

VORNADO REALTY TRUST  
Form 10-Q  
May 04, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark one)

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

For the quarterly period **March 31, 2015**  
ended:

**Or**

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

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

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

**VORNADO REALTY TRUST**

(Exact name of registrant as specified in its charter)

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**Maryland**

(State or other jurisdiction of incorporation or organization)

**22-1657560**

(I.R.S. Employer Identification Number)

**888 Seventh Avenue, New York, New York**

(Address of principal executive offices)

**10019**

(Zip Code)

**(212) 894-7000**

(Registrant's telephone number, including area code)

**N/A**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of March 31, 2015, 188,272,702 of the registrant's common shares of beneficial interest are outstanding.



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

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

(Amounts in thousands, except share and per share amounts)	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Real estate, at cost:		
Land	\$ 3,914,401	\$ 3,861,913
Buildings and improvements	11,881,228	11,705,749
Development costs and construction in progress	1,157,180	1,128,037
Leasehold improvements and equipment	127,534	126,659
Total	17,080,343	16,822,358
Less accumulated depreciation and amortization	(3,248,078)	(3,161,633)
Real estate, net	13,832,265	13,660,725
Cash and cash equivalents	1,067,568	1,198,477
Restricted cash	198,672	176,204
Marketable securities	184,991	206,323
Tenant and other receivables, net of allowance for doubtful accounts of \$12,456 and \$12,210	110,477	109,998
Investments in partially owned entities	1,408,214	1,246,496
Real estate fund investments	554,426	513,973
Receivable arising from the straight-lining of rents, net of allowance of \$3,083 and \$3,188	816,661	787,271
Deferred leasing and financing costs, net of accumulated amortization of \$289,589 and \$281,109	478,507	475,158
Identified intangible assets, net of accumulated amortization of \$200,330 and \$199,821	229,579	225,155
Assets related to discontinued operations	35,342	2,238,474
Other assets	344,349	410,066
	<b>\$ 19,261,051</b>	<b>\$ 21,248,320</b>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Mortgages payable	\$ 8,316,793	\$ 8,263,165
Senior unsecured notes	847,332	1,347,159
Revolving credit facility debt	400,000	-
Accounts payable and accrued expenses	432,970	447,745
Deferred revenue	346,026	358,613
Deferred compensation plan	121,530	117,284
Liabilities related to discontinued operations	11,354	1,511,362
Other liabilities	436,608	375,830
Total liabilities	10,912,613	12,421,158
Commitments and contingencies		
Redeemable noncontrolling interests:		

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Class A units - 11,640,982 and 11,356,550 units outstanding	1,303,790	1,336,780
Series D cumulative redeemable preferred unit - 1 unit outstanding	1,000	1,000
Total redeemable noncontrolling interests	1,304,790	1,337,780
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,678,939 shares	1,277,014	1,277,026
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 188,272,702 and 187,887,498 shares	7,509	7,493
Additional capital	6,935,205	6,873,025
Earnings less than distributions	(2,006,439)	(1,505,385)
Accumulated other comprehensive income	72,609	93,267
Total Vornado shareholders' equity	6,285,898	6,745,426
Noncontrolling interests in consolidated subsidiaries	757,750	743,956
Total equity	7,043,648	7,489,382
	\$ 19,261,051	\$ 21,248,320

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands, except per share amounts)	<b>For the Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>REVENUES:</b>		
Property rentals	\$ 500,274	\$ 467,140
Tenant expense reimbursements	66,921	59,301
Fee and other income	39,607	35,940
Total revenues	606,802	562,381
<b>EXPENSES:</b>		
Operating	254,493	236,561
Depreciation and amortization	124,122	131,792
General and administrative	58,492	47,502
Acquisition and transaction related costs	1,981	1,285
Total expenses	439,088	417,140
Operating income	167,714	145,241
(Loss) income from partially owned entities	(2,405)	1,979
Income from real estate fund investments	24,089	18,148
Interest and other investment income, net	10,792	11,850
Interest and debt expense	(91,674)	(96,312)
Net gain on disposition of wholly owned and partially owned assets	1,860	9,635
Income before income taxes	110,376	90,541
Income tax expense	(971)	(851)
Income from continuing operations	109,405	89,690
Income from discontinued operations	15,841	8,466
Net income	125,246	98,156
Less net income attributable to noncontrolling interests in:		
Consolidated subsidiaries	(15,882)	(11,579)
Operating Partnership	(5,287)	(3,860)
Net income attributable to Vornado	104,077	82,717
Preferred share dividends	(19,484)	(20,368)
<b>NET INCOME attributable to common shareholders</b>	<b>\$ 84,593</b>	<b>\$ 62,349</b>
<b>INCOME PER COMMON SHARE - BASIC:</b>		
Income from continuing operations, net	\$ 0.37	\$ 0.29
Income from discontinued operations, net	0.08	0.04
Net income per common share	\$ 0.45	\$ 0.33
Weighted average shares outstanding	187,999	187,307
<b>INCOME PER COMMON SHARE - DILUTED:</b>		
Income from continuing operations, net	\$ 0.37	\$ 0.29
Income from discontinued operations, net	0.08	0.04
Net income per common share	\$ 0.45	\$ 0.33
Weighted average shares outstanding	189,336	188,240
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ 0.63</b>	<b>\$ 0.73</b>

See notes to consolidated financial statements (unaudited).



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

(Amounts in thousands)	<b>For the Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net income	\$ 125,246	\$ 98,156
Other comprehensive income (loss):		
Change in unrealized net (loss) gain on available-for-sale securities	(21,332)	13,125
Pro rata share of other comprehensive income (loss) of nonconsolidated subsidiaries	157	(8,286)
Change in value of interest rate swap and other	(771)	1,611
Comprehensive income	103,300	104,606
Less comprehensive income attributable to noncontrolling interests	(19,881)	(15,800)
Comprehensive income attributable to Vornado	\$ 83,419	\$ 88,806

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Comprehensive Income	Other Consolidated Income	Non-controlling Interests in Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balance, December 31, 2014</b>	52,679	\$ 1,277,026	187,887	\$ 7,493	\$ 6,873,025	\$ (1,505,385)	\$ 93,267	\$ 743,956	\$ 7,489,382
Net income attributable to Vornado	-	-	-	-	-	104,077	-	-	104,077
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	15,882	15,882
Distribution of Urban Edge Properties	-	-	-	-	-	(464,262)	-	(341)	(464,603)
Dividends on common shares	-	-	-	-	-	(118,447)	-	-	(118,447)
Dividends on preferred shares	-	-	-	-	-	(19,484)	-	-	(19,484)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	210	8	23,485	-	-	-	23,493
Under employees' share option plan	-	-	165	7	11,672	(2,579)	-	-	9,100
Under dividend	-	-	3	-	338	-	-	-	338

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reinvestment plan									
Contributions:									
Real estate fund investments	-	-	-	-	-	-	-	51,350	51,350
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(52,882)	(52,882)
Other	-	-	-	-	-	-	-	(125)	(125)
Conversion of Series A preferred shares to common shares	-	(12)	1	-	12	-	-	-	-
Deferred compensation shares and options	-	-	7	1	1,324	(359)	-	-	966
Change in unrealized net loss on available-for-sale securities	-	-	-	-	-	-	(21,332)	-	(21,332)
Pro rata share of other comprehensive income of nonconsolidated subsidiaries	-	-	-	-	-	-	157	-	157
Change in value of interest rate swap	-	-	-	-	-	-	(776)	-	(776)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	25,349	-	-	-	25,349
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	1,288	-	1,288
Other	-	-	-	-	-	-	5	(90)	(85)

**Balance,  
March 31,  
2015**

52,679 \$ 1,277,014 188,273 \$ 7,509 \$ 6,935,205 \$ (2,006,439) \$ 72,609 \$ 757,750 \$ 7,043,648