VORNADO REALTY TRUST
Form 10-K
February 24, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended:December 31, 2013

OR

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

For the transition period from **to**

Commission File Number: **001 11954**

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

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

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

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

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

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

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

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

YES x NO o

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

YES o NO x

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

YES x NO o

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

YES x NO o

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

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

x Large Accelerated Filer o Accelerated Filer

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

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

YES o NO x

The aggregate market value of the voting and non-voting common shares held by non affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $14,071,641,000 at June 30, 2013.

As of December 31, 2013, there were 187,284,688 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 22, 2014.

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

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission no later than 120 days after December 31, 2013, portions of which are incorporated by reference herein.

Forward-Looking Statements

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

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

PART I

ITEM 1. BUSINESS

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Accordingly, Vornado’s cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2013. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2013, we own all or portions of:

New York:

- 19.8 million square feet of Manhattan office space in 31 properties and four residential properties containing 1,653 units;

- 2.4 million square feet of Manhattan street retail space in 55 properties;

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

- A 32.4% interest in Alexander’s, Inc. (NYSE: ALX), which owns six properties in the greater New York metropolitan area, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg, L.P. headquarters building;

Washington, DC:

- 16.2 million square feet of office space in 59 properties and seven residential properties containing 2,405 units;

Retail Properties:

- 14.9 million square feet of retail space in 106 strip shopping centers and single tenant retail assets, primarily in the northeast states and California;

- 5.3 million square feet of retail space in six regional malls, located in the northeast / mid-Atlantic states and Puerto Rico;

Other Real Estate and Related Investments:

- The 3.6 million square foot Merchandise Mart in Chicago, whose largest tenant is Motorola Mobility, owned by Google, which leases 608,000 square feet;

- A 70% controlling interest in 555 California Street, a three-building office complex in San Francisco's financial district aggregating 1.8 million square feet, known as the Bank of America Center;

- A 25.0% interest in Vornado Capital Partners, our real estate fund. We are the general partner and investment manager of the fund;

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

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

Objectives and Strategy

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

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

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

ACQUISITIONS

Since January 1, 2013, we have completed the following acquisitions:

- A 20.1% interest in 650 Madison Avenue, a 27-story, 594,000 square foot Class A office and retail tower located on Madison Avenue between 59th and 60th Street, for $260 million ($1.295 billion at 100%).
- A 92.5% interest in 655 Fifth Avenue, a 57,500 square foot retail and office property located at the northeast corner of Fifth Avenue and 52nd Street in Manhattan, for $277.5 million ($300 million at 100%).

- Land and air rights for 137,000 zoning square feet thereby completing the assemblage for our 220 Central Park South development site in Manhattan, for $194 million.

- Three other Manhattan street retail properties, in separate transactions, for an aggregate of $65.3 million.

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

DISPOSITIONS

Since January 1, 2013, we have sold 20 assets and marketable securities, including J.C. Penney, for an aggregate of $1.8 billion, with net proceeds of approximately $1.3 billion. Below is a summary of these sales.

- Green Acres Mall in Valley Stream, New York, for $500 million.

- The Plant, a power strip shopping center in San Jose, California, for $203 million.

- 866 United Nations Plaza, a 360,000 square foot office building in Manhattan, for $200 million.

- A retail property in Philadelphia, which is a part of the Gallery at Market Street, for $60 million.

- A parcel of land known as Harlem Park located at 1800 Park Avenue (at 125th Street) in New York City, for $66 million.

- A retail property in Tampa, Florida for $45 million, of which our 75% share was $33.8 million.

- 12 other properties, in separate transactions, for an aggregate of $82.3 million.

- Marketable securities, principally J.C. Penney, for an aggregate of $378.7 million.

- Our 26.2% interest in LNR for net proceeds of $240.5 million.

- Our 50% interest in the Downtown Crossing site in Boston for net proceeds of $45 million.

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

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FINANCINGS

Since January 1, 2013, we have executed the following capital market transactions:

- A $600 million loan secured by our 220 Central Park South development site.
- The restructuring of the $678 million (face amount) Skyline properties mortgage loan.
- Extended one of our two $1.25 billion revolving credit facilities from June 2015 to June 2017, with two six-month extension options.
- Five additional financings secured by real estate aggregating $1.707 billion at a weighted average interest rate of 3.63% and a weighted average term of 7.5 years. One of these financings was to support a recently acquired asset and the other four yielded approximately $351 million of net proceeds.
- Issued $300 million of 5.4% Series L Preferred Shares and redeemed all of the outstanding Series F and H Preferred Shares and the Series D-15 Preferred Units, which had a weighted average rate of 6.77%, for $299.4 million.

Additional details about our Financings are provided in the “Overview” of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

SEGMENT DATA

We operate in the following business segments: New York, Washington, DC, Retail Properties, and Toys “R” Us (“Toys”). As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer meets the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets have been reclassified to “Other.” We have also reclassified the prior period segment financial results to conform to the current year presentation. Financial information related to these business segments for the years ended December 31, 2013, 2012 and 2011 is set forth in Note 26 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K.

SEASONALITY

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

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2013, 2012 and 2011.

Certain Activities

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

Employees

As of December 31, 2013, we have approximately 4,369 employees, of which 339 are corporate staff. The New York segment has 3,244 employees, including 2,564 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York and Washington, DC properties and 516 employees at the Hotel Pennsylvania. The Washington, DC and Retail Properties segments have 448 and 107 employees, respectively and the Merchandise Mart properties have 231 employees. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, of which we own 32.6% and 32.4%, respectively.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

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

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

Real estate is a competitive business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We maintain general liability insurance with limits of $300,000,000 per occurrence and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a $180,000,000 annual aggregate. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts,

PPIC is responsible for a deductible of $3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss incurred by PPIC.

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

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

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

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

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

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

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

In 2013, approximately 96% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City metropolitan areas and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal and substantially all of Toys net income is generated in its fourth quarter. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro rata share of Toys' net earnings on a one-quarter lag basis. For example, our financial results for the year ended December 31, 2013 include Toys' financial results for its first, second and third quarters ended November 2, 2013, as well as Toys' fourth quarter results of 2012. Because of the seasonality of Toys, our reported quarterly net income shows increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

We depend upon our anchor tenants to attract shoppers.

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

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

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

We invest in 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, 2013, our marketable securities have an aggregate carrying amount of $191,917,000, at market. Significant declines in the value of these investments due to, among other reasons, operating performance or economic or market conditions, may result in the recognition of impairment losses which could be material.

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

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

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

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

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

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of Class A units of the Operating Partnership, including Vornado. Thus, Vornado's ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to holders of its Class A units, including Vornado. As of December 31, 2013, there were three series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of $56,139,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The MGCL imposes conditions and restrictions on certain "business combinations" (including, among other transactions, a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance of equity securities) between a Maryland REIT and certain persons who beneficially own at least 10% of the

corporation’s stock (an “interested shareholder”). Unless approved in advance by the board of trustees of the trust, or otherwise exempted by the statute, such a business combination is prohibited for a period of five years after the most recent date on which the interested shareholder became an interested shareholder. After such five-year period, a business combination with an interested shareholder must be: (a) recommended by the board of trustees of the trust, and (b) approved by the affirmative vote of at least (i) 80% of the trust’s outstanding shares entitled to vote and (ii) two-thirds of the trust’s outstanding shares entitled to vote which are not held by the interested shareholder with whom the business combination is to be effected, unless, among other things, the trust’s common shareholders receive a “fair price” (as defined by the statute) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for his or her shares.

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2013, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 6.6% of the common shares of Vornado and 26.3% of the common stock of Alexander's Inc. (NYSE: ALX) ("Alexander's"), which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's.

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

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

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

As of December 31, 2013, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has six properties, which are located in the greater New York metropolitan area. In addition to the 2.1% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 26.3% of the outstanding common stock of Alexander's as of December 31, 2013. Mr. Roth is the Chairman of the Board and Chief Executive Office of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's and general partners of Interstate Properties. Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President – Finance and Chief Administrative Officer, is the Executive Vice President and Chief Financial Officer of Alexander's.

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

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

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

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

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

- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

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

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

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2013, we had authorized but unissued, 62,715,312 common shares of beneficial interest, $.04 par value and 57,266,023 preferred shares of beneficial interest, no par value; of which 20,356,425 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 11,200,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

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

Item 1b. unresolved staff comments

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

Item 2. Properties

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

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
NEW YORK:						
One Penn Plaza (ground leased through 2098)	100.0%	Office / Retail	97.0%	2,509,000	-	2,509,000
1290 Avenue of the Americas	70.0%	Office / Retail	94.4%	2,113,000	-	2,113,000
Two Penn Plaza	100.0%	Office / Retail	95.5%	1,619,000	-	1,619,000
666 Fifth Avenue Office Condominium	49.5%	Office	87.0%	1,418,000	-	1,418,000
909 Third Avenue (ground leased through 2063)	100.0%	Office	100.0%	1,343,000	-	1,343,000
Independence Plaza, Tribeca (1,328 units)	50.1%	Residential / Retail	95.4%	1,240,000	-	1,240,000
280 Park Avenue	49.5%	Office / Retail	100.0%	741,000	488,000	1,229,000
Eleven Penn Plaza	100.0%	Office / Retail	99.1%	1,148,000	-	1,148,000
770 Broadway	100.0%	Office / Retail	100.0%	1,126,000	-	1,126,000
One Park Avenue[(2)]	30.3%	Office / Retail	96.7%	944,000	-	944,000
90 Park Avenue	100.0%	Office / Retail	96.5%	918,000	-	918,000
888 Seventh Avenue (ground leased through 2067)	100.0%	Office / Retail	93.4%	877,000	-	877,000
100 West 33rd Street	100.0%	Office	99.2%	848,000	-	848,000
330 Madison Avenue	25.0%	Office / Retail	94.2%	832,000	-	832,000
330 West 34th Street (ground leased through 2148)	100.0%	Office / Retail	100.0%	95,000	540,000	635,000
1740 Broadway	100.0%	Office / Retail	100.0%	601,000	-	601,000
650 Madison Avenue	20.1%	Office / Retail	91.3%	595,000	-	595,000
350 Park Avenue	100.0%		99.0%	569,000	-	569,000

		Office / Retail				
150 East 58th Street	100.0%	Office / Retail	95.8%	538,000	-	538,000
20 Broad Street (ground leased through 2081)	100.0%	Office	99.3%	472,000	-	472,000
640 Fifth Avenue	100.0%	Office / Retail	96.0%	324,000	-	324,000
595 Madison Avenue	100.0%	Office / Retail	100.0%	322,000	-	322,000
50-70 W 93rd Street (325 units)	49.9%	Residential	93.2%	283,000	-	283,000
Manhattan Mall	100.0%	Retail	96.1%	256,000	-	256,000
40 Fulton Street	100.0%	Office / Retail	99.0%	249,000	-	249,000
4 Union Square South	100.0%	Retail	100.0%	206,000	-	206,000
57th Street (5 buildings)	50.0%	Office / Retail	82.6%	188,000	-	188,000
825 Seventh Avenue	51.2%	Office / Retail	100.0%	169,000	-	169,000
1540 Broadway	100.0%	Retail	100.0%	160,000	-	160,000
Paramus	100.0%	Office	97.6%	129,000	-	129,000
608 Fifth Avenue (ground leased through 2026)	100.0%	Office / Retail	91.4%	126,000	-	126,000
666 Fifth Avenue Retail Condominium	100.0%	Retail	100.0%	113,000	-	113,000
689 Fifth Avenue	100.0%	Office / Retail	68.2%	92,000	-	92,000
478-486 Broadway (2 buildings)	100.0%	Retail	100.0%	85,000	-	85,000
510 Fifth Avenue	100.0%	Retail	90.6%	64,000	-	64,000
1535 Broadway (Marriott Marquis) (ground and building leased through 2032)	100.0%	Retail	n/a	-	64,000	64,000
655 Fifth Avenue	92.5%	Retail	100.0%	57,000	-	57,000
155 Spring Street	100.0%	Retail	100.0%	49,000	-	49,000
435 Seventh Avenue	100.0%	Retail	100.0%	43,000	-	43,000
3040 M Street	100.0%	Retail	100.0%	42,000	-	42,000
692 Broadway	100.0%	Retail	100.0%	35,000	-	35,000
715 Lexington (ground leased through 2041)	100.0%	Retail	100.0%	23,000	-	23,000
1131 Third Avenue	100.0%	Retail	100.0%	11,000	11,000	22,000
7 West 34th Street	100.0%	Retail	100.0%	21,000	-	21,000
828-850 Madison Avenue	100.0%	Retail	100.0%	18,000	-	18,000
484 Eighth Avenue	100.0%	Retail	80.6%	16,000	-	16,000
443 Broadway	100.0%	Retail	100.0%	16,000	-	16,000
334 Canal Street	100.0%	Retail	n/a	-	15,000	15,000
40 East 66th Street	100.0%	Retail	100.0%	11,000	-	11,000
431 Seventh Avenue	100.0%	Retail	100.0%	10,000	-	10,000
677-679 Madison Avenue	100.0%	Retail	100.0%	8,000	-	8,000

148 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000
150 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000

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Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
NEW YORK - continued:						
966 Third Avenue	100.0%	Retail	100.0%	7,000	-	7,000
488 Eighth Avenue	100.0%	Retail	100.0%	6,000	-	6,000
968 Third Avenue	50.0%	Retail	100.0%	6,000	-	6,000
267 West 34th Street	100.0%	Retail	100.0%	6,000	-	6,000
Hotel Pennsylvania	100.0%	Hotel	n/a	1,400,000	-	1,400,000
Alexander's, Inc.:						
731 Lexington Avenue	32.4%	Office / Retail	100.0%	1,059,000	-	1,059,000
Rego Park II, Queens	32.4%	Retail	97.8%	609,000	-	609,000
Rego Park I, Queens	32.4%	Retail	100.0%	343,000	-	343,000
Flushing, Queens	32.4%	Retail	100.0%	167,000	-	167,000
Paramus, New Jersey (30.3 acres ground leased through 2041)	32.4%	Retail	100.0%	-	-	-
Rego Park II Apartment Tower, Queens	32.4%	Retail	n/a	-	250,000	250,000
Rego Park III, Queens (3.2 acres)	32.4%	Retail	n/a	-	-	-
Total New York			**96.4%**	**27,289,000**	**1,368,000**	**28,657,000**
Vornado's Ownership Interest			**96.8%**	**21,392,000**	**952,000**	**22,344,000**
WASHINGTON, DC:						
Skyline Properties (8 buildings)	100.0%	Office	60.8%	2,652,000	-	2,652,000
2011-2451 Crystal Drive (5 buildings)	100.0%	Office	84.5%	2,316,000	-	2,316,000
S. Clark Street / 12th Street (5 buildings)	100.0%	Office	71.9%	1,528,000	-	1,528,000
1550-1750 Crystal Drive / 241-251 18th Street (4 buildings)	100.0%	Office	75.9%	1,486,000	-	1,486,000
Waterfront Station	2.5%	Office	n/a	-	1,058,000	1,058,000
1800, 1851 and 1901 South Bell Street (3 buildings)	100.0%	Office	96.9%	506,000	363,000	869,000
Fashion Centre Mall	7.5%	Office	99.4%	822,000	-	822,000
Rosslyn Plaza (4 buildings)	46.2%	Office	72.3%	575,000	159,000	734,000
1825-1875 Connecticut Avenue, NW						

(Universal Buildings) (2 buildings)	100.0%	Office	95.5%	679,000	-	679,000
2200 / 2300 Clarendon Blvd (Courthouse Plaza) (ground leased through 2062) (2 buildings)	100.0%	Office	94.0%	636,000	-	636,000
1299 Pennsylvania Avenue, NW (Warner Building)	55.0%	Office	75.8%	614,000	-	614,000
Fairfax Square (3 buildings)	20.0%	Office	89.0%	558,000	-	558,000
2100 / 2200 Crystal Drive (2 buildings)	100.0%	Office	99.2%	529,000	-	529,000
Commerce Executive (3 buildings)	100.0%	Office	93.8%	400,000	19,000	419,000
1501 K Street, NW	5.0%	Office	98.0%	398,000	-	398,000
2101 L Street, NW	100.0%	Office	99.0%	380,000	-	380,000
223 23rd Street / 2221 South Clark Street (2 buildings)	100.0%	Office	100.0%	84,000	225,000	309,000
1750 Pennsylvania Avenue, NW	100.0%	Office	88.2%	279,000	-	279,000
1150 17th Street, NW	100.0%	Office	89.2%	241,000	-	241,000
875 15th Street, NW (Bowen Building)	100.0%	Office	96.7%	231,000	-	231,000
Democracy Plaza One (ground leased through 2084)	100.0%	Office	89.4%	216,000	-	216,000
1101 17th Street, NW	55.0%	Office	89.1%	213,000	-	213,000
1730 M Street, NW	100.0%	Office	89.9%	202,000	-	202,000
Washington Tower	7.5%	Office	100.0%	170,000	-	170,000
2001 Jefferson Davis Highway	100.0%	Office	64.3%	162,000	-	162,000
1399 New York Avenue, NW	100.0%	Office	84.1%	128,000	-	128,000
1726 M Street, NW	100.0%	Office	100.0%	91,000	-	91,000
Crystal City Shops at 2100	100.0%	Office	99.0%	80,000	-	80,000
Crystal Drive Retail	100.0%	Office	100.0%	57,000	-	57,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
WASHINGTON, DC - continued:						
Riverhouse (1,661 units) (3 buildings)	100.0%	Residential	96.6%	1,793,000	-	1,793,000
West End 25 (283 units)	100.0%	Residential	94.7%	273,000	-	273,000
220 20th Street (265 units)	100.0%	Residential	96.6%	269,000	-	269,000
Crystal City Hotel	100.0%	Hotel	n/a	266,000	-	266,000
Rosslyn Plaza (196 units) (2 buildings)	43.7%	Residential	95.4%	253,000	-	253,000
Met Park / Warehouses	100.0%	Warehouse	100.0%	104,000	127,000	231,000
Other (3 buildings)	100.0%	Other	100.0%	9,000	2,000	11,000
Total Washington, DC			**83.5%**	**19,200,000**	**1,953,000**	**21,153,000**
Vornado's Ownership Interest			**83.4%**	**16,628,000**	**842,000**	**17,470,000**
RETAIL PROPERTIES:						
Wayne Town Center, Wayne, NJ (ground leased through 2064)	100.0%	Strip	100.0%	316,000	347,000	663,000
Allentown, PA	100.0%	Strip	90.3%	627,000	-	627,000
Poughkeepsie, NY	100.0%	Strip	85.9%	517,000	-	517,000
Bronx (Bruckner Boulevard), NY	100.0%	Strip	91.3%	501,000	-	501,000
North Bergen (Tonnelle Avenue), NJ	100.0%	Strip	100.0%	410,000	-	410,000
Beverly Connection, Los Angeles CA	100.0%	Strip	91.5%	335,000	-	335,000
Wilkes-Barre, PA	100.0%	Strip	83.2%	329,000	-	329,000
Buffalo (Amherst), NY	100.0%	Strip	100.0%	311,000	-	311,000
Bricktown, NJ	100.0%	Strip	94.7%	279,000	-	279,000
Union (Route 22 and Morris Avenue), NJ	100.0%	Strip	99.4%	276,000	-	276,000
Hackensack, NJ	100.0%	Strip	75.4%	275,000	-	275,000
Totowa, NJ	100.0%	Strip	100.0%	271,000	-	271,000
East Hanover (240 Route 10 West), NJ	100.0%	Strip	95.9%	267,000	-	267,000
Cherry Hill, NJ	100.0%	Strip	98.6%	263,000	-	263,000
Jersey City, NJ	100.0%	Strip	100.0%	236,000	-	236,000
East Brunswick (325 - 333 Route 18 South), NJ	100.0%	Strip	100.0%	232,000	-	232,000
Union (2445 Springfield Avenue), NJ	100.0%	Strip	100.0%	232,000	-	232,000

Middletown, NJ	100.0%	Strip	96.3%	231,000	-	231,000
Lancaster, PA	100.0%	Strip	82.1%	228,000	-	228,000
Woodbridge NJ	100.0%	Strip	84.1%	226,000	-	226,000
Chicopee, MA	100.0%	Strip	100.0%	224,000	-	224,000
Marlton, NJ	100.0%	Strip	100.0%	213,000	-	213,000
North Plainfield, NJ (ground leased through 2060)	100.0%	Strip	85.0%	212,000	-	212,000
Bergen Town Center - East, Paramus, NJ	100.0%	Strip	93.6%	211,000	-	211,000
Huntington, NY	100.0%	Strip	97.9%	209,000	-	209,000
Manalapan, NJ	100.0%	Strip	99.3%	208,000	-	208,000
Rochester, NY	100.0%	Strip	100.0%	205,000	-	205,000
East Rutherford, NJ	100.0%	Strip	100.0%	197,000	-	197,000
East Brunswick (339-341 Route 18 South), NJ	100.0%	Strip	100.0%	196,000	-	196,000
Garfield, NJ	100.0%	Strip	100.0%	195,000	-	195,000
Mt. Kisco, NY	100.0%	Strip	100.0%	189,000	-	189,000
Newington, CT	100.0%	Strip	100.0%	188,000	-	188,000
Bensalem, PA	100.0%	Strip	98.9%	185,000	-	185,000
Springfield, MA	100.0%	Strip	97.8%	182,000	-	182,000
Bordentown, NJ	100.0%	Strip	80.4%	83,000	96,000	179,000
Morris Plains, NJ	100.0%	Strip	95.9%	177,000	-	177,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES - continued:						
Dover, NJ	100.0%	Strip	96.3%	173,000	-	173,000
Freeport (437 East Sunrise Highway), NY	100.0%	Strip	100.0%	173,000	-	173,000
Delran, NJ	100.0%	Strip	7.2%	43,000	128,000	171,000
Lodi (Route 17 North), NJ	100.0%	Strip	100.0%	171,000	-	171,000
Watchung, NJ	100.0%	Strip	96.6%	170,000	-	170,000
Broomall, PA	100.0%	Strip	100.0%	169,000	-	169,000
Bethlehem, PA	100.0%	Strip	95.3%	167,000	-	167,000
Rochester (Henrietta), NY (ground leased through 2056)	100.0%	Strip	96.2%	165,000	-	165,000
Staten Island, NY	100.0%	Strip	96.3%	165,000	-	165,000
Baltimore (Towson), MD	100.0%	Strip	100.0%	155,000	-	155,000
Waterbury, CT	100.0%	Strip	97.6%	148,000	-	148,000
Lawnside, NJ	100.0%	Strip	100.0%	145,000	-	145,000
Albany (Menands), NY	100.0%	Strip	74.0%	140,000	-	140,000
Annapolis, MD (ground and building leased through 2042)	100.0%	Strip	100.0%	128,000	-	128,000
Hazlet, NJ	100.0%	Strip	100.0%	123,000	-	123,000
Glen Burnie, MD	100.0%	Strip	90.5%	121,000	-	121,000
Roseville, MI	100.0%	Strip	100.0%	119,000	-	119,000
Norfolk, VA (ground and building leased through 2069)	100.0%	Strip	100.0%	114,000	-	114,000
York, PA	100.0%	Strip	100.0%	110,000	-	110,000
Kearny, NJ	100.0%	Strip	43.5%	104,000	-	104,000
Glenolden, PA	100.0%	Strip	100.0%	102,000	-	102,000
New Hyde Park, NY (ground and building leased through 2029)	100.0%	Strip	100.0%	101,000	-	101,000
Inwood, NY	100.0%	Strip	88.8%	100,000	-	100,000
North Syracuse, NY (ground and building leased through 2014)	100.0%	Strip	100.0%	98,000	-	98,000

Turnersville, NJ	100.0%	Strip	100.0%	96,000	-	96,000
Rockville, MD	100.0%	Strip	100.0%	94,000	-	94,000
Lodi (Washington Street), NJ	100.0%	Strip	92.1%	85,000	-	85,000
Milford, MA (ground and building leased through 2019)	100.0%	Strip	100.0%	83,000	-	83,000
Wilkes-Barre, PA (ground and building leased through 2014)	100.0%	Strip	100.0%	41,000	40,000	81,000
West Babylon, NY	100.0%	Strip	83.4%	79,000	-	79,000
Carlstadt, NJ (ground leased through 2050)	100.0%	Strip	95.2%	78,000	-	78,000
Bronx (1750-1780 Gun Hill Road), NY	100.0%	Strip	90.7%	77,000	-	77,000
East Hanover (200 Route 10 West), NJ	100.0%	Strip	89.5%	76,000	-	76,000
Wyomissing, PA (ground and building leased through 2065)	100.0%	Strip	93.2%	76,000	-	76,000
Colton (1904 North Rancho Avenue), CA	100.0%	Strip	100.0%	73,000	-	73,000
Wheaton, MD (ground leased through 2060)	100.0%	Strip	100.0%	66,000	-	66,000
Paramus, NJ (ground leased through 2033)	100.0%	Strip	100.0%	63,000	-	63,000
North Bergen (Kennedy Boulevard), NJ	100.0%	Strip	100.0%	62,000	-	62,000
Queens, NY	100.0%	Strip	100.0%	56,000	-	56,000
South Plainfield, NJ (ground leased through 2039)	100.0%	Strip	85.9%	56,000	-	56,000
San Francisco (2675 Geary Street), CA (ground and building leased through 2043)	100.0%	Strip	100.0%	55,000	-	55,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES - continued:						
Cambridge, MA (ground and building leased through 2033)	100.0%	Strip	100.0%	48,000	-	48,000
Battle Creek, MI	100.0%	Strip	-	47,000	-	47,000
Commack, NY (ground and building leased through 2021)	100.0%	Strip	100.0%	47,000	-	47,000
Lansing, IL	100.0%	Strip	100.0%	47,000	-	47,000
Springdale, OH (ground and building leased through 2046)	100.0%	Strip	-	47,000	-	47,000
Arlington Heights, IL (ground and building leased through 2043)	100.0%	Strip	100.0%	46,000	-	46,000
Dewitt, NY (ground leased through 2041)	100.0%	Strip	100.0%	46,000	-	46,000
Antioch, TN	100.0%	Strip	100.0%	45,000	-	45,000
Charleston, SC (ground leased through 2063)	100.0%	Strip	100.0%	45,000	-	45,000
Signal Hill, CA	100.0%	Strip	100.0%	45,000	-	45,000
Vallejo, CA (ground leased through 2043)	100.0%	Strip	100.0%	45,000	-	45,000
Freeport (240 West Sunrise Highway), NY (ground and building leased through 2040)	100.0%	Strip	100.0%	44,000	-	44,000
Fond Du Lac, WI (ground leased through 2073)	100.0%	Strip	100.0%	43,000	-	43,000
San Antonio, TX (ground and building leased through 2041)	100.0%	Strip	100.0%	43,000	-	43,000

Chicago, IL (ground and building leased through 2051)	100.0%	Strip	100.0%	41,000	-	41,000
Englewood, NJ	100.0%	Strip	79.7%	41,000	-	41,000
Springfield, PA (ground and building leased through 2025)	100.0%	Strip	100.0%	41,000	-	41,000
Riverside (5571 Mission Boulevard), CA	100.0%	Strip	100.0%	39,000	-	39,000
Tyson's Corner, VA (ground and building leased through 2035)	100.0%	Strip	100.0%	38,000	-	38,000
Salem, NH (ground leased through 2102)	100.0%	Strip	100.0%	37,000	-	37,000
Owensboro, KY (ground and building leased through 2046)	100.0%	Strip	100.0%	32,000	-	32,000
Dubuque, IA (ground leased through 2043)	100.0%	Strip	100.0%	31,000	-	31,000
Midland, MI (ground leased through 2043)	100.0%	Strip	83.6%	31,000	-	31,000
Eatontown, NJ	100.0%	Strip	100.0%	30,000	-	30,000
Walnut Creek (1149 South Main Street), CA	100.0%	Strip	100.0%	29,000	-	29,000
East Hanover (280 Route 10 West), NJ	100.0%	Strip	94.0%	26,000	-	26,000
Montclair, NJ	100.0%	Strip	100.0%	18,000	-	18,000
Oceanside, NY	100.0%	Strip	100.0%	16,000	-	16,000
Walnut Creek (Mt. Diablo), CA	95.0%	Strip	100.0%	7,000	-	7,000

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
RETAIL PROPERTIES - continued:						
Monmouth Mall, Eatontown, NJ	50.0%	Mall	93.9%	1,464,000	-	1,464,000
Springfield Mall, Springfield, VA	100.0%	Mall	100.0%	684,000	690,000	1,374,000
Broadway Mall, Hicksville, NY	100.0%	Mall	90.1%	1,138,000	-	1,138,000
Bergen Town Center - West, Paramus, NJ	100.0%	Mall	99.5%	951,000	-	951,000
Montehiedra, Puerto Rico	100.0%	Mall	91.0%	542,000	-	542,000
Las Catalinas, Puerto Rico	100.0%	Mall	93.1%	494,000	-	494,000
Total Retail Properties			**94.3%**	**20,224,000**	**1,301,000**	**21,525,000**
Vornado's Ownership Interest			**94.3%**	**18,215,000**	**1,301,000**	**19,516,000**
OTHER (Merchandise Mart):						
Merchandise Mart, Chicago	100.0%	Office / Retail / Showroom	96.4%	3,559,000	-	3,559,000
Other	50.0%	Retail	100.0%	19,000	-	19,000
7 West 34th Street	100.0%	Office / Showroom	90.9%	125,000	295,000	420,000
Total Merchandise Mart			**96.3%**	**3,703,000**	**295,000**	**3,998,000**
Vornado's Ownership Interest			**96.3%**	**3,694,000**	**295,000**	**3,989,000**
OTHER (555 California Street):						
555 California Street	70.0%	Office	94.3%	1,503,000	-	1,503,000
315 Montgomery Street	70.0%	Office / Retail	94.1%	228,000	-	228,000
345 Montgomery Street	70.0%	Office / Retail	100.0%	64,000	-	64,000
Total 555 California Street			**94.5%**	**1,795,000**	**-**	**1,795,000**
Vornado's Ownership Interest			**94.5%**	**1,257,000**	**-**	**1,257,000**
OTHER (Warehouses):						
East Hanover (5 buildings)	100.0%	Warehouse	45.6%	942,000	-	942,000
Total Warehouses			**45.6%**	**942,000**	**-**	**942,000**

Vornado's Ownership Interest			**45.6%**	**942,000**	**-**	**942,000**
OTHER (Vornado Capital Partners Real Estate Fund) [1] :						
One Park Avenue, NY [2]	64.7%	Office / Retail	96.7%	944,000	-	944,000
Georgetown Park Retail Shopping Center, DC	50.0%	Office / Retail	100.0%	223,000	90,000	313,000
800 Corporate Pointe, Culver City, CA (2 buildings)	100.0%	Office	57.0%	243,000	-	243,000
Crowne Plaza Times Square, NY	38.2%	Office / Retail / Hotel	100.0%	226,000	-	226,000
Lucida, 86th Street and Lexington Avenue, NY	100.0%	Retail / Residential	100.0%	146,000	-	146,000
1100 Lincoln Road, Miami, FL	100.0%	Retail	99.6%	127,000	-	127,000
520 Broadway, Santa Monica, CA	100.0%	Office	81.6%	112,000	-	112,000
11 East 68th Street Retail, NY	100.0%	Retail	100.0%	9,000	-	9,000
501 Broadway, NY	100.0%	Retail	100.0%	9,000	-	9,000
Total Real Estate Fund Properties			**89.3%**	**2,039,000**	**90,000**	**2,129,000**
Vornado's Ownership Interest			**89.3%**	**364,000**	**11,000**	**375,000**

(1) We own a 25% interest in the Fund. The ownership percentage in this section represents the Fund's ownership in the underlying asset.
(2) Our combined ownership interest in this asset, including our direct ownership and our indirect ownership through the Fund, is 46.5%.

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New York

As of December 31, 2013, our New York segment consisted of 27.3 million square feet in 71 properties. The 27.3 million square feet is comprised of 19.8 million square feet of office space in 31 properties, 2.4 million square feet of retail space in 55 properties, four residential properties containing 1,653 units, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, Inc. ("Alexander's"), which owns six properties in the greater New York metropolitan area. The New York segment also includes 10 garages totaling 1.7 million square feet (4,909 spaces) which are managed by, or leased to, third parties.

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

As of December 31, 2013, the occupancy rate for our New York segment, in which we own 21.4 million square feet (of a total of 27.3 million square feet), was 96.8%. The statistics provided in the following sections include information for our share of the office, retail and residential space.

Occupancy and weighted average annual rent per square foot:

Office:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2013	16,358,000	96.6 %	$ 62.03
2012	16,397,000	95.8 %	60.33
2011	16,241,000	96.2 %	58.84
2010	14,991,000	96.1 %	56.29
2009	14,974,000	97.1 %	55.68

Retail:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2013	2,166,000	97.4 %	$ 162.39

2012	2,051,000	96.8 %	147.50
2011	1,994,000	95.6 %	110.17
2010	1,918,000	96.4 %	106.52
2009	1,814,000	97.0 %	101.53

Residential:

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

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NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2013 Revenues	Percentage of New York Revenues	Percentage of Total Revenues
AXA Equitable Life Insurance	423,000	$ 36,329,000	2.7 %	1.3 %
Macy’s	646,000	34,630,000	2.6 %	1.3 %
Limited Brands	504,000	29,704,000	2.2 %	1.1 %
McGraw-Hill Companies, Inc.	480,000	26,395,000	2.0 %	1.0 %
Draftfcb	744,000	26,276,000	2.0 %	1.0 %

2013 rental revenue by tenants’ industry:

Industry		Percentage
Office:		
	Financial Services	15 %
	Legal Services	7 %
	Communications	7 %
	Family Apparel	7 %
	Real Estate	6 %
	Insurance	4 %
	Publishing	4 %
	Technology	3 %
	Pharmaceutical	2 %
	Government	2 %
	Home Entertainment & Electronics	2 %
	Banking	2 %
	Advertising / Marketing	2 %
	Engineering, Architect & Surveying	2 %
	Health Services	1 %
	Other	9 %
		75 %
Retail:		
	Family Apparel	8 %
	Department Stores	3 %
	Women's Apparel	3 %
	Restaurants	2 %
	Luxury Retail	2 %
	Banking	2 %
	Discount Stores	1 %
	Other	4 %
		25 %

Total	100 %

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NEW YORK – CONTINUED

Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Per Square Foot
Office:					
Month to month	16	36,000	0.2 %	$ 1,620,000	$ 45.00
2014	142	798,000 (1)	5.2 %	52,488,000	65.77 (1)
2015	138	1,579,000	10.3 %	87,965,000	55.71
2016	148	1,204,000	7.8 %	72,933,000	60.58
2017	105	1,184,000	7.7 %	70,550,000	59.59
2018	94	1,006,000 (2)	6.5 %	72,236,000	71.81
2019	80	953,000	6.2 %	59,502,000	62.44
2020	94	1,270,000	8.2 %	74,114,000	58.36
2021	61	1,118,000	7.3 %	69,518,000	62.18
2022	60	1,197,000	7.8 %	74,878,000	62.55
2023	45	1,582,000	10.3 %	107,319,000	67.84
Retail:					
Month to month	12	41,000	3.3 %	$ 7,191,000	$ 175.39
2014	24	67,000 (3)	5.3 %	9,591,000	143.15 (3)
2015	40	142,000	11.3 %	30,637,000	215.75
2016	20	222,000	17.7 %	21,173,000	95.37
2017	9	166,000	13.2 %	9,094,000	54.78
2018	38	220,000	17.5 %	41,672,000	189.42
2019	23	106,000	8.4 %	23,907,000	225.54
2020	20	93,000	7.4 %	10,683,000	114.87
2021	11	38,000	3.0 %	7,184,000	189.05
2022	8	23,000	1.8 %	3,569,000	155.17
2023	14	137,000	10.9 %	31,395,000	229.16

(1) Based on current market conditions, we expect to release this space at weighted average rents ranging from $65 to $75 per square foot.

(2) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including four 5-year renewal options) for which the annual escalated rent is $9.81 per square foot.

(3) Based on current market conditions, we expect to release this space at weighted average rents ranging from $150 to $200 per square foot.

Alexander's

As of December 31, 2013, we own 32.4% of the outstanding common stock of Alexander's, which owns six properties in the greater New York metropolitan area aggregating 2.2 million square feet, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg L.P. headquarters building. Alexander's had $1.05 billion of outstanding debt at December 31, 2013, of which our pro rata share was $340 million, none of which is recourse to us.

Hotel Pennsylvania

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

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Hotel:					
Average occupancy rate	93.4 %	89.1 %	89.1 %	83.2 %	71.5 %
Average daily rate	$ 158.01	$ 152.79	$ 152.53	$ 144.21	$ 133.87
Revenue per available room	$ 147.63	$ 136.21	$ 135.87	$ 120.00	$ 95.67
Commercial:					
Office space:					
Average occupancy rate	33.4 %	33.4 %	33.4 %	33.4 %	30.4 %
Weighted average annual rent per square foot	$ 17.81	$ 17.32	$ 13.49	$ 7.52	$ 20.54
Retail space:					
Average occupancy rate	62.5 %	64.3 %	63.0 %	62.3 %	70.7 %
Weighted average annual rent per square foot	$ 30.59	$ 27.19	$ 29.01	$ 31.42	$ 35.05

Washington, DC

As of December 31, 2013, our Washington, DC segment consisted of 71 properties aggregating 19.2 million square feet. The 19.2 million square feet is comprised of 16.2 million square feet of office space in 59 properties, seven residential properties containing 2,405 units, a hotel property, and 20.8 acres of undeveloped land. The Washington, DC segment also includes 56 garages totaling approximately 8.9 million square feet (29,611 spaces) which are managed by, or leased to, third parties.

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

As of December 31, 2013, the occupancy rate for our Washington DC segment, in which we own 16.6 million square feet (of a total of 19.2 million square feet), was 83.4%, and 29.0% of the occupied space was leased to various agencies of the U.S. Government. The statistics provided in the following sections include information for our share of the office and residential space.

Occupancy and weighted average annual rent per square foot:

Office:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2013	13,803,000	80.7 %	$ 42.44
2012	13,637,000	81.2 %	41.57
2011	14,162,000	89.3 %	40.80
2010	14,035,000	94.8 %	39.65
2009	14,035,000	94.9 %	38.46

Residential:

As of December 31,	Number of Units	Occupancy Rate	Average Monthly Rent Per Unit
2013	2,405	96.3 %	$ 2,083
2012	2,414	97.9 %	2,104

2011	2,414	96.6 %	2,056
2010	2,414	95.5 %	1,925
2009	2,414	84.0 %	1,622

Tenants accounting for 2% or more of revenues:

Tenant	**Square Feet Leased**	**2013 Revenues**	**Percentage of Washington, DC Revenues**	**Percentage of Total Revenues**
U.S. Government	3,667,000	$ 143,870,000	26.6 %	5.2 %
Family Health International	618,000	19,188,000	3.6 %	0.7 %
Boeing	377,000	16,317,000	3.0 %	0.6 %
Lockheed Martin	325,000	14,114,000	2.6 %	0.5 %

WASHINGTON, DC – CONTINUED

2013 rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	29%
Government Contractors	17%
Membership Organizations	10%
Legal Services	5%
Manufacturing	3%
Business Services	3%
Management Consulting Services	3%
State and Local Government	2%
Real Estate	2%
Food	2%
Health Services	2%
Computer and Data Processing	2%
Communication	2%
Education	1%
Television Broadcasting	1%
Other	16%
	100%

Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Weighted Average Annual Rent of Expiring Leases Per Square Foot
Month to month	33	115,000	1.1 %	$ 4,564,000	$ 39.82
2014	171	1,340,000 (1)	12.9 %	52,762,000	39.38 (1)
2015	173	1,690,000	16.2 %	69,763,000	41.29
2016	118	1,160,000	11.1 %	50,018,000	43.12
2017	75	647,000	6.2 %	26,009,000	40.19
2018	92	1,040,000	10.0 %	44,659,000	42.94
2019	60	1,289,000	12.4 %	54,658,000	42.39
2020	44	636,000	6.1 %	32,330,000	50.82
2021	14	549,000	5.3 %	24,632,000	44.84
2022	24	866,000	8.3 %	38,161,000	44.08
2023	12	172,000	1.6 %	7,612,000	44.32

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

Base Realignment and Closure ("BRAC")

Our Washington, DC segment was impacted by the BRAC statute, which required the Department of Defense ("DOD") to relocate from 2,395,000 square feet in our buildings in the Northern Virginia area to government owned military bases. See page 46 for the status of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area, and its impact on 2013 EBITDA and the estimated impact on 2014 EBITDA.

RETAIL PROPERTIES

As of December 31, 2013, our Retail Properties segment consisted of 112 retail properties aggregating 20.2 million square feet. Of the 112 retail properties, 106 are strip shopping centers and single tenant retail assets located primarily in the Northeast and California, and six are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico. Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place. Our strip shopping centers are substantially (approximately 78%) leased to large stores (over 20,000 square feet).

Retail Properties' lease terms generally range from five years or less in some instances for smaller tenants to as long as 25 years for major tenants. Leases generally provide for reimbursements of real estate taxes, insurance and common area maintenance charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), and percentage rents based on tenant sales volume. Percentage rents accounted for less than 1% of the Retail Properties total revenues during 2013.

As of December 31, 2013, the occupancy rate for the Retail Properties segment, in which we own 18.2 million square feet (of a total of 20.2 million square feet), was 94.3%. The statistics provided in the following sections includes information for our share of the Strip Shopping Centers and Regional Malls.

Occupancy and weighted average annual rent per square foot:

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Weighted Average Annual Net Rent Per Square Foot
2013	14,572,000	94.3 %	$ 16.97
2012	14,350,000	94.0 %	16.59
2011	14,370,000	93.9 %	16.28
2010	14,492,000	93.0 %	15.44
2009	14,019,000	93.3 %	15.16

Regional Malls:

Weighted Average Annual Net Rent Per Square Foot

As of December 31,	Rentable Square Feet	Occupancy Rate	Mall Tenants	Mall and Anchor Tenants
2013	3,643,000	94.3 %	$ 40.21	$ 22.37
2012	3,608,000	92.7 %	41.86	22.46
2011	3,800,000	92.7 %	37.68	21.98
2010	3,653,000	92.8 %	38.08	22.77
2009	3,607,000	92.9 %	38.11	21.72

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2013 Revenues	Percentage of Retail Properties Revenues	Percentage of Total Revenues
The Home Depot	994,000	$ 19,146,000	4.5 %	0.7 %
Wal-Mart	1,439,000	15,811,000	3.7 %	0.6 %
Best Buy	530,000	12,739,000	3.0 %	0.5 %
Lowe's	976,000	12,728,000	3.0 %	0.5 %
The TJX Companies, Inc.	552,000	10,815,000	2.5 %	0.4 %
Stop & Shop / Koninklijke Ahold NV	633,000	10,307,000 (1)	2.4 %(1)	0.4 %(1)
Kohl's	716,000	9,186,000	2.2 %	0.3 %
Shop Rite	471,000	9,098,000	2.1 %	0.3 %

(1) Excludes $59,599,000 of income pursuant to a settlement agreement with Stop & Shop.

RETAIL PROPERTIES – CONTINUED

2013 rental revenue by type of retailer:

Industry	Percentage
Discount Stores	20 %
Home Improvement	10 %
Supermarkets	10 %
Family Apparel	9 %
Home Entertainment and Electronics	7 %
Restaurants	7 %
Banking and Other Business Services	4 %
Home Furnishings	4 %
Personal Services	4 %
Sporting Goods, Toys and Hobbies	3 %
Women's Apparel	3 %
Membership Warehouse Clubs	2 %
Other	17 %
	100 %

Lease expirations as of December 31, 2013, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Properties Square Feet	Weighted Average Annual Net Rent of Expiring Leases Total	Weighted Average Annual Net Rent of Expiring Leases Per Square Foot
Strip Shopping Centers:					
Month to month	8	53,000	0.3 %	$ 1,088,000	$ 20.55
2014	56	631,000 (1)	3.8 %	10,325,000	16.37 (1)
2015	61	581,000	3.5 %	11,504,000	19.81
2016	65	785,000	4.8 %	11,928,000	15.19
2017	60	528,000	3.2 %	8,222,000	15.58
2018	68	1,601,000	9.7 %	22,455,000	14.02
2019	67	1,384,000	8.4 %	20,211,000	14.60
2020	29	899,000	5.4 %	11,573,000	12.87
2021	36	660,000	4.0 %	11,096,000	16.80
2022	46	996,000	6.0 %	12,387,000	12.43
2023	46	1,195,000	7.2 %	19,785,000	16.56
Regional Malls:					
Month to month	9	39,000	0.2 %	$ 710,000	$ 18.00
2014	48	134,000 (2)	0.8 %	4,518,000	33.82 (2)
2015	42	140,000	0.8 %	5,192,000	37.17
2016	45	131,000	0.8 %	5,053,000	38.65

2017	27	350,000	2.1 %	3,178,000	9.07
2018	33	88,000	0.5 %	4,353,000	49.74
2019	27	149,000	0.9 %	5,793,000	38.84
2020	22	168,000	1.0 %	5,600,000	33.27
2021	18	414,000	2.5 %	5,514,000	13.32
2022	9	43,000	0.3 %	1,672,000	38.91
2023	14	55,000	0.3 %	1,991,000	36.04

(1) Based on current market conditions, we expect to release this space at weighted average rents ranging from $17 to $19 per square foot.

(2) Based on current market conditions, we expect to release this space at weighted average rents ranging from $34 to $38 per square foot.

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

As of December 31, 2013 we own a 32.6% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had $5.7 billion of outstanding debt at November 2, 2013, of which our pro rata share was $1.9 billion, none of which is recourse to us.

The following table sets forth the total number of stores operated by Toys as of December 31, 2013:

	Total	Owned	Building Owned on Leased Ground	Leased
Domestic	879	287	222	370
International	700	78	26	596
Total Owned and Leased	1,579	365	248	966
Franchised Stores	177			
Total	1,756			

OTHER INVESTMENTS

Merchandise Mart

As of December 31, 2013, we own the 3.6 million square foot Merchandise Mart in Chicago, whose largest tenant is Motorola Mobility, owned by Google, which leases 608,000 square feet. The Merchandise Mart is encumbered by a $550,000,000 mortgage loan that bears interest at a fixed rate of 5.57% and matures in December 2016. As of December 31, 2013 the Merchandise Mart had an occupancy rate of 96.4% and a weighted average annual rent per square foot of $33.18.

555 California Street

As of December 31, 2013, we own a 70% controlling interest in a three-building office complex containing 1.8 million square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district ("555 California Street"). 555 California Street is encumbered by a $600,000,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2013 555 California Street had an occupancy rate of 94.5% and a weighted average annual rent per square foot of $58.22.

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

As of December 31, 2013, we own a 25.0% interest in the Fund. We are the general partner and investment manager of the Fund. At December 31, 2013, the Fund had nine investments with an aggregate fair value of $667,710,000, or $153,413,000 in excess of cost, and had remaining unfunded commitments of $149,186,000, of which our share was $37,297,000.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

Quarterly high and low sales prices of the common shares and dividends paid per common share for the years ended December 31, 2013 and 2012 were as follows:

	Year Ended December 31, 2013			Year Ended December 31, 2012		
Quarter	**High**	**Low**	**Dividends**	**High**	**Low**	**Dividends**
1st	$ 85.94	$ 79.43	$ 0.73	$ 86.21	$ 75.17	$ 0.69
2nd	88.73	76.19	0.73	88.50	78.56	0.69
3rd	89.35	79.56	0.73	86.56	79.50	0.69
4th	91.91	82.73	0.73	82.50	72.64	1.69 (1)

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

As of February 1, 2014, there were 1,029 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2013, we issued 11,249 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

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

Recent Purchases of Equity Securities

None

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Performance Graph

The following graph is a comparison of the five-year cumulative return of our common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index, a peer group index. The graph assumes that $100 was invested on December 31, 2008 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.

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Vornado Realty Trust	$ 100	$ 123	$ 152	$ 145	$ 158	$ 182
S&P 500 Index	100	126	146	149	172	228
The NAREIT All Equity Index	100	128	164	177	212	218

ITEM 6. SELECTED FINANCIAL DATA

(Amounts in thousands, except per share amounts)	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Operating Data:					
Revenues:					
Property rentals	$ 2,155,963	$ 2,062,061	$ 2,091,488	$ 2,081,028	$ 1,998,425
Tenant expense reimbursements	317,345	294,584	307,609	312,550	309,509
Cleveland Medical Mart development project	36,369	235,234	154,080	-	-
Fee and other income	251,232	144,353	149,631	146,812	154,462
Total revenues	2,760,909	2,736,232	2,702,808	2,540,390	2,462,396
Expenses:					
Operating	1,054,897	1,017,331	984,707	980,974	955,038
Depreciation and amortization	531,212	510,383	516,222	491,129	489,259
General and administrative	211,100	202,444	208,530	212,233	228,650
Cleveland Medical Mart development project	32,210	226,619	145,824	-	-
Impairment losses, acquisition related costs and tenant buy-outs	57,300	114,886	35,299	101,458	71,863
Total expenses	1,886,719	2,071,663	1,890,582	1,785,794	1,744,810
Operating income	874,190	664,569	812,226	754,596	717,586
(Loss) income applicable to Toys "R" Us	(362,377)	14,859	48,540	71,624	92,300
Income (loss) from partially owned entities	23,592	408,267	70,072	20,869	(21,471)
Income (loss) from Real Estate Fund	102,898	63,936	22,886	(303)	-
Interest and other investment (loss) income, net	(24,699)	(260,945)	148,783	235,266	(116,436)
Interest and debt expense	(483,190)	(493,713)	(519,157)	(536,363)	(595,800)
Net gain (loss) on extinguishment of debt	-	-	-	94,789	(25,915)
Net gain on disposition of wholly owned and partially owned assets	3,407	13,347	15,134	81,432	5,641
Income before income taxes	133,821	410,320	598,484	721,910	55,905
Income tax benefit (expense)	6,406	(8,132)	(23,925)	(22,137)	(20,134)
	140,227	402,188	574,559	699,773	35,771

Income from continuing operations					
Income from discontinued operations	424,513	292,353	165,441	8,258	92,679
Net income	564,740	694,541	740,000	708,031	128,450
Less net (income) loss attributable to noncontrolling interests in:					
Consolidated subsidiaries	(63,952)	(32,018)	(21,786)	(4,920)	2,839
Operating Partnership	(23,659)	(35,327)	(41,059)	(44,033)	(5,834)
Preferred unit distributions of the Operating Partnership	(1,158)	(9,936)	(14,853)	(11,195)	(19,286)
Net income attributable to Vornado	475,971	617,260	662,302	647,883	106,169
Preferred share dividends	(82,807)	(76,937)	(65,531)	(55,534)	(57,076)
Preferred unit and share redemptions	(1,130)	8,948	5,000	4,382	-
Net income attributable to common shareholders	$ 392,034	$ 549,271	$ 601,771	$ 596,731	$ 49,093
Per Share Data:					
(Loss) income from continuing operations, net - basic	$ (0.03)	$ 1.46	$ 2.42	$ 3.23	$ (0.20)
(Loss) income from continuing operations, net - diluted	(0.03)	1.46	2.40	3.20	(0.20)
Net income per common share - basic	2.10	2.95	3.26	3.27	0.28
Net income per common share - diluted	2.09	2.94	3.23	3.24	0.28
Dividends per common share	2.92	3.76 **(1)**	2.76	2.60	3.20
Balance Sheet Data:					
Total assets	$20,097,224	$22,065,049	$20,446,487	$20,517,471	$20,185,472
Real estate, at cost	18,354,626	18,238,218	16,421,701	16,139,344	16,203,842
Accumulated depreciation	(3,410,933)	(3,072,269)	(2,874,529)	(2,513,658)	(2,214,796)
Debt	9,978,718	11,127,230	9,899,277	10,161,754	10,035,691
Total equity	7,594,744	7,904,144	7,508,447	6,830,405	6,649,406

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

(Amounts in thousands)	Year Ended December 31, 2013	2012	2011	2010	2009
Other Data:					
Funds From Operations ("FFO")[1]:					
Net income attributable to Vornado	$ 475,971	$ 617,260	$ 662,302	$ 647,883	$ 106,169
Depreciation and amortization of real property	501,753	504,407	530,113	505,806	508,572
Net gains on sale of real estate	(411,593)	(245,799)	(51,623)	(57,248)	(45,282)
Real estate impairment losses	37,170	129,964	28,799	97,500	23,203
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:					
Depreciation and amortization of real property	69,741	68,483	70,883	70,174	65,358
Net gains on sale of real estate	-	-	(491)	-	(164)
Real estate impairment losses	6,552	9,824	-	-	-
Income tax effect of above adjustments	(26,703)	(27,493)	(24,634)	(24,561)	(22,819)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:					
Depreciation and amortization of real property	87,529	86,197	99,992	78,151	75,200
Net gains on sale of real estate	(465)	(241,602)	(9,276)	(5,784)	(1,188)
Real estate impairment losses	-	1,849	-	11,481	-
Noncontrolling interests' share of above adjustments	(15,089)	(16,649)	(40,957)	(46,794)	(47,022)
FFO	724,866	886,441	1,265,108	1,276,608	662,027
Preferred share dividends	(82,807)	(76,937)	(65,531)	(55,534)	(57,076)
Preferred unit and share redemptions	(1,130)	8,948	5,000	4,382	-
FFO attributable to common shareholders	640,929	818,452	1,204,577	1,225,456	604,951
Convertible preferred share dividends	108	113	124	160	170
Interest on 3.88% exchangeable senior debentures	-	-	26,272	25,917	-
FFO attributable to common shareholders plus assumed conversions[1]	$ 641,037	$ 818,565	$ 1,230,973	$ 1,251,533	$ 605,121

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

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

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Overview

Vornado Realty Trust ("Vornado") is a fully integrated real estate investment trust ("REIT") and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Accordingly, Vornado's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors. Vornado is the sole general partner of, and owned approximately 94.0% of the common limited partnership interest in the Operating Partnership at December 31, 2013. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

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

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the FTSE NAREIT Office Index ("Office REIT") and the Morgan Stanley REIT Index ("RMS") for the following periods ended December 31, 2013:

	Total Return[(1)]		
	Vornado	Office REIT	RMS
Three-months	6.5%	0.6%	(0.1%)
One-year	14.7%	5.6%	2.5%
Three-year	19.4%	19.6%	31.2%
Five-year	82.4%	92.0%	116.7%
Ten-year	148.3%	85.7%	124.1%

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

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

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

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

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

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

Overview - continued

Year Ended December 31, 2013 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2013 was $392,034,000, or $2.09 per diluted share, compared to $549,271,000, or $2.94 per diluted share for the year ended December 31, 2012. Net income for the years ended December 31, 2013 and 2012 includes $412,058,000 and $487,401,000, respectively, of net gains on sale of real estate, and $43,722,000 and $141,637,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2013 and 2012 include certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, decreased net income attributable to common shareholders for the year ended December 31, 2013 by $3,302,000, or $0.02 per diluted share and increased net income attributable to common shareholders for the year ended December 31, 2012 by $287,099,000, or $1.54 per diluted share.

Funds from operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2013 was $641,037,000, or $3.41 per diluted share, compared to $818,565,000, or $4.39 per diluted share for the prior year. FFO for the years ended December 31, 2013 and 2012 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO by $300,434,000, or $1.60 per diluted share for the year ended December 31, 2013, and increased FFO by $40,090,000, or $0.21 per diluted share for the year ended December 31, 2012.

	For the Year Ended December 31,	
(Amounts in thousands)	**2013**	**2012**
Items that affect comparability income (expense):		
Toys "R" Us (Negative FFO) FFO (including impairment losses of $240,757 and $40,000, respectively)	$ (312,788)	$ 65,673
Loss on sale of J.C. Penney common shares	(54,914)	-
Non-cash impairment loss on J.C. Penney common shares	(39,487)	(224,937)
Loss from the mark-to-market of J.C. Penney derivative position	(33,487)	(75,815)
Acquisition related costs	(24,857)	(11,248)
Preferred unit and share redemptions	(1,130)	8,948
Stop & Shop litigation settlement income	59,599	-
Net gain on sale of marketable securities, land parcels and residential condominiums	58,245	13,347
FFO attributable to discontinued operations, including LNR, and discontinued operations of Alexander's in 2012	33,928	153,179
Accelerated amortization of discount on investment in	-	60,396

subordinated debt of Independence Plaza		
After-tax net gain on sale of Canadian Trade Shows	-	19,657
Net gain resulting from Lexington Realty Trust's stock issuance	-	14,116
1290 Avenue of the Americas and 555 California Street priority return	-	13,222
Other, net	(3,890)	6,196
	(318,781)	42,734
Noncontrolling interests' share of above adjustments	18,347	(2,644)
Items that affect comparability, net	$ (300,434)	$ 40,090

The percentage increase (decrease) in GAAP basis and Cash basis same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of our operating segments for the year ended December 31, 2013 over the year ended December 31, 2012 is summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**
December 31, 2013 vs. December 31, 2012			
GAAP basis	5.5%	(2.8%)	2.8%
Cash basis	7.7%	(3.8%)	3.7%

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Overview - continued

Quarter Ended December 31, 2013 Financial Results Summary

Net loss attributable to common shareholders for the quarter ended December 31, 2013 was $68,887,000, or $0.37 per diluted share, compared to net income of $62,633,000, or $0.33 per diluted share for the quarter ended December 31, 2012. Net loss for the quarter ended December 31, 2013 and net income for the quarter ended December 31, 2012 include $127,512,000 and $281,549,000, respectively, of net gains on sale of real estate, and $32,899,000 and $117,883,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2013 and 2012 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net loss attributable to common shareholders for the quarter ended December 31, 2013 by $176,464,000, or $0.94 per diluted share and decreased net income attributable to common shareholders for the quarter ended December 31, 2012 by $14,761,000, or $0.08 per diluted share.

FFO for the quarter ended December 31, 2013 was a negative $6,784,000, or $0.04 per diluted share, compared to a positive $55,890,000, or $0.30 per diluted share for the prior year's quarter. FFO for the quarters ended December 31, 2013 and 2012 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, decreased FFO for the quarter ended December 31, 2013 by $255,479,000, or $1.37 per diluted share and $151,361,000, or $0.81 per diluted share for the quarter ended December 31, 2012.

	For the Three Months Ended December 31,	
(Amounts in thousands)	2013	2012
Items that affect comparability income (expense):		
Toys "R" Us Negative FFO (including impairment losses of $162,215 and $40,000, respectively)	$ (282,041)	$ (61,358)
Acquisition related costs	(18,088)	(6,934)
Non-cash impairment loss on J.C. Penney common shares	-	(224,937)
Loss from the mark-to-market of J.C. Penney derivative position	-	(22,472)
Net gain on sale of land parcels and residential condominiums	23,988	-
FFO attributable to discontinued operations, including LNR and discontinued operations of Alexander's in 2012	1,671	46,365
Accelerated amortization of discount on investment in subordinated debt of Independence Plaza	-	60,396
1290 Avenue of the Americas and 555 California Street priority return and income tax benefit	-	25,260
Net gain resulting from Lexington Realty Trust's stock issuance	-	14,116
Other, net	3,436	8,425

	(271,034)	(161,139)
Noncontrolling interests' share of above adjustments	15,555	9,778
Items that affect comparability, net	$ (255,479)	$ (151,361)

The percentage increase (decrease) in GAAP basis and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2013 over the quarter ended December 31, 2012 and the trailing quarter ended September 30, 2013 are summarized below.

Same Store EBITDA:	**New York**	**Washington, DC**	**Retail Properties**
December 31, 2013 vs. December 31, 2012			
GAAP basis	6.7%	4.1%	3.1%
Cash basis	4.4%	2.8%	5.1%
December 31, 2013 vs. September 30, 2013			
GAAP basis	3.9%	(3.1%)	3.2%
Cash basis	1.9%	(3.6%)	3.7%

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

Overview – continued

2013 Acquisitions

On September 30, 2013, a joint venture, in which we have a 20.1% interest, acquired 650 Madison Avenue, a 27-story, 594,000 square foot Class A office and retail tower located on Madison Avenue between 59th and 60th Street, for $1.295 billion. The property contains 523,000 square feet of office space and 71,000 square feet of retail space. The purchase price was funded with cash and a new $800,000,000 seven-year 4.39% interest-only loan.

On October 4, 2013, we acquired a 92.5% interest in 655 Fifth Avenue, a 57,500 square foot retail and office property located at the northeast corner of Fifth Avenue and 52nd Street in Manhattan, for $277,500,000 in cash.

On October 15, 2013, we acquired, for $194,000,000 in cash, land and air rights for 137,000 zoning square feet thereby completing the assemblage for our 220 Central Park South development site in Manhattan.

In addition to the above, during 2013, we acquired three Manhattan street retail properties, in separate transactions, for an aggregate of $65,300,000.

2013 Dispositions

During 2013, we sold an aggregate of $1.430 billion in assets resulting in net proceeds of approximately $940,000,000 and net gains aggregating $435,000,000. Below are the details of these sales.

Retail Properties

On January 24, 2013, we sold the Green Acres Mall located in Valley Stream, New York, for $500,000,000. The sale resulted in net proceeds of $185,000,000, after repaying the existing loan and closing costs, and a net gain of $202,275,000.

On April 15, 2013, we sold The Plant, a power strip shopping center in San Jose, California, for $203,000,000. The sale resulted in net proceeds of $98,000,000, after repaying the existing loan and closing costs, and a net gain of $32,169,000.

On April 15, 2013, we sold a retail property in Philadelphia, which is a part of the Gallery at Market Street, for $60,000,000. The sale resulted in net proceeds of $58,000,000, and a net gain of $33,058,000.

On September 23, 2013, we sold a retail property in Tampa, Florida for $45,000,000, of which our 75% share was $33,750,000. Our share of the net proceeds after repaying the existing loan and closing costs were $20,810,000, and our share of the net gain was $8,728,000.

In addition to the above, during 2013, we sold 12 other properties, in separate transactions, for an aggregate of $82,300,000, in cash, which resulted in a net gain aggregating $7,851,000.

New York

On December 17, 2013, we sold 866 United Nations Plaza, a 360,000 square foot office building in Manhattan for $200,000,000. The sale resulted in net proceeds of $146,439,000 after repaying the existing loan and closing costs, and a net gain of $127,512,000.

Other

On January 23, 2013, we and the other equity holders of LNR entered into a definitive agreement to sell LNR for $1.053 billion, of which our 26.2% share was $275,900,000. The definitive agreement provided that LNR would not (i) make any cash distributions to the equity holders, including us, through the completion of the sale, which occurred on April 19, 2013, and (ii) take any of the following actions (among others) without the purchaser’s approval, the lending or advancing of any money, the acquisition of assets in excess of specified amounts, or the issuance of equity interests. The sale was the result of a competitive bidding process that we believe resulted in a sale price that represented the fair value of our investment in LNR. The sale was consummated on April 19, 2013, and we received net proceeds after transaction and closing costs of $240,474,000. Notwithstanding the terms of the definitive agreement, in accordance with GAAP, we recorded our pro rata share of LNR’s earnings on a one-quarter lag basis through the date of sale, which increased our investment in LNR above our share of the net sales proceeds and resulted in us recognizing an other than temporary impairment loss on our investment of $27,231,000 in the three months ended March 31, 2013. LNR’s net loss for the period from January 1, 2013 through April 19, 2013 was $80,654,000, including a $66,241,000 non-cash impairment loss. Our share of the net loss was $21,131,000, including

$17,355,000 for our share of the non-cash impairment loss. In the three months ended June 30, 2013, we recorded our share of the net loss but did not record our share of the non-cash impairment loss, as it was effectively considered in our assessment of "other-than-temporary" impairment loss when we recorded the $27,231,000 impairment loss in the three months ended March 31, 2013. As a result of recording our share of the net loss of $3,776,000 for the three months ended June 30, 2013, the carrying amount of our investment decreased below our share of the net sales proceeds; accordingly, we recorded an offsetting gain on the sale of our investment.

Overview – continued

2013 Dispositions – continued

Other - continued

On April 24, 2013, a site located in the Downtown Crossing district of Boston was sold by a joint venture, of which we owned a 50% interest. Our share of the net proceeds were approximately $45,000,000, which resulted in a $2,335,000 impairment loss that was recognized in the first quarter.

On October 1, 2013, we sold a parcel of land known as Harlem Park located at 1800 Park Avenue (at 125th Street) in New York City, for $66,000,000. The sale resulted in net proceeds of $63,000,000 and a net gain of $23,507,000.

2013 Financings

Secured Debt

On February 20, 2013, we completed a $390,000,000 financing of the retail condominium located at 666 Fifth Avenue at 53rd Street, which we had acquired December 2012. The 10-year fixed-rate interest only loan bears interest at 3.61%. This property was previously unencumbered. The net proceeds from this financing were approximately $387,000,000.

On March 25, 2013, we completed a $300,000,000 financing of the Outlets at Bergen Town Center, a 948,000 square foot shopping center located in Paramus, New Jersey. The 10-year fixed-rate interest only loan bears interest at 3.56%. The property was previously encumbered by a $282,312,000 floating-rate loan.

On June 7, 2013, we completed a $550,000,000 refinancing of Independence Plaza, a three-building 1,328 unit residential complex in the Tribeca submarket of Manhattan. The five-year fixed-rate interest only mortgage loan

bears interest at 3.48%. The property was previously encumbered by a $323,000,000 floating-rate loan. The net proceeds of $219,000,000, after repaying the existing loan and closing costs, were distributed to the partners, of which our share was $137,000,000.

On October 30, 2013, we completed the restructuring of the $678,000,000 (face amount) 5.74% Skyline properties mortgage loan. The loan was separated into two tranches; a senior $350,000,000 position and a junior $328,000,000 position. The maturity date has been extended from February 2017 to February 2022, with a one-year extension option. The effective interest rate is 2.965%. Amounts expended to re-lease the property are senior to the $328,000,000 junior position.

On November 27, 2013, we completed a $450,000,000 refinancing of Eleven Penn Plaza, a 1.1 million square foot Manhattan office building. The seven-year fixed-rate interest only loan bears interest at 3.95%. The net proceeds from this refinancing were approximately $107,000,000 after repaying the existing loan and closing costs.

Unsecured Revolving Credit Facility

On March 28, 2013, we extended one of our two $1.25 billion revolving credit facilities from June 2015 to June 2017, with two six-month extension options. The interest on the extended facility was reduced from LIBOR plus 135 basis points to LIBOR plus 115 basis points. In addition, the facility fee was reduced from 30 basis points to 20 basis points.

Preferred Securities

On January 25, 2013, we sold 12,000,000 5.40% Series L Cumulative Redeemable Preferred Shares at a price of $25.00 per share in an underwritten public offering pursuant to an effective registration statement. We retained aggregate net proceeds of $290,306,000, after underwriters' discounts and issuance costs, and contributed the net proceeds to the Operating Partnership in exchange for 12,000,000 Series L Preferred Units (with economic terms that mirror those of the Series L Preferred Shares).

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

On May 9, 2013, we redeemed all of the outstanding 6.875% Series D-15 Cumulative Redeemable Preferred Units with an aggregate face amount of $45,000,000 for $36,900,000 in cash, plus accrued and unpaid distributions through

the date of redemption.

Overview - continued

Leasing Activity

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

	New York		Washington, DC	Retail Properties	
(Square feet in thousands)	Office	Retail	Office	Strips	Malls
Quarter Ended December 31, 2013:					
Total square feet leased	559	63	312	200	137
Our share of square feet leased	425	52	276	200	135
Initial rent [1]	$ 59.45	$ 276.62	$ 40.03	$ 23.27	$ 25.19
Weighted average lease term (years)	9.4	9.5	5.3	8.4	4.6
Second generation relet space:					
Square feet	298	50	179	129	88
Cash basis:					
Initial rent [1]	$ 59.92	$ 283.31	$ 38.95	$ 18.78	$ 21.30
Prior escalated rent	$ 54.39	$ 135.08	$ 39.96	$ 16.96	$ 20.94
Percentage increase (decrease)	10.2%	109.7%	(2.5%)	10.7%	1.7%
GAAP basis:					
Straight-line rent [2]	$ 58.79	$ 312.27	$ 38.53	$ 19.19	$ 21.57
Prior straight-line rent	$ 51.87	$ 217.85	$ 37.26	$ 16.34	$ 19.79
Percentage increase	13.3%	43.3%	3.4%	17.4%	9.0%

Tenant improvements and leasing commissions:					
Per square foot	$ 67.95	$ 81.80	$ 26.84	$ 7.20	$ 4.77
Per square foot per annum:	$ 7.23	$ 8.61	$ 5.06	$ 0.86	$ 1.04
Percentage of initial rent	12.2%	3.1%	12.6%	3.7%	4.1%
Year Ended December 31, 2013:					
Total square feet leased	2,410	138	1,836	1,388	674
Our share of square feet leased	2,024	121	1,392	1,388	600
Initial rent [(1)]	$ 60.78	$ 268.52	$ 39.91	$ 17.27	$ 26.39
Weighted average lease term (years)	11.0	8.6	7.0	6.2	8.1
Second generation relet space:					
Square feet	1,716	103	910	959	205
Cash basis:					
Initial rent [(1)]	$ 60.04	$ 262.67	$ 40.91	$ 16.57	$ 23.59
Prior escalated rent	$ 56.84	$ 117.45	$ 41.16	$ 15.18	$ 22.76
Percentage increase (decrease)	5.6%	123.7%	(0.6%)	9.2%	3.6%
GAAP basis:					
Straight-line rent [(2)]	$ 59.98	$ 293.45	$ 40.87	$ 16.91	$ 24.04
Prior straight-line rent	$ 52.61	$ 152.34	$ 39.36	$ 14.76	$ 21.87
Percentage increase	14.0%	92.6%	3.8%	14.6%	9.9%
Tenant improvements and leasing commissions:					
Per square foot	$ 61.78	$ 100.93	$ 33.24	$ 3.96	$ 20.69
Per square foot per annum:	$ 5.61	$ 11.64	$ 4.75	$ 0.64	$ 2.55
Percentage of initial rent	9.2%	4.3%	11.9%	3.7%	9.7%

See notes on the following page.

Overview - continued
Leasing Activity - continued

	New York		Washington, DC	Retail Properties	
(Square feet in thousands)	**Office**	**Retail**	**Office**	**Strips**	**Malls**
Year Ended December 31, 2012:					
Total square feet leased	1,950	192	2,111	1,276	146
Our share of square feet leased:	1,754	185	1,901	1,276	101
Initial rent [1]	$ 57.15	$ 110.71	$ 40.55	$ 18.65	$ 38.45
Weighted average lease term (years)	9.3	11.9	7.3	8.2	5.3
Second generation relet space:					
Square feet	1,405	154	1,613	941	17
Cash basis:					
Initial rent [1]	$ 57.88	$ 110.21	$ 39.27	$ 15.98	$ 64.85
Prior escalated rent	$ 55.31	$ 88.47	$ 39.13	$ 14.58	$ 60.78
Percentage increase	4.6%	24.6%	0.4%	9.6%	6.7%
GAAP basis:					
Straight-line rent[2]	$ 57.34	$ 115.97	$ 38.96	$ 16.49	$ 66.24
Prior straight-line rent	$ 54.64	$ 89.52	$ 37.67	$ 13.69	$ 58.61
Percentage increase	4.9%	29.5%	3.4%	20.5%	13.0%
Tenant improvements and leasing commissions:					
Per square foot	$ 54.45	$ 32.52	$ 35.49	$ 7.48	$ 18.66
Per square foot per annum:	$ 5.85	$ 2.73	$ 4.86	$ 0.91	$ 3.52
Percentage of initial rent	10.2%	2.5%	12.0%	4.9%	9.2%

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

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

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Overview - continued

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

(Square feet in thousands)	Number of properties	Square Feet (in service) Total Portfolio	Our Share	Occupancy %
New York:				
Office	31	19,799	16,358	96.6%
Retail	55	2,389	2,166	97.4%
Alexander's	6	2,178	706	99.4%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,653 units	4	1,523	762	94.8%
		27,289	21,392	96.8%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,581	11,151	85.4%
Skyline Properties	8	2,652	2,652	60.8%
Total Office	59	16,233	13,803	80.7%
Residential - 2,405 units	7	2,588	2,446	96.3%
Other	5	379	379	100.0%
		19,200	16,628	83.4%
Retail Properties:				
Strip Shopping Centers	106	14,951	14,572	94.3%
Regional Malls	6	5,273	3,643	94.3%
		20,224	18,215	94.3%
Other:				
Merchandise Mart	2	3,703	3,694	96.3%
555 California Street	3	1,795	1,257	94.5%
Primarily Warehouses	5	971	971	45.6%
		6,469	5,922	
Total square feet at December 31, 2013		73,182	62,157	

Overview - continued

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

(Square feet in thousands)	Number of properties	Square Feet (in service) Total Portfolio	Our Share	Occupancy %
New York:				
Office	30	19,375	16,397	95.8%
Retail	49	2,211	2,051	96.8%
Alexander's	6	2,179	706	99.1%
Hotel Pennsylvania	1	1,400	1,400	
Residential - 1,651 units	4	1,528	873	96.5%
		26,693	21,427	96.1%
Washington, DC:				
Office, excluding the Skyline Properties	51	13,463	10,994	86.3%
Skyline Properties	8	2,643	2,643	60.0%
Total Office	59	16,106	13,637	81.2%
Residential - 2,414 units	7	2,599	2,457	97.9%
Other	7	435	435	100.0%
		19,140	16,529	84.1%
Retail Properties:				
Strip Shopping Centers	107	14,729	14,350	94.0%
Regional Malls	6	5,244	3,608	92.7%
		19,973	17,958	93.7%
Other:				
Merchandise Mart	2	3,905	3,896	94.6%
555 California Street	3	1,795	1,257	93.1%
Primarily Warehouses	5	971	971	55.9%
		6,671	6,124	
Total square feet at December 31, 2012		72,477	62,038	

Overview - continued

Washington, DC Segment

Of the 2,395,000 square feet subject to the effects of the Base Realignment and Closure ("BRAC") statute, 348,000 square feet has been taken out of service for redevelopment and 763,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of December 31, 2013.

	Rent Per		Square Feet		
	Square Foot	Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of December 31, 2013	$ 37.76	724,000	392,000	268,000	64,000
Leases pending	45.16	39,000	39,000	-	-
Taken out of service for redevelopment		348,000	348,000	-	-
		1,111,000	779,000	268,000	64,000
To Be Resolved:					
Vacated as of December 31, 2013	37.58	922,000	504,000	336,000	82,000
Expiring in:					
2014	32.29	292,000	91,000	201,000	-
2015	43.54	70,000	65,000	5,000	-
		1,284,000	660,000	542,000	82,000
Total square feet subject to BRAC		2,395,000	1,439,000	810,000	146,000

Due to the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area, EBITDA from continuing operations for the year ended December 31, 2012 was lower than 2011 by $54,857,000 and EBITDA from continuing operations for the year ended December 31, 2013 was lower than 2012 by $14,254,000. We estimate that 2014 EBITDA will be between $10,000,000 and $15,000,000 lower than 2013 EBITDA.

Critical Accounting Policies

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

Real Estate

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

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

As of December 31, 2013 and 2012, the carrying amounts of real estate, net of accumulated depreciation, were $14.9 billion and $15.2 billion, respectively. As of December 31, 2013 and 2012, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were $323,322,000 and $415,330,000, respectively, and the carrying amounts of identified intangible liabilities, a component of “deferred revenue” on our consolidated balance sheets, were $510,485,000 and $560,989,000,

respectively.

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

Critical Accounting Policies – continued

Partially Owned Entities

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

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

As of December 31, 2013 and 2012, the carrying amounts of investments in partially owned entities, including Toys "R" Us, was $1.2 billion and $1.7 billion, respectively.

Mortgage and Mezzanine Loans Receivable

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

As of December 31, 2013 and 2012, the carrying amounts of mortgage and mezzanine loans receivable, net of a $5,845,000 allowance in 2013, were $170,972,000 and $225,359,000, respectively.

Critical Accounting Policies – continued

Allowance For Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts ($21,869,000 and $37,674,000 as of December 31, 2013 and 2012) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents ($4,355,000 and $3,165,000 as of December 31, 2013 and 2012, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

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

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

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

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

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

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

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

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

Income Taxes

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

Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011

As a result of certain organizational changes and asset sales in 2012, the Merchandise Mart segment no longer met the criteria to be a separate reportable segment; accordingly, effective January 1, 2013, the remaining assets were reclassified to "Other." We have also reclassified the prior period segment financial results to conform to the current year presentation. Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the years ended December 31, 2013, 2012 and 2011.

(Amounts in thousands)	For the Year Ended December 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,760,909	$ 1,509,266	$ 541,161	$ 425,716	$ -	$ 284,766
Total expenses	1,886,719	926,963	347,686	251,516	-	360,554
Operating income (loss)	874,190	582,303	193,475	174,200	-	(75,788)
(Loss) income from partially owned entities, including Toys	(338,785)	15,527	(6,968)	2,097	(362,377)	12,936
Income from Real Estate Fund	102,898	-	-	-	-	102,898
Interest and other investment (loss) income, net	(24,699)	5,532	129	13	-	(30,373)
Interest and debt expense	(483,190)	(181,966)	(102,277)	(44,203)	-	(154,744)
Net gain on disposition of wholly owned and partially owned assets	3,407	-	-	1,377	-	2,030
	133,821	421,396	84,359	133,484	(362,377)	(143,041)

Income (loss) before income taxes						
Income tax benefit (expense)	6,406	(2,794)	14,031	(2,311)	-	(2,520)
Income (loss) from continuing operations	140,227	418,602	98,390	131,173	(362,377)	(145,561)
Income (loss) from discontinued operations	424,513	138,245	-	287,536	-	(1,268)
Net income (loss)	564,740	556,847	98,390	418,709	(362,377)	(146,829)
Less net (income) attributable to noncontrolling interests	(88,769)	(10,786)	-	(3,065)	-	(74,918)
Net income (loss) attributable to Vornado	475,971	546,061	98,390	415,644	(362,377)	(221,747)
Interest and debt expense[2]	758,781	236,645	116,131	50,901	181,586	173,518
Depreciation and amortization[2]	732,757	293,974	142,409	72,161	135,178	89,035
Income tax expense (benefit)[2]	26,371	3,002	(15,707)	2,311	33,532	3,233
EBITDA[1]	$ 1,993,880	$ 1,079,682 (3)	$ 341,223 (4)	$ 541,017 (5)	$ (12,081)	$ 44,039 (6)

See notes on page 52.

Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued

(Amounts in thousands)	For the Year Ended December 31, 2012					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,736,232	$ 1,354,874	$ 554,028	$ 370,177	$ -	$ 457,153
Total expenses	2,071,663	851,512	360,056	324,096	-	535,999
Operating income (loss)	664,569	503,362	193,972	46,081	-	(78,846)
Income (loss) from partially owned entities, including Toys	423,126	207,773	(5,612)	1,458	14,859	204,648
Income from Real Estate Fund	63,936	-	-	-	-	63,936
Interest and other investment (loss) income, net	(260,945)	4,230	126	27	-	(265,328)
Interest and debt expense	(493,713)	(146,350)	(115,574)	(57,057)	-	(174,732)
Net gain on disposition of wholly owned and partially owned assets	13,347	-	-	8,491	-	4,856
Income (loss) before income taxes	410,320	569,015	72,912	(1,000)	14,859	(245,466)
Income tax expense	(8,132)	(3,491)	(1,650)	-	-	(2,991)
Income (loss) from continuing operations	402,188	565,524	71,262	(1,000)	14,859	(248,457)
Income from discontinued operations	292,353	10,610	167,766	39,357	-	74,620
Net income (loss)	694,541	576,134	239,028	38,357	14,859	(173,837)
Less net (income) loss						

attributable to noncontrolling interests	(77,281)	(2,138)	-	1,812	-	(76,955)
Net income (loss) attributable to Vornado	617,260	573,996	239,028	40,169	14,859	(250,792)
Interest and debt expense[2]	760,523	187,855	133,625	73,828	147,880	217,335
Depreciation and amortization[2]	735,293	252,257	157,816	86,529	135,179	103,512
Income tax expense (benefit)[2]	7,026	3,751	1,943	-	(16,629)	17,961
EBITDA[1]	$ 2,120,102	$ 1,017,859 (3)	$ 532,412 (4)	$ 200,526 (5)	$ 281,289	$ 88,016 (6)

See notes on the following page.

(Amounts in thousands)	For the Year Ended December 31, 2011					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 2,702,808	$ 1,333,280	$ 603,317	$ 374,482	$ -	$ 391,729
Total expenses	1,890,582	841,863	369,255	215,075	-	464,389
Operating income (loss)	812,226	491,417	234,062	159,407	-	(72,660)
Income (loss) from partially owned entities, including Toys	118,612	12,062	(6,381)	2,700	48,540	61,691
Income from Real Estate Fund	22,886	-	-	-	-	22,886
Interest and other investment income (loss), net	148,783	4,245	199	(33)	-	144,372
Interest and debt expense	(519,157)	(151,728)	(115,456)	(64,592)	-	(187,381)
Net gain on disposition of wholly owned and partially owned assets	15,134	-	-	4,278	-	10,856
	598,484	355,996	112,424	101,760	48,540	(20,236)

Income (loss) before income taxes						
Income tax expense	(23,925)	(2,084)	(2,690)	(34)	-	(19,117)
Income (loss) from continuing operations	574,559	353,912	109,734	101,726	48,540	(39,353)
Income from discontinued operations	165,441	11,155	52,390	27,557	-	74,339
Net income	740,000	365,067	162,124	129,283	48,540	34,986
Less net (income) loss attributable to noncontrolling interests	(77,698)	(10,042)	-	237	-	(67,893)
Net income (loss) attributable to Vornado	662,302	355,025	162,124	129,520	48,540	(32,907)
Interest and debt expense[2]	797,920	181,740	134,270	82,608	157,135	242,167
Depreciation and amortization[2]	777,421	247,630	181,560	91,040	134,967	122,224
Income tax expense (benefit)[2]	4,812	2,170	3,123	34	(1,132)	617
EBITDA[1]	$ 2,242,455	$ 786,565 (3)	$ 481,077 (4)	$ 303,202 (5)	$ 339,510	$ 332,101 (6)

See notes on the following page.

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Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued

Notes to preceding tabular information:

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

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

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2013**	**2012**	**2011**
Office[(a)]	$ 759,941	$ 568,518	$ 539,734
Retail	246,808	189,484	163,033
Alexander's [(b)]	42,210	231,402	53,663
Hotel Pennsylvania	30,723	28,455	30,135
Total New York	$ 1,079,682	$ 1,017,859	$ 786,565

(a) 2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $136,427, $16,245 and $9,635, respectively. Excluding these items, EBITDA was $623,514, $552,273 and $530,099, respectively.

(b) 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $191,040 and $14,204, respectively. Excluding these items, EBITDA was $40,362 and $39,459, respectively.

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2013**	**2012**	**2011**
Office, excluding the Skyline Properties [(a)]	$ 268,373	$ 449,448	$ 385,285
Skyline properties	29,499	40,037	56,148
Total Office	297,872	489,485	441,433
Residential	43,351	42,927	39,644
Total Washington, DC	$ 341,223	$ 532,412	$ 481,077

(a) 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $176,935 and $70,743, respectively. Excluding these items, EBITDA was $272,513 and $314,542, respectively.

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

	For the Year Ended December 31,		
(Amounts in thousands)	**2013**	**2012**	**2011**
Strip shopping centers[(a)]	$ 285,612	$ 172,708	$ 210,022
Regional malls[(b)]	255,405	27,818	93,180
Total Retail properties	$ 541,017	$ 200,526	$ 303,202

(a) 2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $128,343, $20,480 and $59,922, respectively. Excluding these items, EBITDA was $157,269, $152,228 and $150,100, respectively.

(b)

2013, 2012 and 2011 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $189,708, ($36,390) and $28,285, respectively. Excluding these items, EBITDA was $65,697, $64,208 and $64,895, respectively.

Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Year Ended December 31,		
	2013	**2012**	**2011**
Our share of Real Estate Fund:			
Income before net realized/unrealized gains	$ 1,676	$ 4,926	$ 4,205
Net unrealized gains	21,443	13,840	2,999
Net realized gains	2,046	-	1,348
Carried interest	24,306	5,838	736
Total	49,471	24,604	9,288
Merchandise Mart Building, 7 West 34th Street and trade shows	74,270	62,470	50,406
555 California Street	42,667	46,167	44,724
India real estate ventures	5,841	3,654	7,037
LNR [(a)]	20,443	75,202	47,614
Lexington [(b)]	6,931	32,595	34,779
Other investments	18,981	25,612	26,092
	218,604	270,304	219,940
Corporate general and administrative expenses[(c)]	(94,904)	(89,082)	(85,922)
Investment income and other, net[(c)]	46,525	45,563	55,202
Net gain on sale of marketable securities, land parcels and residential condominiums	56,868	4,856	10,904
Loss on sale of J.C. Penney common shares	(54,914)	-	-
Non-cash impairment loss on J.C. Penney common shares	(39,487)	(224,937)	-
(Loss) income from the mark-to-market of J.C. Penney derivative position	(33,487)	(75,815)	12,984
Acquisition related costs and impairment losses	(24,857)	(17,386)	(5,925)
Severance costs (primarily reduction in force at the Merchandise Mart)	(5,492)	(3,005)	(4,226)
Purchase price fair value adjustment and accelerated amortization of discount on investment in subordinated debt of Independence Plaza	-	105,366	-
Merchandise Mart discontinued operations (including net gains on sale of assets)	-	93,588	97,272
Net gain resulting from Lexington's stock issuance and asset acquisition	-	28,763	9,760
Verde Realty impairment loss	-	(4,936)	-
Mezzanine loans loss reversal and net gain on disposition	-	-	82,744
Non-cash impairment loss on India land parcel	-	-	(13,794)
Net gain from Suffolk Downs' sale of a partial interest	-	-	12,525
Real Estate Fund placement fees	-	-	(3,451)

Net income attributable to noncontrolling interests in the Operating Partnership	(23,659)	(35,327)	(41,059)
Preferred unit distributions of the Operating Partnership	(1,158)	(9,936)	(14,853)
	$ 44,039	$ 88,016	$ 332,101

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

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

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

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Net Income and EBITDA by Segment for the Years Ended December 31, 2013, 2012 and 2011 - continued

EBITDA by Region

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

		For the Year Ended December 31,		
		2013	**2012**	**2011**
Region:				
	New York City metropolitan area	73%	70%	66%
	Washington, DC / Northern Virginia metropolitan area	23%	26%	29%
	Puerto Rico	2%	2%	2%
	California	1%	1%	1%
	Other geographies	1%	1%	2%
		100%	100%	100%

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

Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,760,909,000 in the year ended December 31, 2013, compared to $2,736,232,000 in the prior year, an increase of $24,677,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Property rentals:					
Acquisitions and other	$ 63,291	$ 75,004	$ 462	$ (11,602)	$ (573)
Properties placed into / taken out of service for redevelopment	(5,164)	(1,138)	(2,333)	(1,647)	(46)
Hotel Pennsylvania	8,201	8,201	-	-	-
Trade Shows	(6,210)	-	-	-	(6,210)
Same store operations	33,784	27,115	(15,267)	7,322	14,614
	93,902	109,182	(17,138)	(5,927)	7,785
Tenant expense reimbursements:					
Acquisitions and other	1,155	2,715	(604)	(1,860)	904
Properties placed into / taken out of service for redevelopment	(1,334)	(402)	193	(1,027)	(98)
Same store operations	22,940	8,624	2,443	5,902	5,971
	22,761	10,937	2,032	3,015	6,777
Cleveland Medical Mart development project	(198,865)(1)	-	-	-	(198,865)(1)
Fee and other income:					
BMS cleaning fees	(1,079)	(9,208)	-	-	8,129 (2)
Signage revenue	11,974	11,974	-	-	-
Management and leasing fees	2,788	4,177	1,691	(1,567)	(1,513)
Lease termination fees	90,136	25,333 (3)	983	59,793 (4)	4,027 (5)
Other income	3,060	1,997	(435)	225	1,273
	106,879	34,273	2,239	58,451	11,916
	$ 24,677	$ 154,392	$ (12,867)	$ 55,539	$ (172,387)

Total increase (decrease) in revenues

(1) Primarily due to the completion of the project. This decrease in revenue is offset by a decrease in development costs expensed in the period. See note (3) on page 56.

(2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 56.

(3) Primarily due to a $19,500 termination fee from a tenant at 1290 Avenue of the Americas. Our share of this income, net of the write off of the straight lining of rents and amounts attributable to the noncontrolling interest was $12,121.

(4) Results primarily from income recognized in the first quarter of 2013 in connection with the settlement of the Stop & Shop litigation.

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

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

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,886,719,000 in the year ended December 31, 2013, compared to $2,071,663,000 in the prior year, a decrease of $184,944,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Operating:					
Acquisitions and other	$ 23,591	$ 26,583	$ -	$ (1,409)	$ (1,583)
Properties placed into / taken out of service for redevelopment	(9,370)	(1,933)	(992)	(5,307)	(1,138)
Non-reimbursable expenses, including bad-debt reserves	928	(3,366)	-	1,470	2,824
Hotel Pennsylvania	6,012	6,012	-	-	-
Trade Shows	(4,872)	-	-	-	(4,872)
BMS expenses	(5,056)	(8,500)	-	-	3,444 (2)
Same store operations	26,333	15,132	2,037	6,581	2,583
	37,566	33,928	1,045	1,335	1,258
Depreciation and amortization:					
Acquisitions and other	38,791	41,047	-	(1,882)	(374)
Properties placed into / taken out of service for redevelopment	(20,644)	(552)	(16,177)	(3,915)	-
Same store operations	2,682	(3,020)	2,369	1,601	1,732
	20,829	37,475	(13,808)	(4,196)	1,358
General and administrative:					
Mark-to-market of deferred compensation plan liability (1)	3,827	-	-	-	3,827
Non-same store	7,287	-	-	-	7,287
Same store operations	(2,458)	4,048	393	(4,662)	(2,237)
	8,656	4,048	393	(4,662)	8,877

Cleveland Medical Mart development project		(194,409)(3)		-		-		-		(194,409)(3)
Impairment losses, acquisition related costs and tenant buy-outs		(57,586)		-		-		(65,057)		7,471
Total (decrease) increase in expenses	$	(184,944)	$	75,451	$	(12,370)	$	(72,580)	$	(175,445)

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

(2) Represents the elimination of intercompany fees from operating segments upon consolidation. See note (2) on page 55.

(3) Primarily due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (1) on page 55.

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

(Loss) Income Applicable to Toys

In the year ended December 31, 2013, we recognized a net loss of $362,377,000 from our investment in Toys, comprised of $128,919,000 for our 32.6% share of Toys' net loss and $240,757,000 of non-cash impairment losses (see below), partially offset by $7,299,000 of management fee income. In the year ended December 31, 2012, we recognized net income of $14,859,000 from our investment in Toys, comprised of $45,267,000 for our 32.6% share of Toys' net income and $9,592,000 of management fee income, partially offset by a $40,000,000 non-cash impairment loss (see below).

We account for Toys on the equity method, which means our investment is increased for our pro rata share of Toys undistributed net income. At December 31, 2012, we estimated that the fair value of our investment was $40,000,000 less than the carrying amount of $518,041,000 and concluded that the decline in the value of our investment was "other-than-temporary" based on, among other factors, compression of earnings multiples of comparable retailers and our inability to forecast a recovery in the near term. Accordingly, we recognized a non-cash impairment loss of $40,000,000 in the fourth quarter of 2012.

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

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

We will continue to assess the recoverability of our investment each quarter. To the extent the fair value of our investment does not change, we will recognize a non-cash impairment loss equal to our share of Toys' fourth quarter net income, if any, in our first quarter of 2014.

Income from Partially Owned Entities

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

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

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

(2) 2012 includes a $28,763 net gain resulting primarily from Lexington's stock issuances. In the first quarter of 2013, we began accounting for our investment in Lexington as a marketable equity security - available for sale.

(3) On April 19, 2013, LNR was sold for $1.053 billion. See page 40 for details.

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

(5) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

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

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

Income from Real Estate Fund

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

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

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

Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net was a loss of $24,699,000 in the year ended December 31, 2013, compared to a loss of $260,945,000 in the prior year, a decrease in loss of $236,246,000. This decrease resulted from:

(Amounts in thousands)	
Non-cash impairment on J.C. Penney common shares ($39,487 in 2013, compared to $224,937 in 2012)	$ 185,450
J.C. Penney derivative position ($33,487 mark-to-market loss in 2013, compared to a $75,815 mark-to-market loss in 2012)	42,328
Higher interest on mezzanine loans receivable	5,634

Increase in the value of investments in our deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses)	3,827
Lower dividends and interest on marketable securities	(533)
Other, net	(460)
	$ 236,246

Interest and Debt Expense

Interest and debt expense was $483,190,000 in the year ended December 31, 2013, compared to $493,713,000 in the prior year, a decrease of $10,523,000. This decrease was primarily due to (i) $25,502,000 of higher capitalized interest and (ii) $4,738,000 of interest savings from the restructuring of the Skyline properties mortgage loan in the fourth quarter of 2013, partially offset by (iii) interest expense of $12,319,000 from the financing of the retail condominium at 666 Fifth Avenue in the first quarter of 2013, and (iv) an $8,436,000 prepayment penalty in connection with the refinancing of Eleven Penn Plaza.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

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

Income Tax Benefit (Expense)

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

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

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold to "income from discontinued operations" and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the years ended December 31, 2013 and 2012.

	For the Year Ended December 31,	
(Amounts in thousands)	2013	2012
Total revenues	$ 38,043	$ 177,629
Total expenses	23,305	120,393
	14,738	57,236
Net gains on sale of real estate	414,502	245,799
Gain on sale of Canadian Trade Shows, net of $11,448 of income taxes	-	19,657
Impairment losses	(4,727)	(30,339)
Income from discontinued operations	$ 424,513	$ 292,353

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

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

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

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

Preferred Unit Distributions of the Operating Partnership

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

Preferred Share Dividends

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

Preferred Unit and Share Redemptions

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

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

Same Store EBITDA

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

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

(Amounts in thousands)	**New York**	**Washington, DC**	**Retail Properties**
EBITDA for the year ended December 31, 2013	$ 1,079,682	$ 341,223	$ 541,017
Add-back:			
Non-property level overhead expenses included above	34,087	27,630	18,992
Less EBITDA from:			
Acquisitions	(67,613)	-	-
Dispositions, including net gains on sale	(136,854)	(150)	(290,727)
Properties taken out-of-service for redevelopment	(20,050)	(4,457)	(4,723)
Other non-operating (income) expense	(29,856)	(1,129)	(27,335)
GAAP basis same store EBITDA for the year ended December 31, 2013	$ 859,396	$ 363,117	$ 237,224
EBITDA for the year ended December 31, 2012	$ 1,017,859	$ 532,412	$ 200,526
Add-back:			
Non-property level overhead expenses included above	30,039	27,237	23,654
Less EBITDA from:			
Acquisitions	(4,131)	-	-
Dispositions, including net gains on sale	(200,050)	(176,052)	(77,048)
Properties taken out-of-service for redevelopment	(20,056)	(9,319)	(970)

Other non-operating (income) expense		(9,024)		(838)		84,581
GAAP basis same store EBITDA for the year ended December 31, 2012	$	814,637	$	373,440	$	230,743
Increase (decrease) in GAAP basis same store EBITDA - Year ended December 31, 2013 vs. December 31, 2012(1)	$	44,759	$	(10,323)	$	6,481
% increase (decrease) in GAAP basis same store EBITDA		5.5%		(2.8%)		2.8%

(1) See notes on following page

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

Notes to preceding tabular information:

New York:

The $44,759,000 increase in New York GAAP basis same store EBITDA resulted primarily from increases in Office and Retail of $32,415,000 and $9,595,000, respectively. The Office increase resulted primarily from higher (i) rental revenue of $16,405,000 (primarily due to a $1.85 increase in average annual rents per square foot) and (ii) signage revenue and management and leasing fees of $16,151,000. The Retail increase resulted primarily from higher rental revenue of $10,710,000, (primarily due to a $9.35 increase in average annual rents per square foot).

Washington, DC:

The $10,323,000 decrease in Washington, DC GAAP basis same store EBITDA resulted primarily from lower rental revenue of $15,267,000, primarily due to a 330 basis point decrease in office average same store occupancy to 82.8% from 86.1%, a significant portion of which resulted from the effects of BRAC related move-outs and the sluggish environment in the Washington, DC / Northern Virginia area (see page 46).

Retail Properties:

The $6,481,000 increase in Retail Properties GAAP basis same store EBITDA resulted primarily from higher rental revenue of $7,322,000, due to a 130 basis point increase in average same store occupancy to 93.5% from 92.2%, and a $0.19 increase in average annual rents per square foot.

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

(Amounts in thousands)	New York	Washington, DC	Retail Properties
GAAP basis same store EBITDA for the year ended December 31, 2013	$ 859,396	$ 363,117	$ 237,224
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(107,060)	(10,181)	(11,762)
Cash basis same store EBITDA for the year ended December 31, 2013	$ 752,336	$ 352,936	$ 225,462
GAAP basis same store EBITDA for the year ended December 31, 2012	$ 814,637	$ 373,440	$ 230,743
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(115,828)	(6,484)	(13,279)
Cash basis same store EBITDA for the year ended December 31, 2012	$ 698,809	$ 366,956	$ 217,464
Increase (decrease) in Cash basis same store EBITDA - Year ended December 31, 2013 vs. December 31, 2012	$ 53,527	$ (14,020)	$ 7,998
% increase (decrease) in Cash basis same store EBITDA	7.7%	(3.8%)	3.7%

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

Revenues

Our revenues, which consist primarily of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,736,232,000 in the year ended December 31, 2012, compared to $2,702,808,000 in the year ended December 31, 2011, an increase of $33,424,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Property rentals:					
Acquisitions and other	$ 15,139	$ 9,528	$ 5,611	$ -	$ -
Properties placed into / taken out of service for redevelopment	(29,707)	(5,339)	(22,312)	(2,056)	-
Hotel Pennsylvania	1,113	1,113	-	-	-
Trade Shows	(4,281)	-	-	-	(4,281)
Same store operations	(11,691)	27,521	(38,658)	7,004	(7,558)
	(29,427)	32,823	(55,359)	4,948	(11,839)
Tenant expense reimbursements:					
Acquisitions and other	(7,146)	(4,790)	2,724	(2,393)	(2,687)
Properties placed into / taken out of service for redevelopment	(4,930)	(845)	(1,643)	(2,442)	-
Same store operations	(949)	549	3,362	(3,004)	(1,856)
	(13,025)	(5,086)	4,443	(7,839)	(4,543)
Cleveland Medical Mart development project	81,154 (1)	-	-	-	81,154 (1)
Fee and other income:					
BMS cleaning fees	5,830	4,932	-	-	898
Signage revenue	1,069	1,069	-	-	-
Management and leasing fees	66	544	414	(859)	(33)
Lease termination fees	(13,973)	(10,703)	(3,151)	(393)	274
Other income	1,730	(1,985)	4,364	(162)	(487)
	(5,278)	(6,143)	1,627	(1,414)	652
	$ 33,424	$ 21,594	$ (49,289)	$ (4,305)	$ 65,424

Total increase (decrease) in revenues

(1) This increase in income is offset by an increase in development costs expensed in the period. See note (5) on page 63.

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

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $2,071,663,000 in the year ended December 31, 2012, compared to $1,890,582,000 in the year ended December 31, 2011, an increase of $181,081,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Retail Properties	Other
Operating:					
Acquisitions and other	$ 7,422	$ 6,617	$ 3,492	$ -	$ (2,687)
Properties placed into / taken out of service for redevelopment	(9,037)	(1,074)	(4,829)	(3,134)	-
Non-reimbursable expenses, including bad-debt reserves	14,446	(3,347)	2,662	21,761 (2)	(6,630)
Hotel Pennsylvania	2,594	2,594	-	-	-
Trade Shows	(4,438)	-	-	-	(4,438)
BMS expenses	5,139	4,241	-	-	898
Same store operations	16,498	15,820	4,454	(4,897)	1,121
	32,624	24,851	5,779	13,730	(11,736)
Depreciation and amortization:					
Acquisitions and other	7,960	3,298	4,662	-	-
Properties placed into / taken out of service for redevelopment	(16,777)	(975)	(15,188)(3)	(614)	-
Same store operations	2,978	2,959	(5,320)	609	4,730
	(5,839)	5,282	(15,846)	(5)	4,730
General and administrative:					
Mark-to-market of deferred compensation plan liability (1)	5,151	-	-	-	5,151
Non-same store	(3,451)	-	-	-	(3,451)
Same store operations	(7,786)	3,293	868	(1,835)	(10,112)(4)

	(6,086)	3,293	868	(1,835)	(8,412)
Cleveland Medical Mart development project	80,795 (5)	-	-	-	80,795 (5)
Impairment losses, acquisition related costs and tenant buy-outs	79,587	(23,777)(6)	-	97,131 (7)	6,233
Total increase (decrease) in expenses	$ 181,081	$ 9,649	$ (9,199)	$ 109,021	$ 71,610

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

(2) Primarily from a $23,521 reversal of the Stop & Shop accounts receivable reserve in 2011.

(3) Primarily from depreciation expense on 1851 South Bell Street in 2011, which was taken out of service for redevelopment.

(4) Primarily from lower payroll costs due to a reduction in workforce at the Merchandise Mart.

(5) This increase in expense is offset by the increase in development revenue in the period. See note (1) on page 62.

(6) Represents the buy-out of below-market leases in 2011.

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

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

Income Applicable to Toys

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

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

Income from Partially Owned Entities

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

(Amounts in thousands)	**Percentage Ownership at December 31, 2012**	**For the Year Ended December 31, 2012**	**2011**
Equity in Net Income (Loss):			
Alexander's [1]	32.4%	$ 218,391	$ 32,430
Lexington [2]	10.5%	28,740	8,351
LNR	26.2%	66,270	58,786
India real estate ventures	4.0%-36.5%	(5,008)	(14,881)
Partially owned office buildings [3]	Various	(3,770)	(22,270)
Other investments[4] [5]	Various	103,644	7,656
		$ 408,267	$ 70,072

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

(2) 2012 includes a $28,763 net gain resulting primarily from Lexington's stock issuances.

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

(4) Includes interests in Independence Plaza, Monmouth Mall, 85 10th Avenue, Fashion Center Mall, 50-70 West 93rd Street and others.

(5) 2012 includes $105,366 of income from Independence Plaza comprised of (i) $60,396 from the accelerated amortization of discount on investment in the subordinated debt of the property and (ii) a $44,970 purchase price fair value adjustment from the exercise of a warrant to acquire 25% of the equity interest in the property.

Income from Real Estate Fund

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

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

(1) Excludes management, leasing and development fees of $3,278 and $2,695 for the years ended December 31, 2012 and 2011, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

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

Interest and Other Investment (Loss) Income, net

Interest and other investment (loss) income, net was a loss of $260,945,000 in the year ended December 31, 2012, compared to income of $148,783,000 in the year ended December 31, 2011, a decrease in income of $409,728,000. This decrease resulted from:

(Amounts in thousands)	
Non-cash impairment loss on J.C. Penney common shares in 2012	$ (224,937)
J.C. Penney derivative position ($75,815 mark-to-market loss in 2012, compared to a $12,984 mark-to-market gain in 2011)	(88,799)
Mezzanine loan loss reversal and net gain on disposition in 2011	(82,744)
Lower dividends and interest on marketable securities	(17,608)
Increase in the value of investments in our deferred compensation plan (offset by a corresponding increase in the liability for plan assets in general and administrative expenses)	5,151
Other, net	(791)
	$ (409,728)

Interest and Debt Expense

Interest and debt expense was $493,713,000 in the year ended December 31, 2012, compared to $519,157,000 in the year ended December 31, 2011, a decrease of $25,444,000. This decrease was primarily due to (i) $27,077,000 from the redemption of our exchangeable and convertible senior debentures in April 2012 and November 2011, respectively, (ii) $15,604,000 of higher capitalized interest and (iii) $12,082,000 from the refinancing of 350 Park Avenue in January 2012, partially offset by (iv) $18,833,000 from the issuance of $400,000,000 of senior unsecured notes in November 2011, (v) $6,093,000 from the refinancing of 100 West 33rd Street in March 2012 and (vi) $4,715,000 from borrowings under our revolving credit facilities.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

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

Income Tax Benefit (Expense)

Income tax benefit (expense) was an expense of $8,132,000 in the year ended December 31, 2012, compared to an expense of $23,925,000 in the year ended December 31, 2011 a decrease of $15,793,000. This decrease resulted primarily from the reversal of a $12,038,000 tax liability in the fourth quarter of 2012 upon liquidation of a taxable REIT subsidiary that was formed in connection with the acquisition of our 555 California Street property.

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

Income from Discontinued Operations

The table below sets forth the combined results of operations of assets related to discontinued operations for the years ended December 31, 2012 and 2011.

	For the Year Ended December 31,	
(Amounts in thousands)	**2012**	**2011**
Total revenues	$ 177,629	$ 260,343
Total expenses	120,393	201,633
	57,236	58,710
Net gains on sale of real estate	245,799	51,623
Impairment losses	(30,339)	(28,799)
Gain on sale of Canadian Trade Shows, net of $11,448 of income taxes	19,657	-
Net gain on extinguishment of High Point debt	-	83,907
Income from discontinued operations	$ 292,353	$ 165,441

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $32,018,000 in the year ended December 31, 2012, compared to $21,786,000 in the year ended December 31, 2011, an increase of $10,232,000. This increase resulted primarily from a $25,734,000 increase in income allocated to the noncontrolling interests of our Real Estate Fund, partially offset by a $13,222,000 priority return on our investment in 1290 Avenue of the Americas and 555 California Street.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was $35,327,000 in the year ended December 31, 2012, compared to $41,059,000 in the year ended December 31, 2011, a decrease of $5,732,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Unit Distributions of the Operating Partnership

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

Preferred Share Dividends

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

Preferred Unit and Share Redemptions

In the year ended December 31, 2012, we recognized an $8,948,000 discount primarily from the redemption of all of the 7.0% Series D-10 and 6.75% Series D-14 cumulative redeemable preferred units, compared to a $5,000,000 discount in the year ended December 31, 2011, which resulted from the redemption of the Series D-11 cumulative redeemable preferred units.

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

Same Store EBITDA

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

(Amounts in thousands)	New York	Washington, DC	Retail Properties
EBITDA for the year ended December 31, 2012	$ 1,017,859	$ 532,412	$ 200,526
Add-back:			
Non-property level overhead expenses included above	30,039	27,237	23,654
Less EBITDA from:			
Acquisitions	(42,129)	(5,005)	-
Dispositions, including net gains on sale	(190,396)	(172,832)	(64,863)
Properties taken out-of-service for redevelopment	(961)	(5,329)	(1,134)
Other non-operating (income) expense	(9,981)	(723)	99,079
GAAP basis same store EBITDA for the year ended December 31, 2012	$ 804,431	$ 375,760	$ 257,262
EBITDA for the year ended December 31, 2011	$ 786,565	$ 481,077	$ 303,202
Add-back:			
Non-property level overhead expenses included above	26,746	26,369	25,489
Less EBITDA from:			
Acquisitions	(14,956)	(150)	-
Dispositions, including net gains on sale	(13,432)	(69,940)	(54,537)
Properties taken out-of-service for redevelopment	(6,009)	(25,644)	(2,925)
Other non-operating (income) expense	9,926	(785)	(17,043)
GAAP basis same store EBITDA for the year ended December 31, 2011	$ 788,840	$ 410,927	$ 254,186
Increase (decrease) in GAAP basis same store EBITDA - Year ended December 31, 2012 vs. December 31,2011[(1)]	$ 15,591	$ (35,167)	$ 3,076
% increase (decrease) in GAAP basis same store EBITDA	2.0%	(8.6%)	1.2%

(1) See notes on following page.

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

Notes to preceding tabular information:

New York:

The $15,591,000 increase in New York GAAP basis same store EBITDA resulted primarily from an increase in Office of $13,029,000. The Office increase resulted from higher rental revenue of $29,671,000 (primarily due to a $1.93 increase in average annual rents per square foot), partially offset by an increase in operating expenses.

Washington, DC:

The $35,167,000 decrease in Washington, DC GAAP basis same store EBITDA resulted primarily from lower rental revenue of $38,658,000, primarily due to a 740 basis point decrease in office average same store occupancy to 86.2% from 93.6%, a significant portion of which resulted from the effects of BRAC related move-outs and the sluggish leasing environment in the Washington, DC / Northern Virginia area (see page 46).

Retail Properties:

The $3,076,000 increase in Retail Properties GAAP basis same store EBITDA resulted primarily from higher rental revenue of $7,004,000, due to an increase in average same store occupancy and average annual rents per square foot.

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the year ended December 31, 2012, compared to year ended December 31, 2011.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
GAAP basis same store EBITDA for the year ended December 31, 2012	$ 804,431	$ 375,760	$ 257,262
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(94,560)	(5,573)	(15,676)
Cash basis same store EBITDA for the year ended December 31, 2012	$ 709,871	$ 370,187	$ 241,586
GAAP basis same store EBITDA for the year ended December 31, 2011	$ 788,840	$ 410,927	$ 254,186
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(93,053)	(357)	(15,685)
Cash basis same store EBITDA for the year ended December 31, 2011	$ 695,787	$ 410,570	$ 238,501
Increase (decrease) in Cash basis same store EBITDA - Year ended December 31, 2012 vs. December 31, 2011	$ 14,084	$ (40,383)	$ 3,085
% increase (decrease) in Cash basis same store EBITDA	2.0%	(9.8%)	1.3%

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Supplemental Information

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2013 and 2012

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

(Amounts in thousands)	For the Three Months Ended December 31, 2013					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 673,308	$ 380,018	$ 134,509	$ 92,936	$ -	$ 65,845
Total expenses	501,743	226,311	89,095	88,724	-	97,613
Operating income (loss)	171,565	153,707	45,414	4,212	-	(31,768)
(Loss) income from partially owned entities, including Toys	(293,165)	1,507	(423)	585	(293,066)	(1,768)
Income from Real Estate Fund	28,951	-	-	-	-	28,951
Interest and other investment income, net	8,234	1,456	30	8	-	6,740
Interest and debt expense	(120,625)	(56,538)	(18,927)	(9,680)	-	(35,480)
Net gain on disposition of wholly owned and partially owned assets	23,988	-	-	-	-	23,988
(Loss) income before income taxes	(181,052)	100,132	26,094	(4,875)	(293,066)	(9,337)
Income tax benefit (expense)	12,578	(1,496)	15,980	(831)	-	(1,075)

(Loss) income from continuing operations	(168,474)	98,636	42,074	(5,706)	(293,066)	(10,412)
Income from discontinued operations	129,715	129,706	-	-	-	9
Net (loss) income	(38,759)	228,342	42,074	(5,706)	(293,066)	(10,403)
Less net (income) loss attributable to noncontrolling interests	(9,760)	(1,268)	-	14	-	(8,506)
Net (loss) income attributable to Vornado	(48,519)	227,074	42,074	(5,692)	(293,066)	(18,909)
Interest and debt expense[2]	207,424	73,066	22,416	10,844	62,239	38,859
Depreciation and amortization[2]	183,685	73,694	36,610	19,721	31,446	22,214
Income tax expense (benefit)[2]	8,270	1,558	(17,841)	831	22,573	1,149
EBITDA[1]	$ 350,860	$ 375,392 (3)	$ 83,259 (4)	$ 25,704 (5)	$ (176,808)	$ 43,313 (6)

See notes on page 71.

Supplemental Information – continued

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

(Amounts in thousands)	For the Three Months Ended December 31, 2012					
	Total	New York	Washington, DC	Retail Properties	Toys	Other
Total revenues	$ 686,693	$ 356,786	$ 132,295	$ 94,947	$ -	$ 102,665
Total expenses	600,728	219,340	88,889	153,846	-	138,653
Operating income (loss)	85,965	137,446	43,406	(58,899)	-	(35,988)
Income (loss) from partially owned entities, including Toys	280,939	187,428	(1,041)	418	(73,837)	167,971
Income from Real Estate Fund	26,364	-	-	-	-	26,364
Interest and other investment (loss) income, net	(237,961)	1,064	29	3	-	(239,057)
Interest and debt expense	(121,049)	(37,578)	(30,166)	(11,695)	-	(41,610)
Net gain on disposition of wholly owned and partially owned assets	8,491	-	-	8,491	-	-
Income (loss) before income taxes	42,749	288,360	12,228	(61,682)	(73,837)	(122,320)
Income tax benefit (expense)	9,187	(1,011)	(373)	-	-	10,571
Income (loss) from continuing operations	51,936	287,349	11,855	(61,682)	(73,837)	(111,749)
Income (loss) from discontinued operations	39,957	2,934	36,787	3,537	-	(3,301)
Net income (loss)	91,893	290,283	48,642	(58,145)	(73,837)	(115,050)

Less net (income) loss attributable to noncontrolling interests	(5,758)	5,128	-	1,504	-	(12,390)
Net income (loss) attributable to Vornado	86,135	295,411	48,642	(56,641)	(73,837)	(127,440)
Interest and debt expense[2]	193,258	47,561	34,139	15,789	44,492	51,277
Depreciation and amortization[2]	182,499	63,777	34,829	20,778	34,808	28,307
Income tax (benefit) expense[2]	(43,050)	1,074	411	-	(34,611)	(9,924)
EBITDA[1]	$ 418,842	$ 407,823 (3)	$ 118,021 (4)	$ (20,074)(5)	$ (29,148)	$ (57,780)(6)

See notes on the following page.

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Supplemental Information – continued

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

Notes to preceding tabular information:

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

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

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

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2013**	**2012**
Office[(a)]	$ 283,092	$ 151,613
Retail	69,414	52,576
Alexander's [(b)]	11,069	191,925
Hotel Pennsylvania	11,817	11,709
Total New York	$ 375,392	$ 407,823

(a) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $129,229 and $10,044, respectively. Excluding these items, EBITDA was $153,863 and $141,569, respectively.

(b) 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $181,973. Excluding these items, EBITDA was $9,952.

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

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2013**	**2012**
Office, excluding the Skyline Properties [(a)]	$ 65,910	$ 99,153
Skyline properties	6,953	7,910
Total Office	72,863	107,063
Residential	10,396	10,958
Total Washington, DC	$ 83,259	$ 118,021

(a) 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating $37,348. Excluding these items, EBITDA was $61,805.

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

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2013**	**2012**
Strip shopping centers[(a)]	$ 21,547	$ 24,154
Regional malls[(b)]	4,157	(44,228)
Total Retail properties	$ 25,704	$ (20,074)

(a) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating net losses of $19,000 and $16,324, respectively. Excluding these items, EBITDA was $40,547 and $40,478, respectively.

(b) 2013 and 2012 includes EBITDA from discontinued operations, net gains on sale of real estate and other items that affect comparability, aggregating net losses of $13,443 and $61,447, respectively.

Excluding these items, EBITDA was $17,600 and $17,219, respectively.

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Supplemental Information – continued

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

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Three Months Ended December 31, 2013	2012
Our share of Real Estate Fund:		
(Loss) income before net realized/unrealized gains	$ (70)	$ 764
Net unrealized gain	6,574	5,456
Carried interest	8,341	5,838
Total	14,845	12,058
Merchandise Mart Building, 7 West 34th Street and trade shows	20,038	13,620
555 California Street	10,296	14,761
India real estate ventures	1,133	1,936
LNR[(a)]	-	29,196
Lexington[(b)]	-	7,815
Other investments	4,774	(4,614)
	51,086	74,772
Corporate general and administrative expenses[(c)]	(23,850)	(22,142)
Investment income and other, net[(c)]	7,372	14,663
Net gain on sale of land parcels and residential condominiums	23,988	-
Acquisition related costs and impairment losses	(18,088)	(13,072)
Severance costs (primarily reduction in force at the Merchandise Mart)	(1,338)	(1,485)
Non-cash impairment loss on J.C. Penney common shares	-	(224,937)
Purchase price fair value adjustment and accelerated amortization of discount on investment in subordinated debt of Independence Plaza	-	105,366
Net gain resulting from Lexington's stock issuance and asset acquisition	-	28,763
(Loss) from the mark-to-market of J.C. Penney derivative position	-	(22,472)
Merchandise Mart discontinued operations	-	7,432
Net loss (income) attributable to noncontrolling interests in the Operating Partnership	4,155	(3,882)
Preferred unit distributions of the Operating Partnership	(12)	(786)
	$ 43,313	$ (57,780)

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

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

(c) The amounts in these captions (for this table only) exclude income (expense) from the mark-to-market of our deferred compensation plan.

Supplemental Information – continued

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

EBITDA by Region

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

		For the Three Months Ended December 31,	
		2013	2012
Region:			
	New York City metropolitan area	75%	73%
	Washington, DC / Northern Virginia metropolitan area	22%	23%
	Puerto Rico	1%	2%
	California	1%	1%
	Other geographies	1%	1%
		100%	100%

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Supplemental Information – continued

Three Months Ended December 31, 2013 Compared to December 31, 2012

Same Store EBITDA

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

Below is the reconciliation of EBITDA to same store EBITDA on a GAAP basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended December 31, 2012.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
EBITDA for the three months ended December 31, 2013	$ 375,392	$ 83,259	$ 25,704
Add-back:			
Non-property level overhead expenses included above	8,550	6,975	4,168
Less EBITDA from:			
Acquisitions	(20,063)	-	-
Dispositions, including net gains on sale	(129,332)	(33)	(4)
Properties taken out-of-service for redevelopment	(5,279)	(1,035)	(1,144)
Other non-operating (income) expense	(2,986)	(316)	32,157
GAAP basis same store EBITDA for the three months ended December 31, 2013	$ 226,282	$ 88,850	$ 60,881
EBITDA for the three months ended December 31, 2012	$ 407,823	$ 118,021	$ (20,074)
Add-back:			
Non-property level overhead expenses included above	8,070	7,388	4,851
Less EBITDA from:			

Acquisitions	(3,474)	-	-
Dispositions, including net gains on sale	(184,507)	(37,347)	(18,605)
Properties taken out-of-service for redevelopment	(5,141)	(2,070)	(364)
Other non-operating (income) expense	(10,665)	(615)	93,238
GAAP basis same store EBITDA for the three months ended December 31, 2012	$ 212,106	$ 85,377	$ 59,046
Increase in GAAP basis same store EBITDA - Three months ended December 31, 2013 vs. December 31, 2012	$ 14,176	$ 3,473	$ 1,835
% increase in GAAP basis same store EBITDA	6.7%	4.1%	3.1%

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Supplemental Information – continued

Three Months Ended December 31, 2013 Compared to December 31, 2012

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended December 31, 2012.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
GAAP basis same store EBITDA for the three months ended December 31, 2013	$ 226,282	$ 88,850	$ 60,881
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(29,712)	(1,899)	(2,655)
Cash basis same store EBITDA for the three months ended December 31, 2013	$ 196,570	$ 86,951	$ 58,226
GAAP basis same store EBITDA for the three months ended December 31, 2012	$ 212,106	$ 85,377	$ 59,046
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(23,843)	(775)	(3,645)
Cash basis same store EBITDA for the three months ended December 31, 2012	$ 188,263	$ 84,602	$ 55,401
Increase in Cash basis same store EBITDA - Three months ended December 31, 2013 vs. December 31, 2012	$ 8,307	$ 2,349	$ 2,825
% increase in Cash basis same store EBITDA	4.4%	2.8%	5.1%

Supplemental Information – continued

Three Months Ended December 31, 2013 Compared to September 30, 2013

Below is the reconciliation of Net Income to EBITDA for the three months ended September 30, 2013.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
Net income attributable to Vornado for the three months ended September 30, 2013	$ 124,325	$ 19,994	$ 44,158
Interest and debt expense	59,344	30,717	12,119
Depreciation and amortization	67,294	35,403	17,573
Income tax expense	67	828	731
EBITDA for the three months ended September 30, 2013	$ 251,030	$ 86,942	$ 74,581

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended September 30, 2013.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
EBITDA for the three months ended December 31, 2013	$ 375,392	$ 83,259	$ 25,704
Add-back:			
Non-property level overhead expenses included above	8,550	6,975	4,168
Less EBITDA from:			
Acquisitions	(7,120)	-	-
Dispositions, including net gains on sale	(129,332)	(33)	(4)
Properties taken out-of-service for redevelopment	(5,279)	(1,035)	(1,144)
Other non-operating (income) expense	(2,860)	(316)	32,157
GAAP basis same store EBITDA for the three months ended December 31, 2013	$ 239,351	$ 88,850	$ 60,881
EBITDA for the three months ended September 30, 2013	$ 251,030	$ 86,942	$ 74,581
Add-back:			
Non-property level overhead expenses included above	7,842	6,857	4,240
Less EBITDA from:			

Acquisitions	(575)	-	-
Dispositions, including net gains on sale	(2,481)	(46)	(17,097)
Properties taken out-of-service for redevelopment	(5,461)	(1,157)	(2,196)
Other non-operating (income) expense	(19,936)	(868)	(549)
GAAP basis same store EBITDA for the three months ended September 30, 2013	$ 230,419	$ 91,728	$ 58,979
Increase (decrease) in GAAP basis same store EBITDA - Three months ended December 31, 2013 vs. September 30, 2013	$ 8,932	$ (2,878)	$ 1,902
% increase (decrease) in GAAP basis same store EBITDA	3.9%	(3.1%)	3.2%

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Supplemental Information – continued

Three Months Ended December 31, 2013 Compared to September 30, 2013

Below is the reconciliation of GAAP basis same store EBITDA to same store EBITDA on a Cash basis for each of our segments for the three months ended December 31, 2013, compared to the three months ended September 30, 2013.

(Amounts in thousands)	New York	Washington, DC	Retail Properties
GAAP basis same store EBITDA for the three months ended December 31, 2013	$ 239,351	$ 88,850	$ 60,881
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(29,479)	(1,899)	(2,655)
Cash basis same store EBITDA for the three months ended December 31, 2013	$ 209,872	$ 86,951	$ 58,226
GAAP basis same store EBITDA for the three months ended September 30, 2013	$ 230,419	$ 91,728	$ 58,979
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(24,496)	(1,518)	(2,814)
Cash basis same store EBITDA for the three months ended September 30, 2013	$ 205,923	$ 90,210	$ 56,165
Increase (decrease) in Cash basis same store EBITDA - Three months ended December 31, 2013 vs. September 30, 2013	$ 3,949	$ (3,259)	$ 2,061
% increase (decrease) in Cash basis same store EBITDA	1.9%	(3.6%)	3.7%

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Related Party Transactions

Alexander's

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

Interstate Properties ("Interstate")

Interstate is a general partnership in which Mr. Roth is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2013, Interstate and its partners beneficially owned an aggregate of approximately 6.6% of the common shares of beneficial interest of Vornado and 26.3% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. We believe, based upon comparable fees charged by other real estate companies, that the management agreement terms are fair to us. We earned $606,000, $794,000, and $787,000 of management fees under the agreement for the years ended December 31, 2013, 2012 and 2011.

Liquidity and Capital Resources

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

We anticipate that cash flow from continuing operations over the next twelve months will be adequate to fund our business operations, cash distributions to unitholders of the Operating Partnership, cash dividends to shareholders, debt amortization and recurring capital expenditures. Capital requirements for development expenditures and acquisitions may require funding from borrowings and/or equity offerings.

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

Dividends

On January 15, 2014, we declared a quarterly common dividend of $0.73 per share (an indicated annual rate of $2.92 per common share). This dividend, if continued for all of 2014, would require us to pay out approximately $547,000,000 of cash for common share dividends. In addition, during 2014, we expect to pay approximately $82,000,000 of cash dividends on outstanding preferred shares and approximately $33,000,000 of cash distributions to unitholders of the Operating Partnership.

Financing Activities and Contractual Obligations

We have an effective shelf registration for the offering of our equity and debt securities that is not limited in amount due to our status as a "well-known seasoned issuer." We have issued publicly senior unsecured notes from a shelf registration statement that contain financial covenants that restrict our ability to incur debt, and that require us to maintain a level of unencumbered assets based on the level of our secured debt. Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal. As of December 31, 2013, we are in compliance with all of the financial covenants required by our senior unsecured notes and our revolving credit facilities.

As of December 31, 2013, we had $583,290,000 of cash and cash equivalents and $2,171,009,000 of borrowing capacity under our revolving credit facilities, net of outstanding borrowings and letters of credit of $295,870,000 and $33,121,000, respectively. A summary of our consolidated debt as of December 31, 2013 and 2012 is presented below.

	2013		2012	
(Amounts in thousands)	December 31, Balance	Weighted Average Interest Rate	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:				
Variable rate	$ 1,064,730	2.01%	$ 2,998,221	1.84%
Fixed rate	8,913,988	4.73%	8,129,009	5.18%
	$ 9,978,718	4.44%	$ 11,127,230	4.28%

During 2014 and 2015, $142,753,000 and $943,731,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it using cash and cash equivalents or our revolving credit facilities. We may also refinance or prepay other outstanding debt depending on prevailing market conditions, liquidity requirements and other factors. The amounts involved in connection with these transactions could be material to our consolidated financial statements.

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Below is a schedule of our contractual obligations and commitments at December 31, 2013.

(Amounts in thousands) Contractual cash obligations (principal and interest[1]):	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	Thereafter
Notes and mortgages payable	$10,290,431	$ 551,348	$2,760,195	$1,781,397	$5,197,491
Operating leases	1,486,447	42,845	83,401	82,831	1,277,370
Senior unsecured notes due 2039 (PINES)	1,370,076	35,634	71,268	71,268	1,191,906
Revolving credit facilities	329,258	4,201	13,048	312,009	-
Senior unsecured notes due 2022	560,833	20,000	40,000	40,000	460,833
Senior unsecured notes due 2015	526,563	21,250	505,313	-	-
Capital lease obligations	409,792	12,500	25,000	25,000	347,292
Purchase obligations, primarily construction commitments	302,677	302,677	-	-	-
Total contractual cash obligations	$15,276,077	$ 990,455	$3,498,225	$2,312,505	$8,474,892
Commitments:					
Capital commitments to partially owned entities	$ 144,931	$ 122,136	$ 22,795	$ -	$ -
Standby letters of credit	33,121	33,121	-	-	-
Total commitments	$ 178,052	$ 155,257	$ 22,795	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2013.

Details of 2013 financing activities are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2012 financing activities are discussed below.

Secured Debt

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

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

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

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

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

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

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Senior Unsecured Debt

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

Preferred Securities

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

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

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

Liquidity and Capital Resources – continued

Acquisitions and Investments

Details of 2013 acquisitions and investments are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2012 acquisitions and investments are discussed below.

Marriott Marquis Times Square - Retail and Signage

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

666 Fifth Avenue - Retail

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

Independence Plaza

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

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

During 2012, the Fund made four investments aggregating $203,700,000. At December 31, 2012, the Fund had nine investments with an aggregate fair value of $600,786,000, or $67,642,000 in excess of cost.

Liquidity and Capital Resources – continued

Certain Future Cash Requirements

Capital Expenditures

The following table summarizes anticipated 2014 capital expenditures.

(Amounts in millions, except square foot data)	Total	New York	Washington, DC	Retail Properties	Other [2]
Expenditures to maintain assets	$ 116.0	$ 61.0[1]	$ 28.0	$ 4.0	$ 23.0
Tenant improvements	124.0	43.0	58.0	6.0	17.0
Leasing commissions	33.0	17.0	10.0	2.0	4.0
Total capital expenditures and leasing commissions	$ 273.0	$ 121.0	$ 96.0	$ 12.0	$ 44.0
Square feet budgeted to be leased (in thousands)		*1,000*	*1,600*	*600*	
Weighted average lease term (years)		*10*	*6*	*7*	
Tenant improvements and leasing commissions:					
Per square foot		*$ 60.00*	*$ 42.50*	*$ 13.50*	
Per square foot per annum		*$ 6.00*	*$ 7.00*	*$ 2.00*	

(1) Includes $17.0 related to 2013 that is expected to be expended in 2014.

(2) Primarily Merchandise Mart and 555 California Street.

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

Development and Redevelopment Expenditures

We are in the process of renovating the Springfield Mall, which is expected to be completed in 2015. The incremental development cost of this project is approximately $250,000,000, of which $97,600,000 has been expended as of December 31, 2013, approximately $130,000,000 is expected to be expended in 2014, and the balance of $22,400,000 is expected to be expended in 2015.

We are in the process of redeveloping and substantially expanding the existing retail space at the Marriott Marquis Times Square Hotel, including converting the below grade parking garage into retail and creating a six-story, 300 foot wide block front, dynamic LED sign, all of which is expected to be completed in 2015. The incremental development cost of this project is approximately $215,000,000, of which $52,100,000 has been expended as of December 31, 2013, approximately $118,000,000 is expected to be expended in 2014, and the balance of $44,900,000 is expected to be expended in 2015.

We plan to construct a residential condominium tower containing 472,000 zoning square feet on our 220 Central Park South development site. The incremental development cost of this project is approximately $850,000,000. In February 2014, we completed a $600,000,000 loan secured by this site.

We plan to develop a 699-unit residential project in Pentagon City (Metropolitan Park 4&5), which is expected to be completed in 2016. The project will include a 37,000 square foot Whole Foods Market at the base of the building. The incremental development cost of this project is approximately $250,000,000; a significant portion of which is expected to be financed.

We are in the process of repositioning and re-tenanting 280 Park Avenue (49.5% owned). Our share of the incremental development cost of this project is approximately $62,000,000, of which $34,700,000 has been expended as of December 31, 2013, and the balance of $27,300,000 is expected to be expended in 2014.

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

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

Liquidity and Capital Resources – continued

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a $180,000,000 annual aggregate. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological ("NBCR") terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2014.

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

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

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

Other Commitments and Contingencies

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

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

Our mortgage loans are non-recourse to us. However, in certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of December 31, 2013, the aggregate dollar amount of these guarantees and master leases is approximately $342,000,000.

At December 31, 2013, $33,121,000 of letters of credit were outstanding under one of our revolving credit facilities. Our revolving credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

As of December 31, 2013, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $145,000,000.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2013

Our cash and cash equivalents were $583,290,000 at December 31, 2013, a $377,029,000 decrease over the balance at December 31, 2012. Our consolidated outstanding debt was $9,978,718,000 at December 31, 2013, a $1,148,512,000 decrease over the balance at December 31, 2012. As of December 31, 2013 and December 31, 2012, $295,870,000 and $1,170,000,000, respectively, was outstanding under our revolving credit facilities. During 2014 and 2015, $142,753,000 and $943,731,000, respectively, of our outstanding debt matures; we may refinance this maturing debt as it comes due or choose to repay it.

Cash flows provided by operating activities of $1,040,789,000 was comprised of (i) net income of $564,740,000, (ii) $426,643,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities and net gains on sale of real estate, (iii) return of capital from Real Estate Fund investments of $56,664,000, and (iv) distributions of income from partially owned entities of $54,030,000, partially offset by (v) the net change in operating assets and liabilities of $61,288,000, including $37,817,000 related to Real Estate Fund investments.

Net cash provided by investing activities of $722,076,000 was comprised of (i) $1,027,608,000 of proceeds from sales of real estate and related investments, (ii) $378,709,000 of proceeds from the sale of marketable securities, (iii) $290,404,000 of capital distributions from partially owned entities, (iv) $240,474,000 from the sale of LNR, (v) $101,150,000 from the return of the J.C. Penney derivative collateral, and (vi) $50,569,000 of proceeds from repayments of mortgages and mezzanine loans receivable and other, partially offset by (vii) $469,417,000 of development costs and construction in progress, (viii) $260,343,000 of additions to real estate, (ix) $230,300,000 of investments in partially owned entities, (x) $193,417,000 of acquisitions of real estate, (xi) $186,079,000 for the funding of the J.C. Penney derivative collateral and settlement of derivative position, (xii) $26,892,000 of changes in restricted cash, and (xiii) $390,000 of investments in mortgage and mezzanine loans receivable.

Net cash used in financing activities of $2,139,894,000 was comprised of (i) $3,580,100,000 for the repayments of borrowings, (ii) $545,913,000 of dividends paid on common shares, (iii) $299,400,000 for purchases of outstanding preferred units and shares, (iv) $215,247,000 of distributions to noncontrolling interests, (v) $83,188,000 of dividends paid on preferred shares, (vi) $19,883,000 of debt issuance and other costs, and (vii) $443,000 for the repurchase of shares related to stock compensation agreements and related tax holdings, partially offset by (viii) $2,262,245,000 of proceeds from borrowings, (ix) $290,306,000 of proceeds from the issuance of preferred shares, (x) $43,964,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (xi) $7,765,000 of proceeds received

from the exercise of employee share options.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2013

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

Below is a summary of capital expenditures, leasing commissions and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2013.

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	$ 73,130	$ 34,553	$ 22,165	$ 5,664	$ 10,748
Tenant improvements	152,319	87,275	39,156	12,431	13,457
Leasing commissions	56,638	39,348	9,551	2,113	5,626
Non-recurring capital expenditures	12,099	11,579	-	-	520
Total capital expenditures and leasing commissions (accrual basis)	294,186	172,755	70,872	20,208	30,351
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	155,035	56,345	26,075	5,562	67,053
Expenditures to be made in future periods for the current period	(150,067)	(91,107)	(36,702)	(14,011)	(8,247)

Total capital expenditures and leasing commissions (cash basis)	$ 299,154	$ 137,993	$ 60,245	$ 11,759	$ 89,157 (1)
Tenant improvements and leasing commissions:					
Per square foot per annum	*$ 4.33*	*$ 5.89*	*$ 4.75*	*$ 1.33*	*$ -*
Percentage of initial rent	*9.5%*	*8.1%*	*11.9%*	*6.6%*	-

(1) Includes tenant improvements and leasing commissions aggregating $61,895 in connection with the 608,000 square foot Motorola Mobility lease at the Merchandise Mart.

Development and Redevelopment Expenditures

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

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2013.

(Amounts in thousands)	**Total**	**New York**	**Washington, DC**	**Retail Properties**	**Other**
220 Central Park South	$ 243,687	$ -	$ -	$ -	$ 243,687
Springfield Mall	68,716	-	-	68,716	-
Marriott Marquis Times Square - retail and signage	40,356	40,356	-	-	-
1290 Avenue of the Americas	13,865	13,865	-	-	-
330 West 34th Street	6,832	6,832	-	-	-
Metropolitan Park 4 & 5	6,289	-	6,289	-	-
1135 Third Avenue	5,247	5,247	-	-	-
LED Signage	5,042	5,042	-	-	-
Other	79,383	14,643	35,412	25,210	4,118
	$ 469,417	$ 85,985	$ 41,701	$ 93,926	$ 247,805

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Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2012

Our cash and cash equivalents were $960,319,000 at December 31, 2012, a $353,766,000 increase over the balance at December 31, 2011. Our consolidated outstanding debt was $11,127,230,000 at December 31, 2012, a $1,227,953,000 increase over the balance at December 31, 2011.

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

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

Net cash provided by financing activities of $170,979,000 was comprised of (i) $3,593,000,000 of proceeds from borrowings, (ii) $290,971,000 of proceeds from the issuance of preferred shares, (iii) $213,132,000 of contributions from noncontrolling interests in consolidated subsidiaries, and (iv) $11,853,000 of proceeds from exercise of employee share options, partially offset by (v) $2,747,694,000 for the repayments of borrowings, (vi) $699,318,000 of dividends paid on common shares, (vii) $243,300,000 for purchases of outstanding preferred units and shares, (viii) $104,448,000 of distributions to noncontrolling interests, (ix) $73,976,000 of dividends paid on preferred shares, (x) $39,073,000 of debt issuance and other costs, and (xi) $30,168,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings.

Liquidity and Capital Resources – continued

Capital Expenditures in the year ended December 31, 2012

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	$ 69,912	$ 27,434	$ 20,582	$ 4,676	$ 17,220
Tenant improvements	177,743	71,572	50,384	9,052	46,735
Leasing commissions	57,961	27,573	13,151	2,368	14,869
Non-recurring capital expenditures	6,902	5,822	-	-	1,080
Total capital expenditures and leasing commissions (accrual basis)	312,518	132,401	84,117	16,096	79,904
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	105,350	41,975	24,370	10,353	28,652
Expenditures to be made in future periods for the current period	(170,744)	(76,283)	(43,600)	(7,754)	(43,107)
Total capital expenditures and leasing commissions (cash basis)	$ 247,124	$ 98,093	$ 64,887	$ 18,695	$ 65,449 (1)
Tenant improvements and leasing commissions:					
Per square foot per annum	$ *4.16*	$ *5.48*	$ *4.86*	$ *1.04*	$ -
Percentage of initial rent	*9.6%*	*8.8%*	*12.0%*	*5.2%*	-

(1) Includes tenant improvements and leasing commissions aggregating $24,354 in connection with the 608,000 square foot Motorola Mobility lease at the Merchandise Mart.

Development and Redevelopment Expenditures in the year ended December 31, 2012

Retail

(Amounts in thousands)	Total	New York	Washington, DC	Properties	Other
Springfield Mall	$ 18,278	$ -	$ -	$ 18,278	$ -
1290 Avenue of the Americas	16,778	16,778	-	-	-
Crystal Square 5	15,039	-	15,039	-	-
220 Central Park South	12,191	-	-	-	12,191
Bergen Town Center	11,404	-	-	11,404	-
510 Fifth Avenue	10,206	10,206	-	-	-
Marriott Marquis Times Square - retail and signage	9,092	9,092	-	-	-
1851 South Bell Street (1900 Crystal Drive)	6,243	-	6,243	-	-
Amherst, New York	5,585	-	-	5,585	-
Other	52,057	15,484	18,052	18,279	242
	$ 156,873	$ 51,560	$ 39,334	$ 53,546	$ 12,433

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Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2011

Our cash and cash equivalents were $606,553,000 at December 31, 2011, a $84,236,000 decrease over the balance at December 31, 2010. Our consolidated outstanding debt was $9,899,277,000 at December 31, 2011, a $262,477,000 decrease from the balance at December 31, 2010.

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

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

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

Liquidity and Capital Resources – continued

Capital Expenditures in the year ended December 31, 2011

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Expenditures to maintain assets	$ 58,463	$ 22,698	$ 18,939	$ 6,448	$ 10,378
Tenant improvements	138,076	76,493	33,803	6,515	21,265
Leasing commissions	43,613	28,072	9,114	2,114	4,313
Non-recurring capital expenditures	19,442	17,157	-	-	2,285
Total capital expenditures and leasing commissions (accrual basis)	259,594	144,420	61,856	15,077	38,241
Adjustments to reconcile to cash basis:					
Expenditures in the current year applicable to prior periods	90,799	43,392	13,517	9,705	24,185
Expenditures to be made in future periods for the current period	(146,062)	(79,941)	(33,530)	(7,058)	(25,533)
Total capital expenditures and leasing commissions (cash basis)	$ 204,331	$ 107,871	$ 41,843	$ 17,724	$ 36,893
Tenant improvements and leasing commissions:					
Per square foot per annum	$ *3.88*	$ *5.21*	$ *4.47*	$ *0.71*	$ -
Percentage of initial rent	*8.9%*	*9.1%*	*10.8%*	*3.3%*	-

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

(Amounts in thousands)	Total	New York	Washington, DC	Retail Properties	Other
Bergen Town Center	$ 23,748	$ -	$ -	$ 23,748	$ -

510 Fifth Avenue	8,833	8,833	-	-	-
Other	48,903	6,627	20,496	18,580	3,200
	$ 81,484	$ 15,460	$ 20,496	$ 42,328	$ 3,200

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Funds From Operations ("FFO")

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

FFO attributable to common shareholders plus assumed conversions was $641,037,000, or $3.41 per diluted share for the year ended December 31, 2013, compared to $818,565,000, or $4.39 per diluted share for the year ended December 31, 2012. FFO attributable to common shareholders plus assumed conversions was a negative $6,784,000, or $0.04 per diluted share for the three months ended December 31, 2013, compared to a positive $55,890,000, or $0.30 per diluted share for the three months ended December 31, 2012. Details of certain items that affect comparability are discussed in the financial results summary of our "Overview."

(Amounts in thousands, except per share amounts)	**For The Year Ended December 31,**		**For The Three Months Ended December 31,**	
Reconciliation of our net income (loss) to FFO:	**2013**	**2012**	**2013**	**2012**
Net income (loss) attributable to Vornado	$ 475,971	$ 617,260	$ (48,519)	$ 86,135
Depreciation and amortization of real property	501,753	504,407	124,611	125,069
Net gains on sale of real estate	(411,593)	(245,799)	(127,512)	(41,998)
Real estate impairment losses	37,170	129,964	32,443	116,453
Proportionate share of adjustments to equity in net income of				
Toys, to arrive at FFO:				
Depreciation and amortization of real property	69,741	68,483	16,506	17,777
Real estate impairment losses	6,552	9,824	456	1,430
Income tax effect of above adjustments	(26,703)	(27,493)	(5,937)	(6,728)
Proportionate share of adjustments to equity in net income of				
partially owned entities, excluding Toys, to arrive at FFO:				
Depreciation and amortization of real property	87,529	86,197	25,282	20,387

Net gains on sale of real estate	(465)	(241,602)	-	(239,551)
Real estate impairment losses	-	1,849	-	-
Noncontrolling interests' share of above adjustments	(15,089)	(16,649)	(3,746)	418
FFO	724,866	886,441	13,584	79,392
Preferred share dividends	(82,807)	(76,937)	(20,368)	(20,750)
Preferred unit and share redemptions	(1,130)	8,948	-	(2,752)
FFO (Negative FFO) attributable to common shareholders	640,929	818,452	(6,784)	55,890
Convertible preferred share dividends	108	113	-	-
FFO (Negative FFO) attributable to common shareholders plus assumed conversions	$ 641,037	$ 818,565	$ (6,784)	$ 55,890
Reconciliation of Weighted Average Shares				
Weighted average common shares outstanding	186,941	185,810	187,109	186,267
Effect of dilutive securities:				
Employee stock options and restricted share awards	768	670	-	599
Convertible preferred shares	48	50	-	-
Denominator for FFO (Negative FFO) per diluted share	187,757	186,530	187,109	186,866
FFO (Negative FFO) attributable to common shareholders plus assumed conversions per diluted share	$ 3.41	$ 4.39	$ (0.04)	$ 0.30

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

(Amounts in thousands, except per share amounts)	2013			2012	
	December 31, Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate	$ 1,064,730	2.01%	$ 10,647	$ 2,998,221	1.84%
Fixed rate	8,913,988	4.73%	-	8,129,009	5.18%
	$ 9,978,718	4.44%	10,647	$ 11,127,230	4.28%
Prorata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	$ 196,240	2.09%	1,962	$ 264,531	2.88%
Variable rate – Toys	1,179,001	5.45%	11,790	703,922	5.69%
Fixed rate (including $682,484 and $1,148,407 of Toys debt in 2013 and 2012)	2,814,162	6.46%	-	3,030,476	7.04%
	$ 4,189,403	5.97%	13,752	$ 3,998,929	6.53%
Redeemable noncontrolling interests' share of above			(1,415)		
Total change in annual net income			$ 22,984		
Per share-diluted			$ 0.12		

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of December 31, 2013, we have one interest rate cap with a principal amount of $60,000,000 and a weighted average interest rate of 2.36%. This cap is based on a notional amount of $60,000,000 and caps LIBOR at a rate of 7.00%. In addition, we have one interest rate swap on a $425,000,000 mortgage loan that swapped the rate from LIBOR plus 2.00% (2.17% at December 31, 2013) to a fixed rate of 5.13% for the remaining five-year term of the loan.

As of December 31, 2013, we have investments in mezzanine loans with an aggregate carrying amount of $152,853,000 that are based on variable interest rates which partially mitigate our exposure to a change in interest rates.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt. As of December 31, 2013, the estimated fair value of our consolidated debt was $9,802,000,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 24, 2014

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)	December 31, 2013	December 31, 2012
ASSETS		
Real estate, at cost:		
Land	$ 4,205,815	$ 4,766,315
Buildings and improvements	12,661,938	12,421,086
Development costs and construction in progress	1,354,350	920,273
Leasehold improvements and equipment	132,523	130,544
Total	18,354,626	18,238,218
Less accumulated depreciation and amortization	(3,410,933)	(3,072,269)
Real estate, net	14,943,693	15,165,949
Cash and cash equivalents	583,290	960,319
Restricted cash	262,440	183,256
Marketable securities	191,917	398,188
Tenant and other receivables, net of allowance for doubtful accounts of $21,869 and $37,674	115,862	195,718
Investments in partially owned entities	1,166,443	1,226,256
Investment in Toys "R" Us	83,224	478,041
Real Estate Fund investments	667,710	600,786
Mortgage and mezzanine loans receivable, net of allowance of $5,845 in 2013	170,972	225,359
Receivable arising from the straight-lining of rents, net of allowance of $4,355 and $3,165	823,137	758,191
Deferred leasing and financing costs, net of accumulated amortization of $265,482 and $222,202	413,726	405,004
Identified intangible assets, net of accumulated amortization of $282,593 and $352,035	323,322	415,330
Assets related to discontinued operations	-	671,573
Other assets	351,488	381,079
	$ 20,097,224	$ 22,065,049
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable	$ 8,331,993	$ 8,599,222
Senior unsecured notes	1,350,855	1,358,008
Revolving credit facility debt	295,870	1,170,000
Accounts payable and accrued expenses	422,276	484,746
Deferred revenue	542,998	596,067
Deferred compensation plan	116,515	105,200
Deferred tax liabilities	1,280	15,305
Liabilities related to discontinued operations	-	487,271
Other liabilities	437,073	400,934
Total liabilities	11,498,860	13,216,753
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,292,038 and 11,215,682 units outstanding	1,002,620	898,152

Series D cumulative redeemable preferred units - 1 and 1,800,001 units outstanding	1,000	46,000
Total redeemable noncontrolling interests	1,003,620	944,152
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,682,807 and 51,184,609 shares	1,277,225	1,240,278
Common shares of beneficial interest: $.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,284,688 and 186,734,711 shares	7,469	7,440
Additional capital	7,143,840	7,195,438
Earnings less than distributions	(1,734,839)	(1,573,275)
Accumulated other comprehensive income (loss)	71,537	(18,946)
Total Vornado shareholders' equity	6,765,232	6,850,935
Noncontrolling interests in consolidated subsidiaries	829,512	1,053,209
Total equity	7,594,744	7,904,144
	$ 20,097,224	$ 22,065,049

See notes to the consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2013	**2012**	**2011**
(Amounts in thousands, except per share amounts)			
REVENUES:			
Property rentals	$ 2,155,963	$ 2,062,061	$ 2,091,488
Tenant expense reimbursements	317,345	294,584	307,609
Cleveland Medical Mart development project	36,369	235,234	154,080
Fee and other income	251,232	144,353	149,631
Total revenues	2,760,909	2,736,232	2,702,808
EXPENSES:			
Operating	1,054,897	1,017,331	984,707
Depreciation and amortization	531,212	510,383	516,222
General and administrative	211,100	202,444	208,530
Cleveland Medical Mart development project	32,210	226,619	145,824
Impairment losses, acquisition related costs and tenant buy-outs	57,300	114,886	35,299
Total expenses	1,886,719	2,071,663	1,890,582
Operating income	874,190	664,569	812,226
(Loss) income applicable to Toys "R" Us	(362,377)	14,859	48,540
Income from partially owned entities	23,592	408,267	70,072
Income from Real Estate Fund	102,898	63,936	22,886
Interest and other investment (loss) income, net	(24,699)	(260,945)	148,783
Interest and debt expense	(483,190)	(493,713)	(519,157)
Net gain on disposition of wholly owned and partially owned assets	3,407	13,347	15,134
Income before income taxes	133,821	410,320	598,484
Income tax benefit (expense)	6,406	(8,132)	(23,925)
Income from continuing operations	140,227	402,188	574,559
Income from discontinued operations	424,513	292,353	165,441
Net income	564,740	694,541	740,000
Less net income attributable to noncontrolling interests in:			
Consolidated subsidiaries	(63,952)	(32,018)	(21,786)
Operating Partnership	(23,659)	(35,327)	(41,059)
Preferred unit distributions of the Operating Partnership	(1,158)	(9,936)	(14,853)
Net income attributable to Vornado	475,971	617,260	662,302
Preferred share dividends	(82,807)	(76,937)	(65,531)
Preferred unit and share redemptions	(1,130)	8,948	5,000
NET INCOME attributable to common shareholders	$ 392,034	$ 549,271	$ 601,771
(LOSS) INCOME PER COMMON SHARE - BASIC:			
(Loss) income from continuing operations, net	$ (0.03)	$ 1.46	$ 2.42
	2.13	1.49	0.84

Income from discontinued operations, net						
Net income per common share	$	2.10	$	2.95	$	3.26
Weighted average shares outstanding		186,941		185,810		184,308
(LOSS) INCOME PER COMMON SHARE - DILUTED:						
(Loss) income from continuing operations, net	$	(0.03)	$	1.46	$	2.40
Income from discontinued operations, net		2.12		1.48		0.83
Net income per common share	$	2.09	$	2.94	$	3.23
Weighted average shares outstanding		187,709		186,530		186,021

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(Amounts in thousands)	**2013**	**2012**	**2011**
Net income	$ 564,740	$ 694,541	$ 740,000
Other comprehensive income:			
Change in unrealized net gain (loss) on securities available-for-sale	142,281	(283,649)	41,657
Amounts reclassified from accumulated other comprehensive income:			
Non-cash impairment loss on J.C. Penney common shares	-	224,937	-
Sale of available-for-sale securities	(42,404)	(3,582)	(5,020)
Pro rata share of other comprehensive (loss) income of nonconsolidated subsidiaries	(22,814)	(31,758)	12,859
Change in value of interest rate swap	18,183	(5,659)	(43,704)
Other	533	329	(5,245)
Comprehensive income	660,519	595,159	740,547
Less comprehensive income attributable to noncontrolling interests	(94,065)	(70,574)	(77,969)
Comprehensive income attributable to Vornado	$ 566,454	$ 524,585	$ 662,578

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income (Loss)	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Distributions		Interests	Equity
Balance, December 31, 2010	32,340	$ 783,088	183,662	$ 7,317	$ 6,932,728	$ (1,480,876)	$ 73,453	$ 514,695	$ 6,830,405
Net income	-	-	-	-	-	662,302	-	21,786	684,088
Dividends on common shares	-	-	-	-	-	(508,745)	-	-	(508,745)
Dividends on preferred shares	-	-	-	-	-	(65,694)	-	-	(65,694)
Issuance of Series J preferred shares	9,850	238,842	-	-	-	-	-	-	238,842
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	798	32	64,798	-	-	-	64,830
Under Omnibus share plan	-	-	590	23	23,705	(13,289)	-	-	10,439
Under dividend reinvestment plan	-	-	21	1	1,771	-	-	-	1,772
Contributions:									
Real Estate Fund	-	-	-	-	-	-	-	203,407	203,407
Other	-	-	-	-	-	-	-	778	778
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(49,422)	(49,422)
Other	-	-	-	-	-	-	-	(15,604)	(15,604)
Conversion of Series A									

preferred shares to common shares	(3)	(165)	5	-	165	-	-	-	-
Deferred compensation shares and options	-	-	4	-	10,608	(523)	-	-	10,085
Change in unrealized net gain on securities available-for-sale	-	-	-	-	-	-	41,657	-	41,657
Amounts reclassified related to sale of available-for-sale securities	-	-	-	-	-	-	(5,020)	-	(5,020)
Pro rata share of other comprehensive income of nonconsolidated subsidiaries	-	-	-	-	-	-	12,859	-	12,859
Change in value of interest rate swap	-	-	-	-	-	-	(43,704)	-	(43,704)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	98,092	-	-	-	98,092
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(271)	-	(271)
Other	-	(105)	-	-	(4,609)	5,121	(5,245)	4,491	(347)
Balance, December 31, 2011	42,187	$ 1,021,660	185,080	$ 7,373	$ 7,127,258	$ (1,401,704)	$ 73,729	$ 680,131	$ 7,508,447

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income (Loss)	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Distributions		Interests	Equity
Balance, December 31, 2011	42,187	$ 1,021,660	185,080	$ 7,373	$ 7,127,258	$ (1,401,704)	$ 73,729	$ 680,131	$ 7,508,447
Net income	-	-	-	-	-	617,260	-	32,018	649,278
Dividends on common shares	-	-	-	-	-	(699,318)	-	-	(699,318)
Dividends on preferred shares	-	-	-	-	-	(76,937)	-	-	(76,937)
Issuance of Series K preferred shares	12,000	290,971	-	-	-	-	-	-	290,971
Redemption of Series E preferred shares	(3,000)	(72,248)	-	-	-	-	-	-	(72,248)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	1,121	45	89,717	-	-	-	89,762
Under Omnibus share plan	-	-	434	18	9,521	(16,389)	-	-	(6,850)
Under dividend reinvestment plan	-	-	29	1	2,306	-	-	-	2,307
Upon acquisition of real estate	-	-	64	3	5,121	-	-	-	5,124
Contributions:									
Real Estate Fund	-	-	-	-	-	-	-	195,029	195,029

Other	-	-	-	-	-	-	-	18,103	18,103
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(48,138)	(48,138)
Other	-	-	-	-	-	-	-	(59)	(59)
Conversion of Series A preferred shares to common shares	(2)	(105)	3	-	105	-	-	-	-
Deferred compensation shares and options	-	-	4	-	13,527	(473)	-	-	13,054
Change in unrealized net loss on securities available-for-sale	-	-	-	-	-	-	(283,649)	-	(283,649)
Non-cash impairment loss on J.C. Penney common shares	-	-	-	-	-	-	224,937	-	224,937
Amounts reclassified related to sale of available-for-sale securities	-	-	-	-	-	-	(3,582)	-	(3,582)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(31,758)	-	(31,758)
Change in value of interest rate swap	-	-	-	-	-	-	(5,659)	-	(5,659)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(52,117)	-	-	-	(52,117)

Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	6,707	-	6,707
Preferred unit and share redemptions	-	-	-	-	-	8,948	-	-	8,948
Consolidation of partially owned entity	-	-	-	-	-	-	-	176,132	176,132
Other	-	-	-	-	-	(4,662)	329	(7)	(4,340)
Balance, December 31, 2012	51,185	$ 1,240,278	186,735	$ 7,440	$ 7,195,438	$ (1,573,275)	$ (18,946)	$ 1,053,209	$ 7,904,144

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED

(Amounts in thousands)	Preferred Shares		Common Shares		Additional	Earnings Less Than	Accumulated Other Comprehensive Income (Loss)	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Distributions		Interests	Equity
Balance, December 31, 2012	51,185	$ 1,240,278	186,735	$ 7,440	$ 7,195,438	$ (1,573,275)	$ (18,946)	$ 1,053,209	$ 7,904,144
Net income	-	-	-	-	-	475,971	-	63,952	539,923
Dividends on common shares	-	-	-	-	-	(545,913)	-	-	(545,913)
Dividends on preferred shares	-	-	-	-	-	(82,807)	-	-	(82,807)
Issuance of Series L preferred shares	12,000	290,306	-	-	-	-	-	-	290,306
Redemption of Series F and Series H preferred shares	(10,500)	(253,269)	-	-	-	-	-	-	(253,269)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	299	12	25,305	-	-	-	25,317
Under Omnibus share plan	-	-	104	23	5,892	(107)	-	-	5,808
Under dividend reinvestment plan	-	-	22	1	1,850	-	-	-	1,851
Upon acquisition of real estate	-	-	128	5	11,456	-	-	-	11,461
Contributions:									
	-	-	-	-	-	-	-	28,078	28,078

Real Estate Fund Other	-	-	-	-	-	-	-	15,886	15,886
Distributions:									