornado issues common shares other than to acquire Class A units of the Operating Partnership, Vornado must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to Vornado an equivalent number of Class A units of the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

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

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

The Company believes it is important to understand the few differences between Vornado and the Operating Partnership in the context of how Vornado and the Operating Partnership operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of Vornado. Vornado does not have any other significant assets, liabilities or operations, other than its investment in the Operating Partnership. The Operating Partnership, not Vornado, generally executes all significant business relationships other than transactions involving the securities of Vornado. The Operating Partnership holds substantially all of the assets of Vornado. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by Vornado, which are contributed to the capital of the Operating Partnership in exchange for Class A units of partnership in the Operating Partnership, and the net proceeds of debt offerings by Vornado, the net proceeds of which are contributed to the Operating Partnership in exchange for debt securities of the Operating Partnership, as applicable, the Operating Partnership generates all

remaining capital required by the Company's business. These capital sources may include working capital, net cash provided by operating activities, borrowings under the revolving credit facility, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties.

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

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;

Item 6. Selected Financial Data;

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable; and

Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for Vornado Realty Trust and Vornado Realty L.P.:

Note 12. Redeemable Noncontrolling Interests/Redeemable Partnership Units

Note 13. Shareholders' Equity/Partners' Capital

Note 16. Stock-based Compensation

Note 19. Income Per Share/Income Per Class A Unit

Note 24. Summary of Quarterly Results (Unaudited)

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

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These items are omitted in whole or in part because Vornado, the Operating Partnership's sole general partner, will (1) 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, 2018, portions of which are incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

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

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

PART I

ITEM 1. BUSINESS

Vornado is a fully integrated REIT and conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership, a Delaware limited partnership. Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.4% of the common limited partnership interest in the Operating Partnership as of December 31, 2018.

We currently own all or portions of:

New York:

- 19.9 million square feet of Manhattan office in 36 properties;
- 2.6 million square feet of Manhattan street retail in 71 properties;
- 1,999 units in eleven residential properties;
- The 1,700 room Hotel Pennsylvania located on Seventh Avenue at 33rd Street in the heart of the Penn District; and
- A 32.4% interest in Alexander's, Inc. ("Alexander's") (NYSE: ALX), which owns seven properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg, L.P. headquarters building.

Other Real Estate and Related Investments:

- The 3.7 million square foot theMART in Chicago;
- A 70% controlling interest in 555 California Street, a three-building office complex in San Francisco's financial district aggregating 1.8 million square feet, known as the Bank of America Center;
- A 25.0% interest in Vornado Capital Partners, our real estate fund (the "Fund"). We are the general partner and investment manager of the Fund; and
- Other real estate and other investments.

OBJECTIVES AND STRATEGY

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

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

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

ACQUISITIONS

We completed the following acquisitions during 2018:

\$442 million acquisition of the retail condominium at 1535 Broadway;
\$44 million acquisition of 537 West 26th Street and 55,000 square feet of additional zoning air rights; and
\$42 million purchase price to increase our ownership interest in the joint venture that is developing the Farley Office and Retail Building to 95.0% from 50.1%.

DISPOSITIONS

We completed the following sale transactions during 2018:

\$120 million sale of our 49.5% interests in the 666 Fifth Office Condominium. Concurrently with the sale of our interests, the existing mortgage loan on the property was repaid and we received net proceeds of \$55.2 million for the participation we held in the mortgage loan;
\$82 million sale of the retail condominium at 11 East 68th Street by the Fund (25% interest); and
\$45 million sale of 27 Washington Square North.

220 CENTRAL PARK SOUTH

We completed the following sale transactions during 2018:

\$215 million net proceeds from the sale of 11 condominium units.

FINANCINGS

We completed the following financing transactions during 2018:

\$750 million unsecured term loan extended to February 2024, lowering the interest rate from LIBOR plus 1.15% to LIBOR plus 1.00%;
\$675 million refinancing of Independence Plaza (\$338 million at our 50.1% interest);
\$470 million redemption of all of the outstanding 6.625% Series G and Series I cumulative redeemable preferred shares/units;
\$255 million refinancing of the Crowne Plaza Times Square Hotel (\$84 million at our 32.9% interest);
\$205 million refinancing of 150 West 34th Street and \$105 million investment in a participation in the refinanced loan;
\$120 million refinancing of 4 Union Square South; and
\$100 million refinancing of 33-00 Northern Boulevard (Center Building).

DEVELOPMENT AND REDEVELOPMENT EXPENDITURES

We are constructing a residential condominium tower containing 397,000 salable square feet at 220 Central Park South ("220 CPS"). The development cost of this project (exclusive of land cost of \$515.4 million) is estimated to be approximately \$1.4 billion, of which \$1.2 billion has been expended as of December 31, 2018.

We are developing a 173,000 square foot Class A office building, located along the western edge of the High Line at 512 West 22nd Street in the West Chelsea submarket of Manhattan (55.0% interest). The development cost of this project is estimated to be approximately \$130,000,000, of which our share is \$72,000,000. As of December 31, 2018, \$95,464,000 has been expended, of which our share is \$52,505,000.

We are developing a 34,000 square foot office and retail building at 606 Broadway, located on the northeast corner of Broadway and Houston Street in Manhattan (50.0% interest). The development cost of this project is estimated to be approximately \$60,000,000, of which our share is \$30,000,000. As of December 31, 2018, \$51,202,000 has been expended, of which our share is \$25,601,000.

We are redeveloping a 78,000 square foot Class A office building at 345 Montgomery Street, a part of our 555 California Street complex in San Francisco (70.0% interest) located at the corner of California and Pine Street. The development cost of this project is estimated to be approximately \$46,000,000, of which our share is \$32,000,000. As of December 31, 2018, \$21,834,000 has been expended, of which our share is \$15,284,000.

We are redeveloping a 165,000 square foot office building at 825 Seventh Avenue, located at the corner of 53rd Street and Seventh Avenue (50.0% interest). The redevelopment cost of this project is estimated to be approximately \$30,000,000, of which our share is \$15,000,000. As of December 31, 2018, \$8,967,000 has been expended, of which our share is \$4,484,000.

We are redeveloping PENN1, a 2,545,000 square foot office building located on 34th Street between Seventh and Eighth Avenue. The development cost of this project is estimated to be over \$200,000,000, of which \$9,725,000 has been expended as of December 31, 2018.

We are in the planning phase to redevelop PENN2, a 1,634,000 square foot office building located on the west side of 7th Avenue between 31st and 33rd Street.

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

DEVELOPMENT AND REDEVELOPMENT EXPENDITURES - continued

Farley Office and Retail Building and Moynihan Train Hall

Our 95.0% joint venture (the remaining 5.0% is owned by the Related Companies "Related") is developing the Farley Office and Retail Building (the "Project"), which will include approximately 850,000 rentable square feet of commercial space, comprised of approximately 730,000 square feet of office space and approximately 120,000 square feet of retail space. The total development cost of the Project is estimated to be approximately \$800,000,000 (exclusive of a \$230,000,000 upfront contribution and net of anticipated historic tax credits). As of December 31, 2018, \$144,491,000 has been expended.

The joint venture has entered into a development agreement with Empire State Development ("ESD"), an entity of New York State, to build the adjacent Moynihan Train Hall, with Vornado and Related each guaranteeing the joint venture's obligations. The joint venture has entered into a design-build contract with Skanska Moynihan Train Hall Builders pursuant to which they will build the Moynihan Train Hall, thereby fulfilling all of the joint venture's obligations to ESD. The obligations of Skanska Moynihan Train Hall Builders have been bonded by Skanska USA and bear a full guaranty from Skanska AB. The development expenditures for the Moynihan Train Hall are estimated to be approximately \$1.6 billion, which will be funded by governmental agencies. Pursuant to Accounting Standards Codification 840-40-55, the joint venture, which we consolidate on our consolidated balance sheets, is required to recognize all development expenditures for the Moynihan Train Hall. Accordingly, the development expenditures paid for by governmental agencies through December 31, 2018 of \$445,693,000 are shown as "Moynihan Train Hall development expenditures" with a corresponding obligation recorded in "Moynihan Train Hall obligation" on our consolidated balance sheets. Upon completion of the development, the "Moynihan Train Hall development expenditures" and the offsetting "Moynihan Train Hall obligation" will be removed from our consolidated balance sheets.

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

SEGMENT DATA

We operate in the following reportable segments: New York and Other. Financial information related to these reportable segments for the years ended December 31, 2018, 2017 and 2016 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 New York segment has historically experienced higher utility costs in the first and third quarters of the year.

TENANTS ACCOUNTING FOR OVER 10% OF REVENUES

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2018, 2017 and 2016.

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. Generally our activities are reviewed and may be modified from time to time by Vornado's Board of Trustees without the vote of our shareholders or Operating Partnership unitholders.

EMPLOYEES

As of December 31, 2018, we have approximately 3,928 employees, of which 275 are corporate staff. The New York segment has 3,476 employees, including 2,838 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York properties and 460 employees at the Hotel Pennsylvania. theMART has 177 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, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.vno.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies

of these documents are also available directly from us free of charge. Our website also includes other financial information, including certain non-GAAP financial measures, none of which is a part of this Annual Report on Form 10-K. Copies of our filings under the Securities Exchange Act of 1934 are also available free of charge from us, upon request.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below. We refer to the equity and debt securities of both Vornado and the Operating Partnership as our “securities” and the investors who own shares of Vornado or units of the Operating Partnership, or both, as our “equity holders.” The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, operations and financial condition. See “Forward-Looking Statements” contained herein on page 6.

OUR INVESTMENTS ARE CONCENTRATED IN THE NEW YORK CITY METROPOLITAN AREA AND CIRCUMSTANCES AFFECTING THIS AREA GENERALLY COULD MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS.

A significant portion of our properties are located in the New York City Metropolitan area and are affected by the economic cycles and risks inherent to this area.

In 2018, approximately 89% of our net operating income (“NOI”, a non-GAAP measure) came from properties located in the New York City metropolitan area. We may continue to concentrate a significant portion of our future acquisitions and development in this area. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact this market in either the short or long term. Declines in the economy or declines in real estate markets in the New York City metropolitan area 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 this region include:

- financial performance and productivity of the media, advertising, professional services, financial, technology, retail, insurance and real estate industries;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- changes in the number of domestic and international tourists to our markets (including, as a result of changes in the relative strengths of world currencies);
- infrastructure quality;
- changes in rates or the treatment of the deductibility of state and local taxes; 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 could negatively affect our businesses and profitability.

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

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

Terrorist attacks may adversely affect the value of our properties and our ability to generate cash flow.

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

Natural disasters and the effects of climate change could have a concentrated impact on the areas where we operate and could adversely impact our results.

Our investments are concentrated in the New York, Chicago and San Francisco metropolitan areas. Natural disasters, including earthquakes, storms, tornados, floods and hurricanes, could impact our properties in these and other areas in which we operate. Potentially adverse consequences of “global warming,” including rising sea levels, could similarly have an impact on our properties. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy at our properties and requiring us to expend funds as we seek to repair and protect our properties against such risks. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.

REAL ESTATE INVESTMENTS’ VALUE AND INCOME FLUCTUATE DUE TO VARIOUS FACTORS.

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

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

- global, national, regional and local economic conditions;
- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our properties;
- the development and/or redevelopment of our properties;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we are able to pass all or portions of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users such as customers and shoppers consider a property attractive;
- changes in consumer preferences adversely affecting retailers and retail store values;
- changes in space utilization by our tenants due to technology, economic conditions and business environment;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- trends in office real estate;
- the impact on our retail tenants and demand for retail space at our properties due to increased competition from online shopping;
- availability of financing on acceptable terms or at all;
- inflation or deflation;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;
- changes in zoning laws and taxation;
- government regulation;
- consequences of any armed conflict involving, or terrorist attacks against, the United States or individual acts of violence in public spaces including retail centers;
- potential liability under environmental or other laws or regulations;
- natural disasters;
- general competitive factors; and
- climate changes.

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

Capital markets and economic conditions can materially affect our liquidity, financial condition and results of operations as well as the value of an investment in 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 due to an economic downturn, bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which may adversely affect our liquidity and financial condition, including our results of operations, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our securities.

U.S. federal tax reform legislation now and in the future could affect REITs generally, the geographic markets in which we operate, the trading of our shares and our results of operations, both positively and negatively, in ways that are difficult to anticipate.

The Tax Cuts and Jobs Act of 2017 (the “2017 Act”) represented sweeping tax reform legislation that made significant changes to corporate and individual tax rates and the calculation of taxes, as well as international tax rules. As a REIT, we are generally not required to pay federal taxes otherwise applicable to regular corporations if we comply with the various tax regulations governing REITs. Shareholders, however, are generally required to pay taxes on REIT dividends. The 2017 Act and future tax reform legislation could impact our share price or how shareholders and potential investors view an investment in REITs. For example, the decrease in corporate tax rates in the 2017 Act could decrease the attractiveness of the REIT structure relative to companies that are not organized as REITs. In addition, while certain elements of the 2017 Act do not impact us directly as a REIT, they could impact the geographic markets in which we operate as well as our tenants in ways, both positive and negative, that are difficult to anticipate. For example, the limitation in the 2017 Act on the deductibility of certain state and local taxes may make operating in jurisdictions that impose such taxes at higher rates less desirable than operating in jurisdictions imposing such taxes at lower rates. The overall impact of the 2017 Act also depends on the future interpretations and regulations that may be issued by U.S. tax authorities, and it is possible that future guidance could adversely impact us.

Real estate is a competitive business.

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

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We may acquire properties when we are presented with attractive opportunities. We may face competition for acquisition opportunities from other well-capitalized investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors which may adversely affect us by causing us the inability to acquire a desired property or cause an increase in the purchase price for such acquisition property.

If we are unable to successfully acquire additional properties, our ability to grow our business could be adversely affected. In addition, increases in the cost of acquisition opportunities could adversely affect our results of operations.

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

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

We may be adversely affected by trends in office real estate.

Telecommuting, flexible work schedules, open workplaces and teleconferencing are becoming more common. These practices enable businesses to reduce their office space requirements. There is also an increasing trend among some businesses to utilize shared office spaces and co-working spaces. A continuation of the movement towards these practices could, over time, erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations.

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

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

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

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. The bankruptcy or insolvency of a major tenant could cause us to suffer lower revenues and operational difficulties, including leasing the remainder of the property. As a result, the bankruptcy or insolvency of a major tenant could result in decreased revenue, net income and funds available to pay our indebtedness or make distributions to equity holders.

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

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

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

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

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

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

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

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

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

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons who access our systems from inside or outside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Although we have not experienced cyber incidents that are individually, or in the aggregate, material, we have experienced cyber attacks in the past, which have thus far been mitigated by preventative, detective, and responsive measures that we have put in place. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Unauthorized parties, whether within or outside our company, may disrupt or gain access to our systems, or those of third parties with whom we do business, through human error, misfeasance, fraud, trickery, or other forms of deceit, including break-ins, use of stolen credentials, social engineering, phishing, computer viruses or other malicious codes, and similar means of unauthorized and destructive tampering. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

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

A cyber attack could interfere with our ability to comply with financial reporting requirements, which could adversely affect us. A cyber attack could also compromise the confidential information of our employees, tenants, customers and vendors. A successful attack could disrupt and materially affect our business operations, including damaging relationships with tenants, customers and vendors. Any compromise of our information security systems could also result in a violation of applicable privacy and other laws, significant legal

and financial exposure, damage to our reputation, loss or misuse of the information (which may be confidential, proprietary and/or commercially sensitive in nature) and a loss of confidence in our security measures, which could harm our business.

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

We maintain general liability insurance with limits of \$300,000,000 per occurrence and per property, and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of \$260,000,000 per occurrence and in the aggregate, subject to a deductible in the amount of 5% of the value of the affected property. We maintain coverage for terrorism acts with limits of \$4.0 billion per occurrence and in the aggregate, and \$2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological ("NBCR") terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act of 2015, which expires in December 2020.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism including NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of \$1,453,000 and 19% of the balance of a covered loss and the Federal government is responsible for the remaining portion of a covered loss. We are ultimately responsible for any loss incurred by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism and other events. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for uninsured losses and for deductibles and losses in excess of our insurance coverage, which could be material.

Our debt instruments, consisting of mortgage loans secured by our properties, 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 or refinance our properties and expand our portfolio.

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

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

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

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may affect our financial results.

The chief executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has recently announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities.

Any changes announced by the FCA, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change. In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include requesting certain rates from major reference banks in London or New York, or alternatively using LIBOR for the immediately preceding interest period or using the initial interest rate, as applicable, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR rate was available in its current form.

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; or (iii) leasing or selling developed, redeveloped or acquired properties at amounts sufficient to cover our costs. Competition in these activities could also significantly increase our costs. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in weaker than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred. Furthermore, we may be exposed to the liabilities of properties or companies acquired, some of which we may not be aware of at the time of acquisition.

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

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

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

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

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

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

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

From time to time we have made, and in the future we may seek to make, investments in companies that we may not control, including, but not limited to, Alexander's, Urban Edge Properties ("UE"), Pennsylvania Real Estate Investment Trust ("PREIT"), and other equity and loan investments. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from investing and operating real estate. 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 involved in real estate activity through joint ventures and private equity real estate funds.

We have in the past and may in the future acquire or own properties in joint ventures and private equity real estate funds with other persons or entities when we believe circumstances warrant the use of such structures. Joint venture and fund investments involve risk, including: the possibility that our partners might refuse to make capital contributions when due and therefore we may be forced to make contributions to maintain the value of the property; that we may be responsible to our partners for indemnifiable losses; that our partners might at any time have business or economic goals that are inconsistent with ours; and that our partners may be in a position to take action or withhold consent contrary to our recommendations, instructions or requests. We and our respective joint venture partners may each have the right to trigger a buy-sell, put right or forced sale arrangement, which could cause us to sell our interest, or acquire our partner's interest, or to sell the underlying asset, at a time when we otherwise would not have initiated such a transaction, without our consent or on unfavorable terms. In some instances, joint venture and fund partners may have competing interests in unfavorable terms. In some instances, joint venture and fund partners may have competing interests in our markets that could create conflicts of interest. These conflicts may include compliance with the REIT requirements, and our REIT status could be jeopardized if any of our joint ventures or funds does not operate in compliance with REIT requirements. To the extent our partners do not meet their obligations to us or our joint ventures or funds, or they take action inconsistent with the interests of the joint venture or fund, we may be adversely affected.

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, 2018, our marketable securities have an aggregate carrying amount of \$152,198,000, at market. Significant declines in the value of these investments due to, among other reasons, operating performance or economic or market conditions, would result in recognized GAAP 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. This, in turn, requires the Operating Partnership to make distributions to its unitholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. Although we believe that we will be able to finance any investments we may wish to make in the foreseeable future, there can be no assurance that new financing will be available or available on acceptable terms. For information about our available sources of funds, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” and the notes to the consolidated financial statements in this Annual Report on Form 10-K.

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

Substantially all of Vornado’s assets are held through its Operating Partnership that holds substantially all of its properties and assets through subsidiaries. The Operating Partnership’s cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of Vornado’s cash flow is dependent on cash distributions to it by the Operating Partnership. The creditors of each of Vornado’s direct and indirect subsidiaries are entitled to payment of that subsidiary’s obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. Thus, the Operating Partnership’s ability to make distributions to its equity holders depends on its subsidiaries’ ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, Vornado’s ability to pay dividends to its holders of common and preferred shares depends on the Operating Partnership’s ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to make distributions to Vornado.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to the Operating Partnership’s equity holders, including Vornado. Thus, Vornado’s ability to pay cash dividends to its equity holders and satisfy its debt obligations depends on the Operating Partnership’s ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to its equity holders, including Vornado. As of December 31, 2018, there were four series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of \$55,921,000.

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

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

As of December 31, 2018, our consolidated mortgages and unsecured indebtedness, excluding related premium, discount and deferred financing costs, net, totaled \$9.9 billion. We are subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet our required debt service. Our debt service costs generally will not be reduced if developments in the market or at our properties, such as the entry of new competitors or the loss of major tenants, cause a reduction in the income from our properties. Should such events occur, our operations may be adversely affected. If a property is mortgaged to secure payment of indebtedness and income from such property is insufficient to pay that indebtedness, the property could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value.

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

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

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

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the applicable 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 ratio 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 such other sources or give possession of a secured property to the lender. Under those circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

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

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

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

Although we believe that Vornado will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, Vornado may fail to remain so qualified. Qualifications are governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations and depend on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the relevant tax laws and/or the federal income tax consequences of qualifying as a REIT. If, with respect to any taxable year, Vornado fails to maintain its qualification as a REIT and does not qualify under statutory relief provisions, Vornado

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

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

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

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

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

VORNADO'S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE US.

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

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

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

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

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

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

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

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

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

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

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

OUR OWNERSHIP STRUCTURE AND RELATED-PARTY TRANSACTIONS MAY GIVE RISE TO CONFLICTS OF INTEREST.

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

As of December 31, 2018, Interstate Properties, a New Jersey general partnership, and its partners beneficially owned an aggregate of approximately 7.1% of the common shares of beneficial interest of Vornado and 26.2% of the common stock of Alexander's, which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board of Directors and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are Trustees of Vornado and also Directors of Alexander's.

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

We manage and lease the real estate assets of Interstate Properties under a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. See Note 23 – Related Party Transactions to our consolidated financial statements in this Annual Report on Form 10-K for additional information.

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

As of December 31, 2018, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has seven properties, which are located in the greater New York metropolitan area. In addition to the 2.3% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 26.2% of the outstanding common stock of Alexander's as of December 31, 2018. Mr. Roth is the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board of Directors and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are Trustees of Vornado and also Directors of Alexander's 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 – Chief Financial Officer and Chief Administrative Officer, is the Treasurer of Alexander's and Matthew Iocco, our Executive Vice President – Chief Accounting Officer, is the Chief Financial Officer of Alexander's.

We manage, develop and lease Alexander's properties under management and development agreements and leasing agreements under which we receive annual fees from Alexander's. See Note 23 – Related Party Transactions to our consolidated financial statements in this Annual Report on Form 10-K for additional information.

THE NUMBER OF SHARES OF VORNADO REALTY TRUST AND THE MARKET FOR THOSE SHARES GIVE RISE TO VARIOUS RISKS.

The trading price of Vornado's common shares has been volatile and may continue to fluctuate.

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

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

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

A significant decline in Vornado's stock price could result in substantial losses for our equity holders.

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

The interests of equity holders could be diluted if we issue additional equity securities. As of December 31, 2018, Vornado had authorized but unissued, 59,464,501 common shares of beneficial interest, \$.04 par value and 72,116,023 preferred shares of beneficial interest, no par value; of which 18,882,197 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 11,200,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of Vornado's common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our securities.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

We operate in two reportable segments: New York and Other. The following pages provide details of our real estate properties as of December 31, 2018.

NEW YORK SEGMENT Property	% Ownership	Type	% Occupancy	Square Feet		In Service	Under Development or Not Available for Lease	Total Property
PENN1 (ground leased through 2098)	100.0	% Office / Retail	93.1	%	2,376,000	169,000	2,545,000	
1290 Avenue of the Americas	70.0	% Office / Retail	100.0	%	2,113,000	—	2,113,000	
PENN2	100.0	% Office / Retail	100.0	%	1,398,000	236,000	1,634,000	
909 Third Avenue (ground leased through 2063)	100.0	% Office	98.6	%	1,352,000	—	1,352,000	
Independence Plaza, Tribeca (1,327 units) ⁽¹⁾	50.1	% Retail / Residential	100.0	% ⁽²⁾	1,245,000	12,000	1,257,000	
280 Park Avenue ⁽¹⁾	50.0	% Office / Retail	93.5	%	1,260,000	—	1,260,000	
770 Broadway	100.0	% Office / Retail	100.0	%	1,183,000	—	1,183,000	
PENN11	100.0	% Office / Retail	99.7	%	1,151,000	—	1,151,000	
90 Park Avenue	100.0	% Office / Retail	94.9	%	962,000	—	962,000	
One Park Avenue ⁽¹⁾	55.0	% Office / Retail	100.0	%	943,000	—	943,000	
888 Seventh Avenue (ground leased through 2067)	100.0	% Office / Retail	96.7	%	886,000	—	886,000	
100 West 33rd Street	100.0	% Office	100.0	%	859,000	—	859,000	
Farley Office and Retail Building (ground leased through 2116)	95.0	% Office / Retail	n/a		—	850,000	850,000	
330 Madison Avenue ⁽¹⁾	25.0	% Office / Retail	97.0	%	846,000	—	846,000	
330 West 34th Street (ground leased through 2149 - 34.8% ownership interest in the land)	100.0	% Office / Retail	98.5	%	722,000	—	722,000	
85 Tenth Avenue ⁽¹⁾	49.9	% Office / Retail	99.5	%	629,000	—	629,000	
650 Madison Avenue ⁽¹⁾	20.1	% Office / Retail	96.0	%	604,000	—	604,000	
350 Park Avenue	100.0	% Office / Retail	97.8	%	571,000	—	571,000	
150 East 58th Street (ground leased through 2118)	100.0	% Office / Retail	96.5	%	543,000	—	543,000	
7 West 34th Street ⁽¹⁾	53.0	% Office / Retail	99.6	%	477,000	—	477,000	
33-00 Northern Boulevard (Center Building)	100.0	% Office	95.5	%	471,000	—	471,000	
595 Madison Avenue	100.0	% Office / Retail	91.1	%	330,000	—	330,000	
640 Fifth Avenue	100.0	% Office / Retail	100.0	%	315,000	—	315,000	
50-70 W 93rd Street (325 units) ⁽¹⁾	49.9	% Residential	96.0	%	283,000	—	283,000	
Manhattan Mall	100.0	% Retail	94.9	%	256,000	—	256,000	
40 Fulton Street	100.0	% Office / Retail	77.5	%	251,000	—	251,000	
4 Union Square South	100.0	% Retail	100.0	%	206,000	—	206,000	
260 Eleventh Avenue (ground leased through 2114)	100.0	% Office	100.0	%	184,000	—	184,000	
512 W 22nd Street ⁽¹⁾	55.0	% Office	n/a		—	173,000	173,000	
	45.1	% Office / Retail	100.0	%	23,000	147,000	170,000	

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61 Ninth Avenue (ground leased through 2115)⁽¹⁾

825 Seventh Avenue	51.2	%	Office ⁽¹⁾ / Retail	n/a	—	169,000	169,000
1540 Broadway	100.0	%	Retail	100.0	%	161,000	161,000
608 Fifth Avenue (ground leased through 2033)	100.0	%	Office / Retail	99.9	%	137,000	137,000
Paramus	100.0	%	Office	87.2	%	129,000	129,000
666 Fifth Avenue Retail Condominium	100.0	%	Retail	100.0	%	114,000	114,000
1535 Broadway	100.0	%	Retail / Theatre	98.0	%	107,000	107,000
57th Street (2 buildings) ⁽¹⁾	50.0	%	Office / Retail	87.9	%	103,000	103,000
689 Fifth Avenue	100.0	%	Office / Retail	100.0	%	98,000	98,000
478-486 Broadway (2 buildings) (10 units)	100.0	%	Retail / Residential	100.0	% ⁽²⁾	85,000	85,000
150 West 34th Street	100.0	%	Retail	100.0	%	78,000	78,000
510 Fifth Avenue	100.0	%	Retail	100.0	%	66,000	66,000
655 Fifth Avenue	92.5	%	Retail	100.0	%	57,000	57,000
155 Spring Street	100.0	%	Retail	93.6	%	50,000	50,000
3040 M Street	100.0	%	Retail	100.0	%	44,000	44,000
435 Seventh Avenue	100.0	%	Retail	100.0	%	43,000	43,000

See notes on page 28.

ITEM 2. PROPERTIES – CONTINUED

NEW YORK SEGMENT – CONTINUED Property	% Ownership	Type	% Occupancy	Square Feet		In Service	Under Development or Not Available for Lease	Total Property
692 Broadway	100.0	% Retail	100.0	%	36,000	—		36,000
606 Broadway	50.0	% Office / Retail	100.0	%	3,000	31,000		34,000
697-703 Fifth Avenue	74.3	% Retail	100.0	%	26,000	—		26,000
715 Lexington Avenue	100.0	% Retail	92.5	%	23,000	—		23,000
1131 Third Avenue	100.0	% Retail	100.0	%	23,000	—		23,000
40 East 66th Street (5 units)	100.0	% Retail / Residential	66.7	% ⁽²⁾	23,000	—		23,000
131-135 West 33rd Street	100.0	% Retail	100.0	%	23,000	—		23,000
828-850 Madison Avenue	100.0	% Retail	94.8	%	14,000	4,000		18,000
443 Broadway	100.0	% Retail	100.0	%	16,000	—		16,000
334 Canal Street (4 units)	100.0	% Retail / Residential	100.0	% ⁽²⁾	15,000	—		15,000
537 West 26th Street	100.0	% Retail	n/a		14,000	—		14,000
304 Canal Street (4 units)	100.0	% Retail / Residential	n/a		13,000	—		13,000
677-679 Madison Avenue (8 units)	100.0	% Retail / Residential	100.0	% ⁽²⁾	13,000	—		13,000
431 Seventh Avenue	100.0	% Retail	100.0	%	10,000	—		10,000
138-142 West 32nd Street	100.0	% Retail	67.3	%	8,000	—		8,000
148 Spring Street	100.0	% Retail	100.0	%	8,000	—		8,000
339 Greenwich Street	100.0	% Retail	100.0	%	8,000	—		8,000
150 Spring Street (1 unit)	100.0	% Retail / Residential	63.2	% ⁽²⁾	7,000	—		7,000
966 Third Avenue	100.0	% Retail	100.0	%	7,000	—		7,000
968 Third Avenue ⁽¹⁾	50.0	% Retail	100.0	%	7,000	—		7,000
488 Eighth Avenue	100.0	% Retail	100.0	%	6,000	—		6,000
137 West 33rd Street	100.0	% Retail	100.0	%	3,000	—		3,000
Other (8 units)	100.0	% Retail / Residential	100.0	% ⁽²⁾	22,000	—		22,000
Hotel Pennsylvania	100.0	% Hotel	n/a		1,400,000	—		1,400,000
Alexander's, Inc.:								
731 Lexington Avenue ⁽¹⁾	32.4	% Office / Retail	99.9	%	1,063,000	—		1,063,000
Rego Park II, Queens ⁽¹⁾	32.4	% Retail	99.9	%	609,000	—		609,000
Rego Park I, Queens ⁽¹⁾	32.4	% Retail	43.1	%	343,000	—		343,000
The Alexander Apartment Tower, Queens (312 units) ⁽¹⁾	32.4	% Residential	95.5	%	255,000	—		255,000
Flushing, Queens ⁽¹⁾ (1.0 acre ground leased through 2037)	32.4	% Retail	100.0	%	167,000	—		167,000
Paramus, New Jersey (30.3 acres)	32.4	% Retail	100.0	%	—	—		—

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ground leased through 2041)⁽¹⁾

Total New York Segment	96.7	%	27,876,000	1,791,000	29,667,000
Our Ownership Interest	97.0	%	22,041,000	1,486,000	23,527,000

See notes on page 28.

ITEM 2. PROPERTIES – CONTINUED

OTHER SEGMENT Property	% Ownership	Type	% Occupancy		Square Feet In Service	Under Development or Not Available for Lease	Total Property
theMART:							
theMART, Chicago	100.0	% Office / Retail/Showroom	94.8	%	3,675,000	—	3,675,000
Other (2 properties) ⁽¹⁾	50.0	% Retail	89.5	%	19,000	—	19,000
Total theMART			94.7	%	3,694,000	—	3,694,000
Our Ownership Interest			94.7	%	3,685,000	—	3,685,000
555 California Street:							
555 California Street	70.0	% Office	99.3	%	1,508,000	—	1,508,000
315 Montgomery Street	70.0	% Office / Retail	100.0	%	235,000	—	235,000
345 Montgomery Street	70.0	% Office / Retail	n/a		—	78,000	78,000
Total 555 California Street			99.4	%	1,743,000	78,000	1,821,000
Our Ownership Interest			99.4	%	1,220,000	55,000	1,275,000
Vornado Capital Partners Real Estate Fund ("Fund") ⁽³⁾ :							
Crowne Plaza Times Square, NY (0.64 acres owned in fee; 0.18 acres ground leased through 2187 and 0.05 acres ground leased through 2035) ⁽⁴⁾							
Lucida, 86th Street and Lexington Avenue, NY (ground leased through 2082) (39 units)	100	% Retail / Residential	100.0	% ⁽²⁾	155,000	—	155,000
501 Broadway, NY	100	% Retail	100.0	%	9,000	—	9,000
1100 Lincoln Road, Miami, FL	100	% Retail / Theatre	86.9	%	130,000	—	130,000
Total Real Estate Fund			94.1	%	537,000	—	537,000
Our Ownership Interest			94.5	%	154,000	—	154,000
Other:							
Rosslyn Plaza (197 units) ⁽¹⁾	46.2	% Office / Residential	61.6	% ⁽²⁾	685,000	304,000	989,000
Wayne Towne Center, Wayne (ground leased through 2064)	100	% Retail	100.0	%	671,000	6,000	677,000
Annapolis (ground leased through 2042)	100	% Retail	100.0	%	128,000	—	128,000
Fashion Centre Mall ⁽¹⁾	7.5	% Retail	99.6	%	868,000	—	868,000
Washington Tower ⁽¹⁾	7.5	% Office	100.0	%	170,000	—	170,000
Total Other			92.5	%	2,522,000	310,000	2,832,000
Our Ownership Interest			92.8	%	1,187,000	146,000	1,333,000

-
- (1) Denotes property not consolidated in the accompanying consolidated financial statements and related financial data included in the Annual Report on Form 10-K.
- (2) Excludes residential occupancy statistics.
- (3) We own a 25% interest in the Fund. The ownership percentage in this section represents the Fund's ownership in the underlying assets.
- (4) We own a 32.9% economic interest through the Fund and the Crowne Plaza Joint Venture.

NEW YORK

As of December 31, 2018, our New York segment consisted of 27.9 million square feet in 87 properties. The 27.9 million square feet is comprised of 19.9 million square feet of office in 36 properties, 2.6 million square feet of retail in 71 properties, 1,999 units in eleven residential properties, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, which owns seven properties in the greater New York metropolitan area. The New York segment also includes 10 garages totaling 1.7 million square feet (4,875 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, 2018, the occupancy rate for our New York segment was 97.0%.

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

Office:

As of December 31,	Vornado's Ownership Interest			
	Total Property Square Feet	Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2018	19,858,000	16,632,000	97.2	% \$ 74.04
2017	20,256,000	16,982,000	97.1	% 71.09
2016	20,227,000	16,962,000	96.3	% 68.90
2015	19,918,000	16,734,000	97.1	% 66.42
2014	18,785,000	15,730,925	97.7	% 65.31

Retail:

As of December 31,	Vornado's Ownership Interest			
	Total Property Square Feet	Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2018	2,648,000	2,419,000	97.3	% \$ 228.43
2017	2,720,000	2,471,000	96.9	% 217.17
2016	2,672,000	2,464,000	97.1	% 213.85
2015	2,596,000	2,396,000	96.1	% 202.72
2014	2,436,000	2,176,000	96.4	% 173.55

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

Residential:

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Vornado's Ownership Interest					
As of December 31,	Number of Units	Number of Units	Occupancy Rate		Average Monthly Rent Per Unit
2018	1,999	963	96.6	%	\$ 3,803
2017	2,009	981	96.7	%	3,722
2016 ⁽¹⁾	2,004	977	95.7	%	3,576
2015	1,711	886	95.0	%	3,495
2014	1,678	855	95.2	%	3,146

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

NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2018 Revenues	Percentage of New York Total Revenues				Percentage of Total Revenues
Swatch Group USA	32,000	\$62,636,000	3.4	%	2.9	%	
IPG and affiliates	924,000	59,712,000	3.3	%	2.8	%	
Macy's	646,000	42,402,000	2.3	%	2.0	%	
AXA Equitable Life Insurance	481,000	41,752,000	2.3	%	1.9	%	

2018 rental revenue by tenants' industry:

Industry	Percentage	
Office:		
Financial Services	14	%
Advertising/Marketing	8	%
Communications	7	%
Family Apparel	5	%
Technology	5	%
Legal Services	4	%
Insurance	4	%
Real Estate	3	%
Publishing	3	%
Home Entertainment & Electronics	3	%
Government	2	%
Banking	2	%
Engineering, Architect & Surveying	2	%
Health Services	1	%
Pharmaceutical	1	%
Other	7	%
	71	%
Retail:		
Women's Apparel	7	%
Family Apparel	7	%
Luxury Retail	6	%
Restaurants	2	%
Banking	1	%
Department Stores	1	%
Discount Stores	1	%
Other	4	%
	29	%
Total	100	%

NEW YORK – CONTINUED

Lease expirations as of December 31, 2018, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases ⁽¹⁾	Percentage of New York Square Feet	Weighted Average Annual Rent of Expiring Leases	
				Total	Per Square Foot
Office:					
Month to month	12	47,000	0.3%	\$5,010,000	\$106.60
2019	69	627,000	3.9%	41,116,000	65.58
2020	110	1,240,000	7.8%	86,369,000	69.65
2021	133	1,188,000	7.5%	92,419,000	77.79
2022	82	709,000	4.5%	47,069,000	66.39
2023	87	1,971,000 ⁽³⁾	12.4%	159,774,000	81.06
2024	98	1,391,000	8.8%	109,744,000	78.90
2025	54	804,000	5.1%	60,228,000	74.91
2026	76	1,236,000	7.8%	93,992,000	76.05
2027	69	1,118,000	7.0%	81,535,000	72.93
2028	54	1,022,000	6.4%	72,762,000	71.20
Retail:					
Month to month	20	71,000	3.7%	\$9,355,000	\$131.76
2019	27	103,000	5.4%	26,474,000	257.03
2020	23	82,000	4.3%	16,051,000	195.74
2021	15	58,000	3.0%	9,589,000	165.33
2022	9	29,000	1.5%	7,207,000	248.52
2023	18	110,000	5.8%	44,107,000	400.97
2024	22	298,000	15.6%	84,487,000	283.51
2025	11	42,000	2.2%	19,220,000	457.62
2026	17	134,000	7.0%	44,523,000	332.26
2027	11	32,000	1.7%	22,719,000	709.97
2028	16	45,000	2.4%	18,457,000	410.16

(1) Excludes storage, vacancy and other.

(2) Based on current market conditions, we expect to re-lease this space at rents between \$68 to \$78 per square foot.

(3) Excludes 492,000 square feet leased at 909 Third Avenue to the U.S. Post Office through 2038 (including three 5-year renewal options) for which the annual escalated rent is \$12.99 per square foot.

(4) Based on current market conditions, we expect to re-lease this space at rents between \$250 to \$275 per square foot.

Alexander's

As of December 31, 2018, we own 32.4% of the outstanding common stock of Alexander's, which owns seven properties in the greater New York metropolitan area aggregating 2.4 million square feet, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg L.P. headquarters building. Alexander's had \$1.16 billion of outstanding debt, net, at December 31, 2018, of which our pro rata share was \$376.2 million, none of which is recourse to us.

Hotel Pennsylvania

We own the Hotel Pennsylvania which is located in New York City on Seventh Avenue at 33rd Street in the heart of the Penn District and consists of a hotel portion containing 1,000,000 square feet of hotel space with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Hotel Pennsylvania:					
Average occupancy rate	86.4	% 87.3	% 84.7	% 90.7	% 92.0
Average daily rate	\$138.35	\$139.09	\$134.38	\$147.46	\$162.01
Revenue per available room	119.47	121.46	113.84	133.69	149.04

OTHER INVESTMENTS

theMART

As of December 31, 2018, we own the 3.7 million square foot theMART in Chicago, whose largest tenant is Motorola Mobility at 609,000 square feet, the lease of which is guaranteed by Google. theMART is encumbered by a \$675,000,000 mortgage loan that bears interest at a fixed rate of 2.70% and matures in September 2021. As of December 31, 2018, theMART had an occupancy rate of 94.7% and a weighted average annual rent per square foot of \$48.16.

555 California Street

As of December 31, 2018, 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 \$558,914,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2018, 555 California Street had an occupancy rate of 99.4% and a weighted average annual rent per square foot of \$75.60.

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

As of December 31, 2018, we own a 25.0% interest in the Fund, which currently has four investments, one of which is the Crowne Plaza Times Square Hotel in which we also own an additional interest through the Crowne Plaza Joint Venture. We are the general partner and investment manager of the Fund. As of December 31, 2018, these four investments are carried on our consolidated balance sheet at an aggregate fair value of \$318,758,000, including the Crowne Plaza Joint Venture. As of December 31, 2018, our share of unfunded commitments was \$16,119,000.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Vornado Realty Trust

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

As of February 1, 2019, there were 935 holders of record of Vornado common shares.

Vornado Realty L.P.

There is no established trading market for the Operating Partnership's Class A units. Class A units that are not held by Vornado may be tendered for redemption to the Operating Partnership for cash; Vornado, at its option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder.

As of February 1, 2019, there were 984 Class A unitholders of record.

Recent Sales of Unregistered Securities

During 2018, the Operating Partnership issued 915,834 Class A units in connection with equity awards issued pursuant to Vornado's omnibus share plan, including with respect to grants of restricted Vornado common shares and restricted units of the Operating Partnership and upon conversion, surrender or exchange of the Operating Partnership's units or Vornado stock options, and consideration received included \$19,078,596 in cash proceeds. Such units were issued in reliance on an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

From time to time, in connection with equity awards granted under our Omnibus Share Plan, we may withhold common shares for tax purposes or acquire common shares as part of the payment of the exercise price. Although we treat these as repurchases for certain financial statement purposes, these withheld or acquired shares are not considered by us as repurchases for this purpose.

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

Recent Purchases of Equity Securities

None.

Performance Graph

The following graph is a comparison of the five-year cumulative return of Vornado's common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index, a peer group index. The graph assumes that \$100 was invested on December 31, 2013 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.

	2013	2014	2015	2016	2017	2018
Vornado Realty Trust	\$100	\$136	\$131	\$141	\$135	\$111
S&P 500 Index	100	114	115	129	157	150
The NAREIT All Equity Index	100	128	132	143	155	149

ITEM 6. SELECTED FINANCIAL DATA

Vornado Realty Trust

(Amounts in thousands, except per share amounts)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Operating Data:					
REVENUES:					
Property rentals	\$1,760,205	\$1,714,952	\$1,662,093	\$1,626,866	\$1,460,391
Tenant expense reimbursements	247,128	233,424	221,563	218,739	203,120
Fee and other income	156,387	135,750	120,086	139,890	128,657
Total revenues	2,163,720	2,084,126	2,003,742	1,985,495	1,792,168
EXPENSES:					
Operating	963,478	886,596	844,566	824,511	768,341
Depreciation and amortization	446,570	429,389	421,023	379,803	351,583
General and administrative	141,871	150,782	143,643	148,982	130,256
(Benefit) expense from deferred compensation plan liability	(2,480)	) 6,932	5,213	111	11,557
Transaction related costs, impairment loss and other	31,320	1,776	9,451	12,511	18,435
Total expenses	1,580,759	1,475,475	1,423,896	1,365,918	1,280,172
Operating income	582,961	608,651	579,846	619,577	511,996
Income (loss) from partially owned entities	9,149	15,200	168,948	(9,947)	) (58,484)
(Loss) income from real estate fund investments	(89,231)	) 3,240	(23,602)	) 74,081	163,034
Interest and other investment income, net	17,057	30,861	24,335	27,129	27,012
(Loss) income from deferred compensation plan assets	(2,480)	) 6,932	5,213	111	11,557
Interest and debt expense	(347,949)	) (345,654)	) (330,240)	) (309,298)	) (337,360)
Purchase price fair value adjustment	44,060	—	—	—	—
Net gains on disposition of wholly owned and partially owned assets	246,031	501	160,433	149,417	13,568
Income before income taxes	459,598	319,731	584,933	551,070	331,323
Income tax (expense) benefit	(37,633)	) (42,375)	) (7,923)	) 84,849	(9,157)
Income from continuing operations	421,965	277,356	577,010	635,919	322,166
Income (loss) from discontinued operations	638	(13,228)	) 404,912	223,511	686,860
Net income	422,603	264,128	981,922	859,430	1,009,026
Less net loss (income) attributable to noncontrolling interests in:					
Consolidated subsidiaries	53,023	(25,802)	) (21,351)	) (55,765)	) (96,561)
Operating Partnership	(25,672)	) (10,910)	) (53,654)	) (43,231)	) (47,613)
Net income attributable to Vornado	449,954	227,416	906,917	760,434	864,852
Preferred share dividends	(50,636)	) (65,399)	) (75,903)	) (80,578)	) (81,464)
Preferred share issuance costs	(14,486)	) —	(7,408)) —	—
NET INCOME attributable to common shareholders	\$384,832	\$162,017	\$823,606	\$679,856	\$783,388

Per Share Data:

Income from continuing operations, net - basic	\$2.02	\$0.92	\$2.35	\$2.49	\$0.73
Income from continuing operations, net - diluted	2.01	0.91	2.34	2.48	0.72
Net income per common share - basic	2.02	0.85	4.36	3.61	4.18
Net income per common share - diluted	2.01	0.85	4.34	3.59	4.15
Dividends per common share	2.52	2.62	(1) 2.52	2.52	(2) 2.92

Balance Sheet Data:

Total assets	\$17,180,794	\$17,397,934	\$20,814,847	\$21,143,293	\$21,157,980
Real estate, at cost	16,237,883	14,756,295	14,187,820	13,545,295	12,438,940
Accumulated depreciation and amortization	(3,180,175)	(2,885,283)	(2,581,514)	(2,356,728)	(2,209,778)
Debt, net	9,836,621	9,729,487	9,446,670	9,095,670	7,557,877
Total equity	5,107,883	5,007,701	7,618,496	7,476,078	7,489,382

(1) Post spin-off of JBG SMITH Properties (NYSE: JBGS) on July 17, 2017.

(2) Post spin-off of Urban Edge Properties (NYSE: UE) on January 15, 2015.

ITEM 6. SELECTED FINANCIAL DATA – CONTINUED

Vornado Realty Trust (Amounts in thousands)		Year Ended December 31,				
		2018	2017	2016	2015	2014
Other Data:						
Funds From Operations ("FFO") ⁽¹⁾ :						
Net income attributable to common shareholders		\$384,832	\$162,017	\$823,606	\$679,856	\$783,388
FFO adjustments:						
Depreciation and amortization of real property		413,091	467,966	531,620	514,085	517,493
Net gains on sale of real estate		(158,138)	(3,797)	(177,023)	(289,117)	(507,192)
Real estate impairment losses		12,000	—	160,700	256	26,518
Decrease in fair value of marketable securities		26,453	—	—	—	—
After-tax purchase price fair value adjustment on depreciable real estate		(27,289)	—	—	—	—
Proportionate share of adjustments to equity in net income (loss) of partially owned entities to arrive at FFO:						
Depreciation and amortization of real property		101,591	137,000	154,795	143,960	117,766
Net gains on sale of real estate		(3,998)	(17,777)	(2,853)	(4,513)	(11,580)
Real estate impairment losses		—	7,692	6,328	16,758	—
Decrease in fair value of marketable securities		3,882	—	—	—	—
Income tax effect of above adjustments		—	—	—	—	(7,287)
		367,592	591,084	673,567	381,429	135,718
Noncontrolling interests' share of above adjustments		(22,746)	(36,420)	(41,267)	(22,342)	(8,073)
FFO adjustments, net		344,846	554,664	632,300	359,087	127,645
FFO attributable to common shareholders		729,678	716,681	1,455,906	1,038,943	911,033
Convertible preferred share dividends		62	77	86	92	97
Earnings allocated to Out-Performance Plan units		—	1,047	1,591	—	—
FFO attributable to common shareholders plus assumed conversions ⁽¹⁾		\$729,740	\$717,805	\$1,457,583	\$1,039,035	\$911,130

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

ITEM 6. SELECTED FINANCIAL DATA – CONTINUED

Vornado Realty L.P.

(Amounts in thousands, except per unit amounts)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Operating Data:					
REVENUES:					
Property rentals	\$1,760,205	\$1,714,952	\$1,662,093	\$1,626,866	\$1,460,391
Tenant expense reimbursements	247,128	233,424	221,563	218,739	203,120
Fee and other income	156,387	135,750	120,086	139,890	128,657
Total revenues	2,163,720	2,084,126	2,003,742	1,985,495	1,792,168
EXPENSES:					
Operating	963,478	886,596	844,566	824,511	768,341
Depreciation and amortization	446,570	429,389	421,023	379,803	351,583
General and administrative	141,871	150,782	143,643	148,982	130,256
(Benefit) expense from deferred compensation plan liability	(2,480)	) 6,932	5,213	111	11,557
Transaction related costs, impairment loss and other	31,320	1,776	9,451	12,511	18,435
Total expenses	1,580,759	1,475,475	1,423,896	1,365,918	1,280,172
Operating income	582,961	608,651	579,846	619,577	511,996
Income (loss) from partially owned entities	9,149	15,200	168,948	(9,947)	) (58,484)
(Loss) income from real estate fund investments	(89,231)	) 3,240	(23,602)	) 74,081	163,034
Interest and other investment income, net	17,057	30,861	24,335	27,129	27,012
(Loss) income from deferred compensation plan assets	(2,480)	) 6,932	5,213	111	11,557
Interest and debt expense	(347,949)	) (345,654)	) (330,240)	) (309,298)	) (337,360)
Purchase price fair value adjustment	44,060	—	—	—	—
Net gains on disposition of wholly owned and partially owned assets	246,031	501	160,433	149,417	13,568
Income before income taxes	459,598	319,731	584,933	551,070	331,323
Income tax (expense) benefit	(37,633)	) (42,375)	) (7,923)	) 84,849	(9,157)
Income from continuing operations	421,965	277,356	577,010	635,919	322,166
Income (loss) from discontinued operations	638	(13,228)	) 404,912	223,511	686,860
Net income	422,603	264,128	981,922	859,430	1,009,026
Less net loss (income) attributable to noncontrolling interests in consolidated subsidiaries	53,023	(25,802)	) (21,351)	) (55,765)	) (96,561)
Net income attributable to Vornado Realty L.P.	475,626	238,326	960,571	803,665	912,465
Preferred unit distributions	(50,830)	) (65,593)	) (76,097)	) (80,736)	) (81,514)
Preferred share issuance costs	(14,486)	) —	(7,408)) —	—
NET INCOME attributable to Class A unitholders	\$410,310	\$172,733	\$877,066	\$722,929	\$830,951

Per Unit Data:

Income from continuing operations, net - basic	\$2.01	\$0.91	\$2.34	\$2.49	\$0.71
Income from continuing operations, net - diluted	2.00	0.90	2.32	2.46	0.70
Net income per Class A unit - basic	2.02	0.84	4.36	3.61	4.17
Net income per Class A unit - diluted	2.00	0.83	4.32	3.57	4.14
Distributions per Class A unit	2.52	2.62	⁽¹⁾ 2.52	2.52	⁽²⁾ 2.92

Balance Sheet Data:

Total assets	\$17,180,794	\$17,397,934	\$20,814,847	\$21,143,293	\$21,157,980
Real estate, at cost	16,237,883	14,756,295	14,187,820	13,545,295	12,438,940
Accumulated depreciation and amortization	(3,180,175)	(2,885,283)	(2,581,514)	(2,356,728)	(2,209,778)
Debt, net	9,836,621	9,729,487	9,446,670	9,095,670	7,557,877
Total equity	5,107,883	5,007,701	7,618,496	7,476,078	7,489,382

(1) Post spin-off of JBG SMITH (NYSE: JBGS) on July 17, 2017.

(2) Post spin-off of Urban Edge Properties (NYSE: UE) on January 15, 2015.

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

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Overview

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Accordingly, Vornado’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 93.4% of the common limited partnership interest in the Operating Partnership as of December 31, 2018. All references to the “Company,” “we,” “us” and “our” mean collectively Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

We own and operate office and retail properties with a concentration in the New York City metropolitan area. In addition, we have a 32.4% interest in Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX), which owns seven properties in the greater New York metropolitan area, as well as interests in other real estate and related investments.

Our business objective is to maximize Vornado shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing Vornado’s performance to the FTSE NAREIT Office Index (“Office REIT”) and the MSCI US REIT Index (“MSCI”) for the following periods ended December 31, 2018:

	Total Return ⁽¹⁾					
	Vornado		Office REIT		MSCI	
Three-month	(14.2)%		(11.9)%		(6.7)%	
One-year	(17.8)%		(14.5)%		(4.6)%	
Three-year	(15.6)%	1.8 %		8.9 %		
Five-year	10.6 %	28.5 %		45.6 %		
Ten-year	101.8 %	146.7 %		215.5 %		

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

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

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

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

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, sales prices, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success

depends upon, among other factors, trends of the global, national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, population and employment trends. See “Risk Factors” in Item 1A for additional information regarding these factors.

Overview - continued

Vornado Realty Trust

Quarter Ended December 31, 2018 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2018 was \$100,494,000, or \$0.53 per diluted share, compared to \$27,319,000, or \$0.14 per diluted share, for the prior year's quarter. The quarters ended December 31, 2018 and 2017 include certain items that impact net income attributable to common shareholders, which are listed in the table on page 41. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarter ended December 31, 2018 by \$49,504,000, or \$0.26 per diluted share, and decreased net income attributable to common shareholders for the quarter ended December 31, 2017 by \$38,471,000, or \$0.20 per diluted share.

Funds From Operations ("FFO") attributable to common shareholders plus assumed conversions for the quarter ended December 31, 2018 was \$210,100,000, or \$1.10 per diluted share, compared to \$153,151,000, or \$0.80 per diluted share, for the prior year's quarter. The quarters ended December 31, 2018 and 2017 include certain items that impact FFO, which are listed in the table on page 42. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO for the quarter ended December 31, 2018 by \$38,673,000, or \$0.20 per diluted share and decreased FFO for the quarter ended December 31, 2017 by \$33,974,000, or \$0.18 per diluted share.

Year Ended December 31, 2018 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2018 was \$384,832,000, or \$2.01 per diluted share, compared to \$162,017,000, or \$0.85 per diluted share, for the year ended December 31, 2017. The years ended December 31, 2018 and 2017 include certain items that impact net income attributable to common shareholders, which are listed in the table on page 41. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the year ended December 31, 2018 by \$140,938,000, or \$0.74 per diluted share, and decreased net income attributable to common shareholders for the year ended December 31, 2017 by \$90,847,000, or \$0.47 per diluted share.

FFO attributable to common shareholders plus assumed conversions for the year ended December 31, 2018 was \$729,740,000, or \$3.82 per diluted share, compared to \$717,805,000, or \$3.75 per diluted share, for the year ended December 31, 2017. The years ended December 31, 2018 and 2017 include certain items that impact FFO, which are listed in the table on page 42. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO by \$10,980,000 and \$4,782,000, or \$0.06 and \$0.02 per diluted share, for the years ended December 31, 2018 and 2017, respectively.

Overview - continued

Vornado Realty Trust - continued

The following table reconciles the difference between our net income attributable to common shareholders and our net income attributable to common shareholders, as adjusted:

(Amounts in thousands)	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
Certain (income) expense items that impact net income attributable to common shareholders:				
After-tax net gain on sale of 220 Central Park South condominium units	\$(67,336)	\$—	\$(67,336)	\$—
After-tax purchase price fair value adjustment related to the increase in ownership of the Farley joint venture	(27,289)	—	(27,289)	—
Our share of loss (income) from real estate fund investments (excluding our \$4,252 share of One Park Avenue potential additional transfer taxes)	24,366	(529)	23,749	10,804
Real estate impairment losses (including our share of partially owned entities)	12,000	145	12,000	7,692
Decrease in fair value of marketable securities resulting from a new GAAP accounting standard effective January 1, 2018 (including our share of partially owned entities)	3,733	—	30,335	—
(Income) loss from discontinued operations and sold properties (primarily related to JBG SMITH Properties operating results and transaction costs through July 17, 2017 spin-off and 666 Fifth Avenue Office Condominium operations through August 3, 2018 sale)	(242)	1,664	5,727	43,615
Tax expense related to the reduction of our taxable REIT subsidiaries deferred tax assets	—	34,800	—	34,800
Net gains on sale of real estate (including our share of partially owned entities)	—	(585)	(28,104)	(21,574)
Net gain on sale of our ownership interests in 666 Fifth Avenue Office Condominium	—	—	(134,032)	—
Net gain on the repayment of our loan investment in 666 Fifth Avenue Office Condominium	—	—	(7,308)	—
Our share of potential additional New York City transfer taxes based on a Tax Tribunal interpretation which Vornado is appealing	—	—	23,503	—
Preferred share issuance costs	—	—	14,486	—
Impairment loss on investment in Pennsylvania Real Estate Investment Trust ("PREIT")	—	—	—	44,465
Net gain resulting from Urban Edge Properties ("UE") operating partnership unit issuances	—	—	—	(21,100)
Net gain on repayment of our Suffolk Downs JV debt investments	—	—	—	(11,373)
Other	1,996	5,515	4,046	9,900
	(52,772)	41,010	(150,223)	97,229
Noncontrolling interests' share of above adjustments	3,268	(2,539)	9,285	(6,382)
Total of certain (income) expense items that impact net income attributable to common shareholders	\$(49,504)	\$38,471	\$(140,938)	\$90,847

Overview - continued

Vornado Realty Trust - continued

The following table reconciles the difference between our FFO attributable to common shareholders plus assumed conversions and our FFO attributable to common shareholders plus assumed conversions, as adjusted:

(Amounts in thousands)	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2018	2017	2018	2017
Certain (income) expense items that impact FFO attributable to common shareholders plus assumed conversions:				
After-tax net gain on sale of 220 Central Park South condominium units	\$(67,336)	\$—	\$(67,336)	\$—
Our share of FFO from real estate fund investments (excluding our \$4,252 share of One Park Avenue potential additional transfer taxes)	24,366	(529)	23,749	10,804
FFO from discontinued operations and sold properties (primarily related to JBG SMITH Properties operating results and transaction costs through July 17, 2017 spin-off and 666 Fifth Avenue Office Condominium operations through August 3, 2018 sale)	(242)	(4,006)	(2,834)	(73,240)
Tax expense related to the reduction of our taxable REIT subsidiaries deferred tax assets	—	34,800	—	34,800
Our share of potential additional New York City transfer taxes based on a Tax Tribunal interpretation which Vornado is appealing	—	—	23,503	—
Preferred share issuance costs	—	—	14,486	—
Net gain on the repayment of our loan investment in 666 Fifth Avenue Office Condominium	—	—	(7,308)	—
Impairment loss on investment in PREIT	—	—	—	44,465
Net gain resulting from UE operating partnership unit issuances	—	—	—	(21,100)
Net gain on repayment of our Suffolk Downs JV debt investments	—	—	—	(11,373)
Other	1,987	5,951	4,033	10,328
	(41,225)	36,216	(11,707)	(5,316)
Noncontrolling interests' share of above adjustments	2,552	(2,242)	727	534
Total of certain (income) expense items that impact FFO attributable to common shareholders plus assumed conversions, net	\$(38,673)	\$33,974	\$(10,980)	\$(4,782)

Overview - continued

Same Store Net Operating Income ("NOI") At Share

The percentage increase (decrease) in same store NOI at share and same store NOI at share - cash basis of our New York segment, theMART and 555 California Street are summarized below.

	Total	New York ⁽¹⁾	theMART	555 California Street
Same store NOI at share % increase (decrease):				
Year ended December 31, 2018 compared to December 31, 2017	0.8 %	1.4 %	(12.2)%	(2) 14.9 %
Year ended December 31, 2017 compared to December 31, 2016	2.7 %	2.7 %	4.2 %	(3) 1.9 %
Three months ended December 31, 2018 compared to December 31, 2017	(6.3)%	(3.1)%	(56.6)%	(2) 16.8 %
Three months ended December 31, 2018 compared to September 30, 2018	(5.3)%	(1.1)%	(58.0)%	(2) 3.8 %
Same store NOI at share - cash basis % increase (decrease):				
Year ended December 31, 2018 compared to December 31, 2017	3.9 %	4.3 %	(6.5)%	(2) 18.1 %
Year ended December 31, 2017 compared to December 31, 2016	11.8 %	11.3 %	7.6 %	(3) 36.0 %
Three months ended December 31, 2018 compared to December 31, 2017	(1.7)%	1.9 %	(49.8)%	(2) 15.8 %
Three months ended December 31, 2018 compared to September 30, 2018	(4.2)%	— %	(52.9)%	(2) 5.7 %

	Increase (Decrease)
(1)Excluding Hotel Pennsylvania, same store NOI at share % increase (decrease):	
Year ended December 31, 2018 compared to December 31, 2017	1.5 %
Year ended December 31, 2017 compared to December 31, 2016	2.3 %
Three months ended December 31, 2018 compared to December 31, 2017	(3.0)%
Three months ended December 31, 2018 compared to September 30, 2018	(1.7)%
Excluding Hotel Pennsylvania, same store NOI at share - cash basis % increase (decrease):	
Year ended December 31, 2018 compared to December 31, 2017	4.5 %
Year ended December 31, 2017 compared to December 31, 2016	11.0 %
Three months ended December 31, 2018 compared to December 31, 2017	2.1 %
Three months ended December 31, 2018 compared to September 30, 2018	(0.6)%
(2) Includes additional real estate tax expense accruals of \$15,148,000 and \$12,124,000 for the year and three months ended December 31, 2018, respectively, due to an increase in the tax-assessed value of theMART.	
(3) The year ended December 31, 2016 includes a \$2,000,000 reversal of an expense accrued in 2015. Excluding this amount, same store NOI at share increased by 6.4% and same store NOI at share - cash basis increased by 10.0%.	

Calculations of same store NOI at share, reconciliations of our net income to NOI at share, NOI at share - cash basis 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

537 West 26th Street

On February 9, 2018, we acquired 537 West 26th Street, a 14,000 square foot commercial property adjacent to our 260 Eleventh Avenue office property, and 55,000 square feet of additional zoning air rights for \$44,000,000.

1535 Broadway

On July 30, 2012, we entered into a lease with Host Hotels & Resorts, Inc. (NYSE: HST) ("Host"), under which we redeveloped the retail and signage components of the Marriott Times Square Hotel. We accounted for this lease as a "capital lease" and recorded a \$240,000,000 capital lease asset and liability. On September 21, 2018, we acquired the retail condominium from Host for \$442,000,000 (inclusive of the \$240,000,000 capital lease liability). The original lease transaction provided that we would become the 100% owner through a put/call arrangement, based on a pre-negotiated formula. This transaction satisfies the put/call arrangement. Our 100% fee interest includes 45,000 square feet of retail, the 1,611 seat Marquis Theater and the largest digital sign in New York with a 330 linear foot, 25,000 square foot display.

Farley Office and Retail Building

On October 30, 2018, we increased our ownership interest in the joint venture that is developing the Farley Office and Retail Building to 95.0% from 50.1% by acquiring a 44.9% additional ownership interest from the Related Companies ("Related"). The purchase price was \$41,500,000 plus the reimbursement of \$33,026,000 of costs funded by Related through October 30, 2018. We consolidate the accounts of the joint venture as of October 30, 2018. In connection therewith, we recorded a net gain of \$44,060,000, which is included in "purchase price fair value adjustment" on our consolidated statements of income. As a result of this gain, because we hold our investment in the joint venture through a taxable REIT subsidiary, \$16,771,000 of income tax expense was recognized on our consolidated statements of income.

Dispositions

On January 17, 2018, Vornado Capital Partners Real Estate Fund (the "Fund") completed the sale of the retail condominium at 11 East 68th Street, a property located on Madison Avenue and 68th Street, for \$82,000,000. From the inception of this investment through its disposition, the Fund realized a \$46,259,000 net gain.

On June 21, 2018 we completed the \$45,000,000 sale of 27 Washington Square North, which resulted in a net gain of \$23,559,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income.

On August 3, 2018, we completed the sale of our 49.5% interests in the 666 Fifth Avenue Office Condominium. We received net proceeds of \$120,000,000 and recognized a financial statement gain of \$134,032,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income. The gain for tax purposes was approximately \$254,000,000. We continue to own all of the 666 Fifth Avenue Retail Condominium encompassing the Uniqlo, Tissot and Hollister stores with 125 linear feet of frontage on Fifth Avenue between 52nd and 53rd Street. Concurrently with the sale of our interests, the existing mortgage loan on the property was repaid and we received net proceeds of \$55,244,000 for the participation we held in the mortgage loan. We recognized a financial statement gain of \$7,308,000, which is included in "net gains on disposition of wholly owned

and partially owned assets" on our consolidated statements of income.

Financings

Preferred Securities

On January 4 and 11, 2018, we redeemed all of the outstanding 6.625% Series G and Series I cumulative redeemable preferred shares/units at their redemption price of \$25.00 per share/unit, or \$470,000,000 in the aggregate, plus accrued and unpaid dividends/distributions through the date of redemption, and expensed \$14,486,000 of previously capitalized issuance costs.

Overview - continued

Financings - continued

Unsecured Term Loan

On October 26, 2018, we extended our \$750,000,000 unsecured term loan from October 2020 to February 2024. The interest rate on the extended unsecured term loan was lowered from LIBOR plus 1.15% to LIBOR plus 1.00% (3.52% as of December 31, 2018). In connection with the extension of our unsecured term loan, we entered into an interest rate swap from LIBOR plus 1.00% to a fixed rate of 3.87% through October 2023.

Other Financings

On January 5, 2018, we completed a \$100,000,000 refinancing of 33-00 Northern Boulevard (Center Building), a 471,000 square foot office building in Long Island City, New York. The seven-year loan is at LIBOR plus 1.80%, which was swapped to a fixed rate of 4.14%. We realized net proceeds of approximately \$37,200,000 after repayment of the existing 4.43% \$59,800,000 mortgage and closing costs.

On April 19, 2018, the joint venture between the Fund and the Crowne Plaza Joint Venture completed a \$255,000,000 refinancing of the Crowne Plaza Times Square Hotel. The interest-only loan is at LIBOR plus 3.53% (6.00% at December 31, 2018) and matures in May 2020 with three one-year extension options. In connection therewith, the joint venture purchased an interest rate cap that caps LIBOR at a rate of 4.00%. The Crowne Plaza Times Square Hotel was previously encumbered by a \$310,000,000 interest-only mortgage at LIBOR plus 2.80%, which was scheduled to mature in December 2018.

On June 11, 2018, the joint venture that owns Independence Plaza, a three-building 1,327 unit residential complex in the Tribeca submarket of Manhattan completed a \$675,000,000 refinancing of Independence Plaza. The seven-year interest-only loan matures in July 2025 and has a fixed rate of 4.25%. Our share of net proceeds, after repayment of the existing 3.48% \$550,000,000 mortgage and closing costs, was \$55,618,000.

On August 9, 2018, we completed a \$120,000,000 refinancing of 4 Union Square South, a 206,000 square foot Manhattan retail property. The interest-only loan carries a rate of LIBOR plus 1.40% (3.75% as of December 31, 2018) and matures in 2025, as extended. The property was previously encumbered by a \$113,000,000 mortgage at LIBOR plus 2.15%, which was scheduled to mature in 2019.

On November 16, 2018, we completed a \$205,000,000 refinancing of 150 West 34th Street, a 78,000 square foot Manhattan retail property. The interest-only loan carries a rate of LIBOR plus 1.88% (4.26% as of December 31, 2018) and matures in 2024, as extended. Concurrently, we invested \$105,000,000 in a participation in the refinanced mortgage loan, which earns interest at a rate of LIBOR plus 2.00% (4.38% as of December 31, 2018) and also matures in 2024, as extended, and is included in "other assets" on our consolidated balance sheets. The property was previously encumbered by a mortgage of the same amount at LIBOR plus 2.25%, which was scheduled to mature in 2020.

Other Activities

220 Central Park South ("220 CPS")

During the fourth quarter of 2018, we completed the sale of 11 condominium units at 220 CPS for net proceeds aggregating \$214,776,000 and resulting in a financial statement net gain of \$81,224,000 which is included in "net

gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income. In connection with these sales, \$13,888,000 of income tax expense was recognized in our consolidated statements of income and \$213,000,000 of the \$950,000,000 220 CPS loan was repaid.

Overview - continued

Leasing Activity

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

(Square feet in thousands)	New York			
	Office	Retail	theMART	555 California Street
Quarter Ended December 31, 2018:				
Total square feet leased	479	26	46	—
Our share of square feet leased	415	17	46	—
Initial rent ⁽¹⁾	\$72.97	\$211.34	\$60.73	\$ —
Weighted average lease term (years)	7.7	8.2	5.6	—
Second generation relet space:				
Square feet	357	7	46	—
GAAP basis:				
Straight-line rent ⁽²⁾	\$67.56	\$228.99	\$61.28	\$ —
Prior straight-line rent	\$63.17	\$222.39	\$56.40	\$ —
Percentage increase	6.9 %	3.0 %	8.7 %	— %
Cash basis:				
Initial rent ⁽¹⁾	\$67.22	\$219.50	\$60.73	\$ —
Prior escalated rent	\$66.41	\$217.08	\$58.87	\$ —
Percentage increase	1.2 %	1.1 %	3.2 %	— %
Tenant improvements and leasing commissions:				
Per square foot	\$78.71	\$144.50	\$9.03	\$ —
Per square foot per annum:	\$10.22	\$17.62	\$1.61	\$ —
Percentage of initial rent	14.0 %	8.3 %	2.7 %	— %
Year Ended December 31, 2018:				
Total square feet leased	1,827	255	243	249
Our share of square feet leased	1,627	236	243	174
Initial rent ⁽¹⁾	\$79.03	\$171.25	\$53.47	\$89.28
Weighted average lease term (years)	9.6	5.5	5.8	10.3
Second generation relet space:				
Square feet	1,347	216	232	62
GAAP basis:				
Straight-line rent ⁽²⁾	\$81.57	\$180.01	\$54.11	\$104.06
Prior straight-line rent	\$60.99	\$232.98	\$44.77	\$77.46
Percentage increase (decrease)	33.7 %	(22.7)%	20.9 %	34.3 %
Cash basis:				
Initial rent ⁽¹⁾	\$79.22	\$164.74	\$53.49	\$97.28
Prior escalated rent	\$64.59	\$166.35	\$47.48	\$85.77
Percentage increase (decrease)	22.7 %	(1.0)%	12.7 %	13.4 %
Tenant improvements and leasing commissions:				

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Per square foot	\$92.69	\$59.17	\$17.63	\$94.98	
Per square foot per annum:	\$9.66	\$10.76	\$3.04	\$9.22	
Percentage of initial rent	12.2	% 6.3	% 5.7	% 10.3	%

See notes on the following page.

Overview - continued

Leasing Activity – continued
(Square feet in thousands)

	New York			
	Office	Retail	theMART	555 California Street
Year Ended December 31, 2017:				
Total square feet leased	1,867	126	345	285
Our share of square feet leased:	1,469	97	345	200
Initial rent ⁽¹⁾	\$78.72	\$318.67	\$47.60	\$88.42
Weighted average lease term (years)	8.1	7.6	6.6	7.2
Second generation relet space:				
Square feet	1,018	61	319	152
GAAP basis:				
Straight-line rent ⁽²⁾	\$74.28	\$171.74	\$47.93	\$99.53
Prior straight-line rent	\$65.85	\$135.81	\$38.04	\$80.15
Percentage increase	12.8 %	26.5 %	26.0 %	24.2 %
Cash basis:				
Initial rent ⁽¹⁾	\$76.03	\$159.53	\$47.55	\$94.14
Prior escalated rent	\$69.19	\$127.18	\$40.77	\$84.76
Percentage increase	9.9 %	25.4 %	16.6 %	11.1 %
Tenant improvements and leasing commissions:				
Per square foot	\$73.97	\$209.76	\$33.86	\$74.38
Per square foot per annum:	\$9.13	\$27.60	\$5.13	\$10.33
Percentage of initial rent	11.6 %	8.7 %	10.8 %	11.7 %

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

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

Overview - continued

Square footage (in service) and Occupancy as of December 31, 2018:

(Square feet in thousands)

	Number of properties	Square Feet (in service)		Occupancy	
		Total Portfolio	Our Share	%	
New York:					
Office	36	19,858	16,632	97.2	%
Retail (includes retail properties that are in the base of our office properties)	71	2,648	2,419	97.3	%
Residential - 1,687 units	10	1,533	800	96.6	%
Alexander's, including 312 residential units	7	2,437	790	91.4	%
Hotel Pennsylvania	1	1,400	1,400		
		27,876	22,041	97.0	%
Other:					
theMART	3	3,694	3,685	94.7	%
555 California Street	3	1,743	1,220	99.4	%
Other	10	2,522	1,187	92.8	%
		7,959	6,092		
Total square feet at December 31, 2018		35,835	28,133		

Square footage (in service) and Occupancy as of December 31, 2017:

(Square feet in thousands)

	Number of properties	Square Feet (in service)		Occupancy	
		Total Portfolio	Our Share	%	
New York:					
Office	36	20,256	16,982	97.1	%
Retail (includes retail properties that are in the base of our office properties)	71	2,720	2,471	96.9	%
Residential - 1,697 units	11	1,568	835	96.7	%
Alexander's, including 312 residential units	7	2,437	790	99.3	%
Hotel Pennsylvania	1	1,400	1,400		
		28,381	22,478	97.2	%
Other:					
theMART	3	3,689	3,680	98.6	%
555 California Street	3	1,741	1,219	94.2	%
Other	11	2,525	1,188	93.6	%
		7,955	6,087		
Total square feet at December 31, 2017		36,336	28,565		

Critical Accounting Policies

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

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the improvement and leasing of real estate are capitalized. Maintenance and repairs are expensed as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the net book value of the existing property, exceeds the estimated fair value of the redeveloped property, the excess is charged to expense. Depreciation is recognized on a straight-line basis over the 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 which are on a relative fair value basis. 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 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, 2018 and 2017, the carrying amounts of real estate, net of accumulated depreciation and amortization, were \$13.1 billion and \$11.9 billion, respectively. As of December 31, 2018 and 2017, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were \$136,781,000 and \$159,260,000, respectively, and the carrying amounts of identified intangible liabilities, a component of “deferred revenue” on our consolidated balance sheets, were \$161,594,000 and \$205,600,000, 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 discounted 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.

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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 whether the entity is a variable interest entity (“VIE”) and whether we are the primary beneficiary, or hold a majority of the voting interests of the entity. 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 approval of all of the partners/members is contractually required with respect to decisions that most significantly impact the performance of the partially owned entity. This includes decisions regarding operating/capital budgets, and the placement of new or additional financing secured by the assets of the venture, among others. 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 under 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 recorded when there is a decline in the fair value below the carrying value and we conclude such decline is other-than-temporary. 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, 2018 and 2017, the carrying amounts of investments in partially owned entities were \$0.9 billion and \$1.1 billion, respectively.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

Base rent is revenue 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. 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.

Hotel revenue arising from the operation of Hotel Pennsylvania consists of room revenue, food and beverage revenue, and banquet revenue. Room revenue is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been transferred.

• Trade shows revenue arising from the operation of trade shows is primarily booth rentals. This revenue is recognized upon the occurrence of the trade shows.

Operating expense reimbursements is 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 common areas of our properties. Revenue is generally recognized in the same period as the related expenses are incurred.

• Tenant services is revenue arising from sub-metered electric, elevator, trash removal and other services provided to tenants at their request. This revenue is recognized as the services are transferred.

Critical Accounting Policies - continued

Revenue Recognition - continued

Fee and other income includes management, leasing and other revenue arising from contractual agreements with third parties or with partially owned entities, and includes Building Maintenance Service (“BMS”) cleaning, engineering and security services. This revenue is recognized as the services are transferred. Fee and other income also includes lease termination fee income which is recognized immediately if a tenant vacates or is recognized on a straight-line basis over the shortened remaining lease term.

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

Income Taxes

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

Recent Accounting Pronouncements

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

Net Operating Income At Share by Segment for the Years Ended December 31, 2018, 2017 and 2016

NOI represents total revenues less operating expenses. We consider NOI to be the primary non-GAAP financial measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on NOI, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. NOI should not be considered a substitute for net income. NOI may not be comparable to similarly titled measures employed by other companies.

Below is a summary of NOI at share and NOI at share - cash basis by segment for the years ended December 31, 2018, 2017 and 2016.

(Amounts in thousands)	For the Year Ended December 31, 2018		
	Total	New York	Other
Total revenues	\$2,163,720	\$1,836,036	\$327,684
Operating expenses	963,478	806,464	157,014
NOI - consolidated	1,200,242	1,029,572	170,670
Deduct: NOI attributable to noncontrolling interests in consolidated subsidiaries	(71,186)	(48,490)	(22,696)
Add: Our share of NOI from partially owned entities	253,564	195,908	57,656
NOI at share	1,382,620	1,176,990	205,630
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net and other	(44,704)	(45,427)	723
NOI at share - cash basis	\$1,337,916	\$1,131,563	\$206,353

(Amounts in thousands)	For the Year Ended December 31, 2017		
	Total	New York	Other
Total revenues	\$2,084,126	\$1,779,307	\$304,819
Operating expenses	886,596	756,670	129,926
NOI - consolidated	1,197,530	1,022,637	174,893
Deduct: NOI attributable to noncontrolling interests in consolidated subsidiaries	(65,311)	(45,899)	(19,412)
Add: Our share of NOI from partially owned entities	269,164	189,327	79,837
NOI at share	1,401,383	1,166,065	235,318
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net and other	(86,842)	(79,202)	(7,640)
NOI at share - cash basis	\$1,314,541	\$1,086,863	\$227,678

(Amounts in thousands)	For the Year Ended December 31, 2016		
	Total	New York	Other
Total revenues	\$2,003,742	\$1,713,374	\$290,368
Operating expenses	844,566	716,754	127,812
NOI - consolidated	1,159,176	996,620	162,556
Deduct: NOI attributable to noncontrolling interests in consolidated subsidiaries	(66,182)	(47,480)	(18,702)
Add: Our share of NOI from partially owned entities	271,114	159,386	111,728
NOI at share	1,364,108	1,108,526	255,582
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net and other	(170,477)	(143,239)	(27,238)
NOI at share - cash basis	\$1,193,631	\$965,287	\$228,344

Net Operating Income At Share by Segment for the Years Ended December 31, 2018, 2017 and 2016 - continued

The elements of our New York and Other NOI at share for the years ended December 31, 2018, 2017 and 2016 are summarized below.

(Amounts in thousands) For the Year Ended December 31,

	2018	2017	2016
New York:			
Office	\$743,001	\$721,183	\$662,221
Retail	353,425	359,944	364,953
Residential	23,515	24,370	25,060
Alexander's	45,133	47,302	47,295
Hotel Pennsylvania	11,916	13,266	8,997
Total New York	1,176,990	1,166,065	1,108,526
Other:			
theMART ⁽¹⁾	90,929	102,339	98,498
555 California Street	54,691	47,588	45,848
Other investments ⁽²⁾	60,010	85,391	111,236
Total Other	205,630	235,318	255,582
NOI at share	\$1,382,620	\$1,401,383	\$1,364,108

(1) The year ended December 31, 2018 includes an additional \$15,148 real estate tax expense accrual due to an increase in the tax-assessed value of theMART.

The years ended December 31, 2018, 2017 and 2016 include \$12,145, \$20,636 and \$25,004, respectively from 666 (2)Fifth Avenue Office Condominium (sold on August 3, 2018). The years ended December 31, 2017 and 2016 include \$6,960 and \$5,621, respectively from India real estate ventures which were sold in 2017.

The elements of our New York and Other NOI at share - cash basis for the years ended December 31, 2018, 2017 and 2016 are summarized below.

(Amounts in thousands) For the Year Ended December 31,

	2018	2017	2016
New York:			
Office	\$726,108	\$678,839	\$593,785
Retail	324,219	324,318	292,019
Residential	22,076	21,626	22,285
Alexander's	47,040	48,683	48,070
Hotel Pennsylvania	12,120	13,397	9,128
Total New York	1,131,563	1,086,863	965,287
Other:			
theMART ⁽¹⁾	94,070	99,242	92,571
555 California Street	53,488	45,281	32,601
Other investments ⁽²⁾	58,795	83,155	103,172
Total Other	206,353	227,678	228,344

NOI at share - cash basis \$1,337,916 \$1,314,541 \$1,193,631

(1) The year ended December 31, 2018 includes an additional \$15,148 real estate tax expense accrual due to an increase in the tax-assessed value of the MART.

The years ended December 31, 2018, 2017 and 2016 include \$12,025, \$20,853 and \$22,388, respectively from 666
(2) Fifth Avenue Office Condominium (sold on August 3, 2018). The years ended December 31, 2017 and 2016
include \$6,960 and \$5,621, respectively from India real estate ventures which were sold in 2017.

Reconciliation of Net Income to Net Operating Income At Share and Net Operating Income At Share - Cash Basis for the Years Ended December 31, 2018, 2017 and 2016

Below is a reconciliation of net income to NOI at share and NOI at share - cash basis for the years ended December 31, 2018, 2017 and 2016.

(Amounts in thousands)	For the Year Ended December 31,		
	2018	2017	2016
Net income	\$422,603	\$264,128	\$981,922
Deduct:			
Income from partially owned entities	(9,149)	(15,200)	(168,948)
Loss (income) from real estate fund investments	89,231	(3,240)	23,602
Interest and other investment income, net	(17,057)	(30,861)	(24,335)
Net gains on disposition of wholly owned and partially owned assets	(246,031)	(501)	(160,433)
Purchase price fair value adjustment	(44,060)	—	—
(Income) loss from discontinued operations	(638)	13,228	(404,912)
NOI attributable to noncontrolling interests in consolidated subsidiaries	(71,186)	(65,311)	(66,182)
Add:			
Depreciation and amortization expense	446,570	429,389	421,023
General and administrative expense	141,871	150,782	143,643
Transaction related costs, impairment loss and other	31,320	1,776	9,451
Our share of NOI from partially owned entities	253,564	269,164	271,114
Interest and debt expense	347,949	345,654	330,240
Income tax expense	37,633	42,375	7,923
NOI at share	1,382,620	1,401,383	1,364,108
Non cash adjustments for straight-line rents, amortization of acquired below-market leases, net and other	(44,704)	(86,842)	(170,477)
NOI at share - cash basis	\$1,337,916	\$1,314,541	\$1,193,631

Net Operating Income At Share by Region

Below is a summary of the percentages of NOI at share by geographic region for the year ended December 31, 2018, 2017 and 2016 .

	For the Year Ended		
	December 31,		
	2018	2017	2016
Region:			
New York City metropolitan area	89 %	89 %	89 %
Chicago, IL	7 %	8 %	8 %
San Francisco, CA	4 %	3 %	3 %
	100 %	100 %	100 %

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, and fee and other income, were \$2,163,720,000 in the year ended December 31, 2018 compared to \$2,084,126,000 in the prior year, an increase of \$79,594,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Other
Property rentals:			
Acquisitions, dispositions and other	\$362	\$362	\$—
Development and redevelopment	(4,930)	(5,298)	368
Hotel Pennsylvania	4,542	4,542	—
Trade shows	522	—	522
Same store operations	44,757	29,403	15,354
	45,253	29,009	16,244
Tenant expense reimbursements:			
Acquisitions, dispositions and other	97	97	—
Development and redevelopment	379	(24)	403
Same store operations	13,228	10,702	2,526
	13,704	10,775	2,929
Fee and other income:			
BMS cleaning fees	16,214	18,102	(1) (1,888)
Management and leasing fees	3,237	3,604	(367)
Lease termination fees	(6,027)	(7,097)	1,070
Other income	7,213	2,336	4,877
	20,637	16,945	3,692
Total increase in revenues	\$79,594	\$56,729	\$22,865

(1) Primarily due to an increase in third party cleaning fees for services provided to JBGS, Skyline Properties and tenants at the MART.

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Expenses

Our expenses, which consist primarily of operating, depreciation and amortization, general and administrative, (benefit) expense from deferred compensation plan liability, and transaction related costs, impairment loss and other, were \$1,580,759,000 in the year ended December 31, 2018 compared to \$1,475,475,000 in the prior year, an increase of \$105,284,000. Below are the details of the increase by segment:
(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Other
Operating:			
Acquisitions, dispositions and other	\$671	\$671	\$—
Development and redevelopment	(98)	(1,312)	1,214
Non-reimbursable expenses, including bad debt reserves	1,269	790	479
Hotel Pennsylvania	5,816	5,816	—
Trade shows	(73)	—	(73)
BMS expenses	13,439	15,327 ⁽¹⁾	(1,888)
Same store operations	55,858	28,502	27,356 ⁽²⁾
	76,882	49,794	27,088
Depreciation and amortization:			
Acquisitions, dispositions and other	(1,876)	(1,876)	—
Development and redevelopment	4,381	4,376	5
Same store operations	14,676	11,944	2,732
	17,181	14,444	2,737
General and administrative	(8,911) ⁽³⁾	95	(9,006)
Benefit from deferred compensation plan liability	(9,412)	—	(9,412)
Transaction related costs, impairment loss and other	29,544	25,103 ⁽⁴⁾	4,441
Total increase in expenses	\$105,284	\$89,436	\$15,848

(1) Primarily due to an increase in third party cleaning fees for services provided to JBGS, Skyline Properties and tenants at theMART.

(2) Primarily due to additional real estate tax expense accrual of \$15,148 due to an increase in the tax-assessed value of theMART in December 2018.

(3) Primarily due to higher capitalized development payroll in 2018.

Due to a \$13,103 potential additional New York City real property transfer tax payment (“Transfer Tax”), which we (4)are contesting, related to the December 2012 acquisition of Independence Plaza and a \$12,000 non-cash impairment loss.

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Income from Partially Owned Entities

Below are the components of income from partially owned entities for the years ended December 31, 2018 and 2017.

(Amounts in thousands)	Percentage Ownership at December 31, 2018	For the Year Ended December 31,	
		2018	2017
Our share of net income (loss):			
Alexander's ⁽¹⁾	32.4%	\$ 15,045	\$ 31,853
UE ⁽²⁾	4.5%	4,460	27,328
Partially owned office buildings ⁽³⁾	Various	(3,085)	2,109
PREIT ⁽⁴⁾	7.9%	(3,015)	(53,325)
Other investments ⁽⁵⁾	Various	(4,256)	7,235
		\$ 9,149	\$ 15,200

(1) 2018 includes (i) our \$7,708 share of Alexander's potential additional Transfer Tax, (ii) our \$3,882 share of expense related to the decrease in fair value of marketable securities held by Alexander's and (iii) our \$1,085 share of a non-cash straight-line rent write-off adjustment related to Sears Roebuck and Co. which filed for Chapter 11 bankruptcy relief and (iv) our \$518 share of Alexander's litigation expense due to a settlement.

(2) 2017 includes \$21,100 of net gains resulting from UE operating partnership unit issuances.

Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 7 West 34th Street, 330 Madison Avenue, 512 West 22nd Street, 85 Tenth Avenue and others. 2018 includes our \$4,978 share of potential additional Transfer Tax related to the March 2011 acquisition of One Park Avenue.

(4) 2017 includes a \$44,465 non-cash impairment loss.

Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, Rosslyn Plaza, 50-70 West 93rd Street, 666 Fifth Avenue Office Condominium (sold on August 3, 2018) and others. In 2017, we recognized \$26,687 of net gains, comprised of \$15,314 for our share of a net gain on the sale of Suffolk Downs and \$11,373 for the net gain on repayment of our debt investments in Suffolk Downs JV. In 2018 and 2017, we recognized net losses of \$4,873 and \$25,414, respectively, from our 666 Fifth Avenue Office Condominium joint venture as a result of our share of depreciation expense.

(Loss) Income from Real Estate Fund Investments

Below are the components of the loss from our real estate fund investments for the years ended December 31, 2018 and 2017.

(Amounts in thousands)	For the Year Ended December 31,	
	2018	2017
Net investment income	\$ 6,105	\$ 18,507
Net unrealized loss on held investments	(83,794)	(25,807)
Net realized (loss) gain on exited investments	(912)	36,078
Previously recorded unrealized gain on exited investment	—	(25,538)
Transfer Tax	(10,630)	—
(Loss) income from real estate fund investments	(89,231)	3,240
Less loss (income) attributable to noncontrolling interests in consolidated subsidiaries	61,230	(14,044)
Loss from real estate fund investments attributable to the Operating Partnership (includes \$4,252 of loss related to One Park Avenue potential additional transfer taxes and reduction in carried interest for the year ended December 31, 2018)	(28,001)	(10,804)

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Less loss attributable to noncontrolling interests in the Operating Partnership	1,732	673
Loss from real estate fund investments attributable to Vornado	\$(26,269)	\$(10,131)

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Interest and Other Investment Income, net

Below are the components of interest and other investment, net for the years ended December 31, 2018 and 2017.

(Amounts in thousands)	For the Year Ended	
	December 31,	
	2018	2017
Decrease in fair value of marketable securities ⁽¹⁾	\$(26,453)	\$—
Interest on cash and cash equivalents and restricted cash	15,827	8,171
Dividends on marketable securities	13,339	13,276
Interest on loans receivable ⁽²⁾	10,298	4,352
Other, net	4,046	5,062
	\$17,057	\$30,861

On January 1, 2018, we adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which requires changes in the fair value of our marketable securities to be recorded in current period earnings. Previously, changes in the fair value of marketable securities were recognized in "accumulated other comprehensive income" on our consolidated balance sheets.

(1) Includes \$6,707 of profit participation in connection with an investment in a mezzanine loan which was previously repaid to us for the year ended December 31, 2018.

Interest and Debt Expense

Interest and debt expense was \$347,949,000 in the year ended December 31, 2018, compared to \$345,654,000 in the prior year, an increase of \$2,295,000. This increase was primarily due to (i) \$25,036,000 of higher interest expense resulting from higher average interest rates on our variable rate loans, and (ii) \$9,753,000 of higher interest expense on our \$750,000,000 delayed draw term loan which was fully drawn in October 2017, partially offset by (iii) \$24,935,000 higher capitalized interest and debt expense and (iv) \$6,475,000 lower capital lease interest, resulting from our acquisition of the retail at 1535 Broadway and termination of the existing capital lease structure.

Purchase Price Fair Value Adjustment

The purchase price fair value adjustment of \$44,060,000 in the year ended December 31, 2018 represents the difference between the estimated fair market value and the book basis of our 50.1% interest in the joint venture that is developing the Farley Office and Retail Building as a result of our increased ownership in the joint venture to 95.0% from 50.1%.

Net Gains on Disposition of Wholly Owned and Partially Owned Assets

The net gains of \$246,031,000 in the year ended December 31, 2018, resulted primarily from the (i) \$134,032,000 net gain on sale of our 49.5% interests in 666 Fifth Avenue Office Condominium, (ii) \$81,224,000 net gain on sales of 220 CPS condominium units, (iii) \$23,559,000 net gain on sale of 27 Washington Square North, and (iv) \$7,308,000 net gain from repayment of our interest on the mortgage loan on 666 Fifth Avenue Office Condominium.

Income Tax Expense

In the year ended December 31, 2018, we had an income tax expense of \$37,633,000, compared to \$42,375,000 in the prior year, a decrease of \$4,742,000. This decrease resulted primarily from (i) \$34,800,000 of expense in the year ended December 31, 2017 due to the reduction of our taxable REIT subsidiaries' deferred tax assets based on the decrease in corporate tax rates under the December 22, 2017 Tax Cuts and Jobs Act, partially offset by (ii) \$16,771,000 of income tax expense in the year ended December 31, 2018 due to the \$44,060,000 purchase price fair value adjustment recognized as a result of our increased ownership in the joint venture that is developing the Farley Office and Retail Building, and (iii) \$13,888,000 of income tax expense in the year ended December 31, 2018 on the sale of 220 CPS condominium units.

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Income (Loss) from Discontinued Operations

We have reclassified the revenues and expenses of our former Washington, DC segment, which was spun off on July 17, 2017, and other related retail assets that were sold to “income (loss) from discontinued operations” and the related assets and liabilities to “other assets” and “other liabilities” 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, 2018 and 2017.

(Amounts in thousands)	For the Year Ended December 31,	
	2018	2017
Total revenues	\$1,114	\$261,290
Total expenses	1,094	212,169
	20	49,121
Net gains on sale of real estate, a lease position and other	618	6,605
JBGS spin-off transaction costs	—	(68,662)
Income from partially-owned entities	—	435
Pretax income (loss) from discontinued operations	638	(12,501)
Income tax expense	—	(727)
Income (loss) from discontinued operations	\$638	\$(13,228)

Net Loss (Income) Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net loss attributable to noncontrolling interests in consolidated subsidiaries was \$53,023,000 in the year ended December 31, 2018, compared to net income of \$25,802,000 in the prior year, a decrease in net income of \$78,825,000. This decrease resulted primarily from lower net income allocated to the noncontrolling interests of our real estate fund investments.

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

Net income attributable to noncontrolling interests in the Operating Partnership was \$25,672,000 in the year ended December 31, 2018, compared to \$10,910,000 in the prior year, an increase of \$14,762,000. This increase resulted primarily from higher net income subject to allocation to unitholders.

Preferred Share Dividends of Vornado Realty Trust

Preferred share dividends were \$50,636,000 in the year ended December 31, 2018, compared to \$65,399,000 in the prior year, a decrease of \$14,763,000. The decrease is comprised of \$30,651,000 of savings from the redemption of all of the outstanding 6.625% Series G and Series I cumulative redeemable preferred shares in January 2018, partially offset by a \$15,888,000 increase due to the issuance of 5.25% Series M cumulative redeemable preferred shares in December 2017.

Preferred Unit Distributions of Vornado Realty L.P.

Preferred unit distributions were \$50,830,000 in the year ended December 31, 2018, compared to \$65,593,000 in the prior year, a decrease of \$14,763,000. The decrease is comprised of \$30,651,000 of savings from the redemption of all of the outstanding 6.625% Series G and Series I cumulative redeemable preferred units in January 2018, partially offset

by a \$15,888,000 increase due to the issuance of 5.25% Series M cumulative redeemable preferred units in December 2017.

Preferred Share/Unit Issuance Costs

In the year ended December 31, 2018, we recognized preferred share/unit issuance costs of \$14,486,000 representing the write-off of issuance costs upon the redemption of all the outstanding 6.625% Series G and Series I cumulative redeemable preferred shares/units in January 2018.

Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Same Store Net Operating Income At Share

Same store NOI at share represents NOI at share from operations which are owned by us and in service in both the current and prior year reporting periods. Same store NOI at share - cash basis is NOI at share from operations before straight-line rental income and expense, amortization of acquired below and above market leases, net and other non-cash adjustments which are owned by us and in service in both the current and prior year reporting periods. 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 NOI at share and same store NOI at share - cash basis should not be considered as an alternative to net income or cash flow from operations and may not be comparable to similarly titled measures employed by other companies.

Below are reconciliations of NOI at share to same store NOI at share for our New York segment, theMART, 555 California Street and other investments for the year ended December 31, 2018 compared to December 31, 2017.

(Amounts in thousands)	Total	New York	theMART	555 California Street	Other
NOI at share for the year ended December 31, 2018	\$1,382,620	\$1,176,990	\$90,929	\$54,691	\$60,010
Less NOI at share from:					
Acquisitions	(1,534)	(1,385)	(149)	—	—
Dispositions	(351)	(351)	—	—	—
Development properties	(38,477)	(38,477)	—	—	—
Lease termination income, net of write-offs of straight-line receivables and acquired below-market leases, net	2,301	3,025	(724)	—	—
Other non-operating income, net	(62,732)	(2,722)	—	—	(60,010)
Same store NOI at share for the year ended December 31, 2018	\$1,281,827	\$1,137,080	\$90,056	\$54,691	\$—
NOI at share for the year ended December 31, 2017	\$1,401,383	\$1,166,065	\$102,339	\$47,588	\$85,391
Less NOI at share from:					
Acquisitions	36	(164)	200	—	—
Dispositions	(1,532)	(1,532)	—	—	—
Development properties	(37,307)	(37,307)	—	—	—
Lease termination income, net of write-offs of straight-line receivables and acquired below-market leases, net	(2,976)	(2,957)	(19)	—	—
Other non-operating income, net	(88,017)	(2,626)	—	—	(85,391)
Same store NOI at share for the year ended December 31, 2017	\$1,271,587	\$1,121,479	\$102,520	\$47,588	\$—
Increase (decrease) in same store NOI at share for the year ended December 31, 2018 compared to December 31, 2017	\$10,240	\$15,601	\$(12,464)	\$7,103	\$—
	0.8	% 1.4	% ⁽¹⁾ (12.2)	% ⁽²⁾ 14.9	% —

% increase (decrease) in same store NOI at
share

(1) Excluding Hotel Pennsylvania, same store NOI at share increased by 1.5%.

(2) The year ended December 31, 2018 includes an additional \$15,148 real estate tax expense accrual due to an increase in the tax-assessed value of the MART.

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Results of Operations – Year Ended December 31, 2018 Compared to December 31, 2017 - continued

Same Store Net Operating Income At Share - continued

Below are reconciliations of NOI at share - cash basis to same store NOI at share - cash basis for our New York segment, theMART, 555 California Street and other investments for the year ended December 31, 2018 compared to December 31, 2017.

(Amounts in thousands)	Total	New York	theMART	555 California Street	Other
NOI at share - cash basis for the year ended December 31, 2018	\$1,337,916	\$1,131,563	\$94,070	\$53,488	\$58,795
Less NOI at share - cash basis from:					
Acquisitions	(1,235)	(1,086)	(149)	—	—
Dispositions	(287)	(287)	—	—	—
Development properties	(42,264)	(42,264)	—	—	—
Lease termination income	(2,105)	(1,163)	(942)	—	—
Other non-operating income, net	(61,515)	(2,720)	—	—	(58,795)
Same store NOI at share - cash basis for the year ended December 31, 2018	\$1,230,510	\$1,084,043	\$92,979	\$53,488	\$—
NOI at share - cash basis for the year ended December 31, 2017	\$1,314,541	\$1,086,863	\$99,242	\$45,281	\$83,155
Less NOI at share - cash basis from:					
Acquisitions	137	(63)	200	—	—
Dispositions	(1,078)	(1,078)	—	—	—
Development properties	(38,211)	(38,211)	—	—	—
Lease termination income	(4,958)	(4,927)	(31)	—	—
Other non-operating income, net	(86,501)	(3,346)	—	—	(83,155)
Same store NOI at share - cash basis for the year ended December 31, 2017	\$1,183,930	\$1,039,238	\$99,411	\$45,281	\$—
Increase (decrease) in same store NOI at share - cash basis for the year ended December 31, 2018 compared to December 31, 2017	\$46,580	\$44,805	\$(6,432)	\$8,207	\$—
% increase (decrease) in same store NOI at share - cash basis	3.9	% 4.3	% ⁽¹⁾ (6.5)	% ⁽²⁾ 18.1	% —

(1) Excluding Hotel Pennsylvania, same store NOI at share - cash basis increased by 4.5%.

(2) The year ended December 31, 2018 includes an additional \$15,148 real estate tax expense accrual due to an increase in the tax-assessed value of theMART.

Results of Operations – Year Ended December 31, 2017 Compared to December 31, 2016

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, and fee and other income, were \$2,084,126,000 in the year ended December 31, 2017 compared to \$2,003,742,000 in the prior year, an increase of \$80,384,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Other
Property rentals:			
Acquisitions, dispositions and other	\$9,455	\$9,229	⁽¹⁾ \$226
Development and redevelopment	824	(93)	917
Hotel Pennsylvania	7,974	7,974	⁽²⁾ —
Trade shows	(634)	—	(634)
Same store operations	35,240	25,066	10,174
	52,859	42,176	10,683
Tenant expense reimbursements:			
Acquisitions, dispositions and other	(2,663)	(2,663)	—
Development and redevelopment	705	(75)	780
Same store operations	13,819	11,320	2,499
	11,861	8,582	3,279
Fee and other income:			
BMS cleaning fees	10,718	13,374	⁽³⁾ (2,656)
Management and leasing fees	1,843	1,068	775
Lease termination fees	(599)	250	(849)
Other income	3,702	483	3,219
	15,664	15,175	489
Total increase in revenues	\$80,384	\$65,933	\$14,451

Primarily due to (i) \$20,515 from the write-off of straight-line rents recorded in 2016, partially offset by (ii) \$5,050 (1) from the partial sale of 7 West 34th Street in May 2016 and (iii) \$7,834 from the write-off of straight-line receivables and acquired below-market leases, net, recorded in 2017.

(2) Average occupancy and revenue per available room were 87.3% and \$121.46, respectively, for 2017 as compared to 84.7% and \$113.84, respectively, for 2016.

(3) Primarily due to an increase in third party cleaning agreements for services provided to JBGS, Skyline Properties and tenants at theMART.

Results of Operations – Year Ended December 31, 2017 Compared to December 31, 2016 - continued

Expenses

Our expenses, which consist primarily of operating, depreciation and amortization, general and administrative, expense from deferred compensation plan liability, and transaction related costs and other, were \$1,475,475,000 in the year ended December 31, 2017 compared to \$1,423,896,000 in the prior year, an increase of \$51,579,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Other
Operating:			
Acquisitions, dispositions and other	\$(2,978)	\$(2,978)	