VORNADO REALTY TRUST
Form 10-K
February 16, 2016

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, 2015

OR

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

For the transition period from **to**

Commission File Number: **001 11954**

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

Maryland	**22 1657560**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
888 Seventh Avenue, New York, New York	**10019**

(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

YES x NO o

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

YES o NO x

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

YES x NO o

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

YES x NO o

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

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

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

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

YES o NO x

The aggregate market value of the voting and non-voting common shares held by non affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was $16,366,466,000 at June 30, 2015.

As of December 31, 2015, there were 188,576,853 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 19, 2016.

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, 2015, 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 93.7% of the common limited partnership interest in the Operating Partnership at December 31, 2015. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On January 15, 2015, we completed the spin-off of substantially all of our retail segment comprised of 79 strip shopping centers, three malls, a warehouse park and $225 million of cash to Urban Edge Properties ("UE") (NYSE: UE). As part of this transaction, we received 5,717,184 UE operating partnership units (5.4% ownership interest).

We currently own all or portions of:

New York:

- 21.3 million square feet of Manhattan office space in 35 properties;

- 2.6 million square feet of Manhattan street retail space in 65 properties;

- 1,711 units in eleven residential 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 seven 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:

- 15.8 million square feet of office space in 57 properties;

- 2,414 units in seven residential properties;

Other Real Estate and Related Investments:

- The 3.6 million square foot Mart ("theMart") in Chicago;

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

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

- A 32.5% interest in Toys "R" Us, Inc.; and

- Other real estate and other investments.

Objectives and Strategy

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

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

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from 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, 2015, we acquired assets aggregating $845.8 million. Below is the summary of the significant acquisitions.

- 150 West 34th Street for approximately $355 million
- The Center Building, located at 33-00 Northern Boulevard in Long Island City, NY for $142 million
- 260 Eleventh Avenue for 813,900 newly issued Vornado Operating Partnership units valued at approximately $80 million
- 265 West 34th Street for approximately $28.5 million

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

- We entered into a joint venture in which we have a 55% ownership interest to develop a Class-A office building at 512 West 22nd Street

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, 2015, we sold eleven assets for an aggregate of $1.044 billion, with net proceeds of approximately $980 million. Below is a summary of these sales.

- We completed the spin-off of substantially all of our retail segment to Urban Edge Properties

- 20 Broad Street for an aggregate consideration of $200 million resulting in net proceeds of $193.2 million

- 1750 Pennsylvania Avenue, NW in Washington, DC for $182 million resulting in net proceeds of $177.6 million

- Our 50% interest in the Monmouth Mall in Eatontown, NJ for $38 million

- Our Geary Street, CA lease for $35.3 million resulting in net proceeds of $34.2 million

- We transferred the redeveloped Springfield Town Center, located in Springfield, VA to PREIT Associates, L.P. for $485.3 million resulting in net proceeds of $463.5 million.

- Five residual retail assets for an aggregate of $11.4 million resulting in net proceeds of $10.7 million

- 520 Broadway for $91.7 million resulting in net proceeds of $62.9 million

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

FINANCINGS

Since January 1, 2015, we completed the following financing transactions:

- Entered into an unsecured delayed-draw term loan facility in the maximum amount of $750 million ($187.5 million outstanding at December 31, 2015)
- Completed $700 million refinancing of 770 Broadway for net proceeds of approximately $330 million.
- Completed $580 million refinancing of 100 West 33rd Street for net proceeds of approximately $242 million
- Redeemed $500 million 4.25% senior unsecured notes due April 2015
- Completed $450 million financing of the retail condominium of the St. Regis Hotel and the adjacent retail town house
- Completed $375 million refinancing of 888 Seventh Avenue for net proceeds of approximately $49 million
- Upsized loan on 220 Central Park South development by $350 million to $950 million
- Completed $308 million refinancing of RiverHouse Apartments for net proceeds of approximately $43 million
- $205 million of financing in connection with acquisition of 150 West 34th Street

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

DEVELOPMENT AND REDEVELOPMENT EXPENDITURES

We are constructing a residential condominium tower containing 392,000 salable square feet on our 220 Central Park South development site. The incremental development cost of this project is approximately $1.3 billion, of which $293 million has been expended as of December 31, 2015.

We are developing The Bartlett, a 699-unit residential project in Pentagon City, which is expected to be completed in 2016. The project includes a 40,000 square foot Whole Foods Market at the base of the building. The incremental development cost of this project is approximately $250 million, of which $166 million has been expended as of

December 31, 2015.

On June 24, 2015, we entered into a joint venture, in which we own a 55% interest, to develop a 173,000 square foot Class-A office building, located along the western edge of the High Line at 512 West 22nd Street in the West Chelsea submarket of Manhattan. The development cost of this project is approximately $235 million. On November 24, 2015, the joint venture obtained a $126 million construction loan. The loan matures in November 2019 with two six-month extension options. The interest rate is LIBOR plus 2.65% (3.07% at December 31, 2015). As of December 31, 2015, the outstanding balance of the loan was $44.1 million, of which $24.2 million is our share.

On July 23, 2014, a joint venture in which we are a 50.1% partner entered into a 99-year ground lease for 61 Ninth Avenue located on the Southwest corner of Ninth Avenue and 15th Street in the West Chelsea submarket of Manhattan. The venture's current plans are to construct an office building, with retail at the base, of approximately 167,000 square feet. Total development costs are currently estimated to be approximately $150 million.

We plan to demolish two adjacent Washington, DC office properties, 1726 M Street and 1150 17th Street in the first half of 2016 and replace them in the future with a new 335,000 square foot Class A office building, to be addressed 1700 M Street. The incremental development cost of the project is approximately $170 million.

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

SEGMENT DATA

We operate in the following business segments: New York and Washington, DC. Financial information related to these business segments for the years ended December 31, 2015, 2014 and 2013 is set forth in Note 24 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K.

SEASONALITY

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore impacts comparisons of the current quarter to the previous quarter. The New York and Washington, DC segments have historically experienced higher utility costs in the first and third quarters of the year.

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2015, 2014 and 2013.

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, 2015, we have approximately 4,089 employees, of which 298 are corporate staff. The New York segment has 3,242 employees, including 2,566 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 487 employees at the Hotel Pennsylvania. The Washington, DC segment and theMart properties have 462 and 87 employees, respectively. The foregoing does not include employees of partially owned entities.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

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

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below. The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. See "Forward-Looking Statements" contained herein on page 4.

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

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

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

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

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

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

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

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

Real estate is a competitive business.

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons who access our systems from inside or outside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems) and, in some

cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

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

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

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence and in the annual aggregate, subject to a deductible in the amount of 5% of the value of the affected property. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological ("NBCR") terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act of 2015, which expires in December 2020.

Penn Plaza Insurance Company, LLC ("PPIC"), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism including NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of $3,200,000 ($2,400,000 effective January 1, 2016) per occurrence and 15% of the balance of a covered loss (16% effective January 1, 2016) and the Federal government is responsible for the remaining 85% of a covered loss (84% effective January 1, 2016). We are ultimately responsible for any loss incurred by PPIC.

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

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

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

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

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

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

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

In 2015, approximately 92% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City metropolitan area and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or declines in real estate markets in these areas could hurt our financial performance and the value of our properties. In addition to the factors affecting the national economic condition generally, the factors affecting economic conditions in these regions include:

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

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

- business layoffs or downsizing;

- industry slowdowns;

- relocations of businesses;

- changing demographics;

- increased telecommuting and use of alternative work places;

- infrastructure quality; and

- any oversupply of, or reduced demand for, real estate.

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

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

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

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

Our investments are concentrated in the New York, 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, Inc. ("Toys"), Lexington Realty Trust ("Lexington"), Urban Edge Properties ("UE"), Pennsylvania Real Estate Investment Trust ("PREIT"), and other equity and loan investments. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from investing and operating real estate, including operating or managing toy stores. Consequently, we are subject to operating and financial risks of those industries and to the risks associated with lack of control, such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing directly or indirectly with these partners or entities. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

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

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

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

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

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

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

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

We invest in marketable equity securities of publicly-traded companies, such as Lexington Realty Trust. As of December 31, 2015, our marketable securities have an aggregate carrying amount of $150,997,000, 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, 2015, there were four series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of $56,007,000.

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

As of December 31, 2015, our consolidated mortgages and unsecured indebtedness, excluding related premium, discount and deferred financing costs, net, totaled $11.2 billion. We are subject to the risks normally associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required debt service. Our debt service costs generally will not be reduced if developments at the property, such as the entry of new competitors or the loss of major tenants, cause a reduction in the income from the property. Should such events occur, our operations may be adversely affected. If a property is mortgaged to secure payment of indebtedness and income from such property is insufficient to pay that indebtedness, the property could be foreclosed upon by the mortgagee resulting in a loss of income and a decline in our total asset value.

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

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

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

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the 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.

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

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

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

Although we believe that 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 not be required to make distributions to shareholders in that taxable year and in future years until we were able to qualify as a REIT. 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, 2015, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 7.1% of the common shares of Vornado and 26.3% of the common stock of Alexander's, Inc. (NYSE: ALX) ("Alexander's"), which is described below. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are Trustees of Vornado and also Directors of Alexander's.

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

We manage and lease the real estate assets of Interstate Properties under a management agreement for which we receive an annual fee equal to 4% of annual 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, 2015, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT that has seven properties, which are located in the greater New York metropolitan area. In addition to the 2.3% that they indirectly own through Vornado, Interstate Properties, which is described above, and its partners owned 26.3% of the outstanding common stock of Alexander's as of December 31, 2015. Mr. Roth is the Chairman of the Board and Chief Executive Office of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are Trustees of Vornado and also Directors of Alexander's and general partners of Interstate Properties. Dr. Richard West is a Trustee of Vornado and a Director of Alexander's. In addition, Joseph Macnow, our Executive Vice President – Finance and Chief Administrative Officer, is the Executive Vice President and Chief Financial Officer of Alexander's, and Stephen W. Theriot, our Chief Financial Officer, is the Assistant Treasurer of Alexander's.

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

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

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

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

- our financial condition and performance;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- our dividend policy;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- uncertainty and volatility in the equity and credit markets;
- fluctuations in interest rates;

- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of institutional investor interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

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

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

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2015, we had authorized but unissued, 61,423,147 common shares of beneficial interest, $.04 par value and 57,266,023 preferred shares of beneficial interest, no par value; of which 19,923,393 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 two business segments: New York and Washington, DC. The following pages provide details of our real estate properties as of December 31, 2015.

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	97.5%	2,526,000	-	2,526,000
1290 Avenue of the Americas	70.0%	Office / Retail	99.3%	2,107,000	-	2,107,000
Two Penn Plaza	100.0%	Office / Retail	98.7%	1,632,000	-	1,632,000
666 Fifth Avenue Office Condominium[1]	49.5%	Office / Retail	77.8%	1,415,000	-	1,415,000
909 Third Avenue (ground leased through 2063)	100.0%	Office	100.0%	1,346,000	-	1,346,000
Independence Plaza, Tribeca (3 buildings) (1,327 units)[1]	50.1%	Residential / Retail	100.0% [2]	1,244,000	12,000	1,256,000
280 Park Avenue[1]	50.0%	Office / Retail	100.0%	1,067,000	176,000	1,243,000
770 Broadway	100.0%	Office / Retail	100.0%	1,158,000	-	1,158,000
Eleven Penn Plaza	100.0%	Office / Retail	99.1%	1,151,000	-	1,151,000
One Park Avenue[1]	55.0%	Office / Retail	96.7%	947,000	-	947,000
90 Park Avenue	100.0%	Office / Retail	76.6%	946,000	-	946,000
888 Seventh Avenue (ground leased through 2067)	100.0%	Office / Retail	91.3%	884,000	-	884,000
100 West 33rd Street	100.0%	Office	100.0%	855,000	-	855,000
330 Madison Avenue[1]	25.0%	Office / Retail	97.1%	842,000	-	842,000
330 West 34th Street (ground leased through 2149)	100.0%	Office / Retail	100.0%	602,000	128,000	730,000
85 Tenth Avenue[1]	49.9% [3]	Office / Retail	100.0%	617,000	-	617,000
650 Madison Avenue[1]	20.1%	Office / Retail	93.8%	556,000	39,000	595,000
350 Park Avenue	100.0%	Office / Retail	100.0%	570,000	-	570,000
150 East 58th Street	100.0%	Office / Retail	98.2%	545,000	-	545,000
7 West 34th Street	100.0%	Office / Retail	100.0%	478,000	-	478,000
33-00 Northern Boulevard (Center	100.0%	Office	95.5%	446,000	-	446,000

Building)						
595 Madison Avenue	100.0%	Office / Retail	98.7%	322,000	-	322,000
640 Fifth Avenue	100.0%	Office / Retail	93.5%	315,000	-	315,000
50-70 W 93rd Street (326 units)[1]	49.9%	Residential	97.5%	283,000	-	283,000
Manhattan Mall	100.0%	Retail	87.9%	256,000	-	256,000
40 Fulton Street	100.0%	Office / Retail	94.6%	250,000	-	250,000
4 Union Square South	100.0%	Retail	100.0%	206,000	-	206,000
260 Eleventh Avenue (2 buildings) (ground leased through 2114)	100.0%	Office	100.0%	184,000	-	184,000
512 W 22nd Street[1]	55.0%	Office	n/a	-	173,000	173,000
825 Seventh Avenue[1]	51.2%	Office / Retail	100.0%	169,000	-	169,000
61 Ninth Avenue[1]	50.1%	Office	n/a	-	167,000	167,000
1540 Broadway	100.0%	Retail	100.0%	160,000	-	160,000
608 Fifth Avenue (ground leased through 2033)	100.0%	Office / Retail	96.9%	132,000	-	132,000
Paramus	100.0%	Office	94.7%	129,000	-	129,000
666 Fifth Avenue Retail Condominium	100.0%	Retail	100.0%	114,000	-	114,000
1535 Broadway (Marriott Marquis - retail and signage) (ground and building leased through 2032)	100.0%	Retail / Theatre	100.0%	72,000	36,000	108,000
57th Street (5 buildings)[1]	50.0%	Office / Retail	100.0%	103,000	-	103,000
689 Fifth Avenue	100.0%	Office / Retail	100.0%	100,000	-	100,000
478-486 Broadway (2 buildings) (10 units)	100.0%	Retail/Residential	100.0% [2]	85,000	-	85,000
150 West 34th Street	100.0%	Retail	100.0%	78,000	-	78,000
510 Fifth Avenue	100.0%	Retail	64.4%	65,000	-	65,000
655 Fifth Avenue	92.5%	Retail	100.0%	57,000	-	57,000
155 Spring Street	100.0%	Retail	100.0%	49,000	-	49,000
3040 M Street	100.0%	Retail	100.0%	44,000	-	44,000
435 Seventh Avenue	100.0%	Retail	100.0%	43,000	-	43,000
692 Broadway	100.0%	Retail	100.0%	35,000	-	35,000
697-703 Fifth Avenue (St. Regis - retail)	74.3%	Retail	100.0%	26,000	-	26,000
715 Lexington Avenue	100.0%	Retail	100.0%	23,000	-	23,000
1131 Third Avenue	100.0%	Retail	100.0%	23,000	-	23,000
40 East 66th Street (5 units)	100.0%	Residential/Retail	100.0% [2]	23,000	-	23,000
828-850 Madison Avenue	100.0%	Retail	100.0%	18,000	-	18,000

443 Broadway	100.0%	Retail	100.0%	16,000	-	16,000

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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:						
484 Eighth Avenue	100.0%	Retail	n/a	-	16,000	16,000
304 Canal Street (4 units)	100.0%	Retail/Residential	n/a	-	15,000	15,000
334 Canal Street (4 units)	100.0%	Retail/Residential	-	14,000	-	14,000
677-679 Madison Avenue (8 units)	100.0%	Retail/Residential	100.0%	13,000	-	13,000
431 Seventh Avenue	100.0%	Retail	100.0%	10,000	-	10,000
138-142 West 32nd Street	100.0%	Retail	82.4%	8,000	-	8,000
148 Spring Street	100.0%	Retail	100.0%	7,000	-	7,000
150 Spring Street (1 unit)	100.0%	Retail/Residential	100.0% (2)	7,000	-	7,000
966 Third Avenue	100.0%	Retail	100.0%	7,000	-	7,000
488 Eighth Avenue	100.0%	Retail	100.0%	6,000	-	6,000
267 West 34th Street	100.0%	Retail	100.0%	6,000	-	6,000
968 Third Avenue (1)	50.0%	Retail	100.0%	6,000	-	6,000
265 West 34th Street	100.0%	Retail	100.0%	3,000	-	3,000
137 West 33rd Street	100.0%	Retail	100.0%	3,000	-	3,000
Other (34 units)	81.4%	Residential/Retail	-	86,000	-	86,000
Hotel Pennsylvania	100.0%	Hotel	n/a	1,400,000	-	1,400,000
Alexander's, Inc.:						
731 Lexington Avenue(1)	32.4%	Office / Retail	100.0%	1,063,000	-	1,063,000
Rego Park II, Queens(1)	32.4%	Retail	99.0%	608,000	-	608,000
	32.4%	Retail	100.0%	343,000	-	343,000

Rego Park I, Queens[1]						
The Alexander Apartment Tower, Queens (312 units)[1]	32.4%	Residential	25.6%	238,000	17,000	255,000
Flushing, Queens[1]	32.4%	Retail	100.0%	167,000	-	167,000
Paramus, New Jersey (30.3 acres ground leased through 2041)[1]	32.4%	Retail	100.0%	-	-	-
Rego Park III, Queens (3.2 acres)[1]	32.4%	n/a	n/a	-	-	-
Total New York			**96.3%**	**29,309,000**	**779,000**	**30,088,000**
Vornado's Ownership Interest			**96.4%**	**23,056,000**	**482,000**	**23,538,000**

See notes on page 24.

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
WASHINGTON, DC:						
Skyline Properties (8 buildings)	100.0%	Office	50.1%	2,648,000	-	2,648,000
2011-2451 Crystal Drive (5 buildings)	100.0%	Office	92.1%	2,326,000	-	2,326,000
RiverHouse Apartments (3 buildings) (1,670 units)	100.0%	Residential	96.2%	1,802,000	-	1,802,000
S. Clark Street / 12th Street (5 buildings)	100.0%	Office	85.1%	1,547,000	-	1,547,000
1550-1750 Crystal Drive / 241-251 18th Street (4 buildings)	100.0%	Office	89.1%	1,460,000	20,000	1,480,000
1800, 1851 and 1901 South Bell Street (3 buildings)	100.0%	Office	88.7%	506,000	363,000	869,000
Fashion Centre Mall [(1)]	7.5%	Office	97.8%	816,000	-	816,000
Rosslyn Plaza (4 buildings)[(1)]	46.2%	Office	56.9%	495,000	243,000	738,000
1825-1875 Connecticut Avenue, NW (Universal Buildings) (2 buildings)	100.0%	Office	99.0%	686,000	-	686,000
2200 / 2300 Clarendon Blvd (Courthouse Plaza) (ground leased through 2062) (2 buildings)	100.0%	Office	93.3%	638,000	-	638,000
1299 Pennsylvania Avenue, NW	55.0%	Office	88.4%	620,000	-	620,000

(Warner Building)[1]						
The Bartlett	100.0%	Residential/Retail	100.0%	40,000	580,000	620,000
Fairfax Square (3 buildings)[1]	20.0%	Office	66.4%	559,000	-	559,000
2100 / 2200 Crystal Drive (2 buildings)	100.0%	Office	100.0%	529,000	-	529,000
Commerce Executive (3 buildings)	100.0% `	Office	96.0%	400,000	19,000	419,000
2101 L Street, NW	100.0%	Office	99.0%	380,000	-	380,000
1501 K Street, NW[1]	5.0%	Office	100.0%	379,000	-	379,000
West End 25 (283 units)	100.0%	Residential	96.1%	273,000	-	273,000
220 20th Street (265 units)	100.0%	Residential	96.6%	269,000	-	269,000
Crystal City Hotel	100.0%	Residential	100.0%	266,000	-	266,000
Rosslyn Plaza (196 units)	43.7%	Residential	94.9%	253,000	-	253,000
1150 17th Street, NW	100.0%	Office	68.6%	241,000	-	241,000
875 15th Street, NW (Bowen Building)	100.0%	Office	100.0%	231,000	-	231,000
1101 17th Street, NW[1]	55.0%	Office	100.0%	215,000	-	215,000
Democracy Plaza One (ground leased through 2084)	100.0%	Office	95.9%	214,000	-	214,000
1730 M Street, NW	100.0%	Office	91.7%	204,000	-	204,000
2221 South Clark Street	100.0%	Residential/Office	100.0%	171,000	-	171,000
Washington Tower [1]	7.5%	Office	100.0%	170,000	-	170,000
2001 Jefferson Davis Highway	100.0%	Office	59.8%	162,000	-	162,000
223 23rd Street	100.0%	Office	n/a	-	147,000	147,000
Met Park/Warehouses	100.0%	Warehouses	100.0%	109,000	20,000	129,000
1399 New York Avenue, NW	100.0%	Office	95.1%	129,000	-	129,000
1726 M Street, NW	100.0%	Office	68.0%	92,000	-	92,000
Crystal City Shops at 2100	100.0%	Office	96.0%	80,000	-	80,000
Crystal Drive Retail	100.0%	Office	100.0%	57,000	-	57,000
Other (3 buildings)	100.0%	Other	100.0%	11,000	-	11,000
Total Washington, DC			**85.4%**	**18,978,000**	**1,392,000**	**20,370,000**

Vornado's Ownership Interest	**84.8%**	**16,481,000**	**1,255,000**	**17,736,000**

See notes on page 24.

Item 2. Properties - continued

Property	% Ownership	Type	% Occupancy	In Service	Square Feet Under Development or Not Available for Lease	Total Property
OTHER (Mart ("theMart")):						
theMart, Chicago	100.0%	Office / Retail / Showroom	98.6%	3,639,000	-	3,639,000
Other[1]	50.0%	Retail	95.4%	19,000	-	19,000
Total theMart			**98.5%**	**3,658,000**	**-**	**3,658,000**
Vornado's Ownership Interest			**98.5%**	**3,649,000**	**-**	**3,649,000**
OTHER (555 California Street):						
555 California Street	70.0%	Office	98.4%	1,504,000	-	1,504,000
315 Montgomery Street	70.0%	Office / Retail	60.4%	232,000	-	232,000
345 Montgomery Street	70.0%	Office / Retail	n/a	-	64,000	64,000
Total 555 California Street			**93.3%**	**1,736,000**	**64,000**	**1,800,000**
Vornado's Ownership Interest			**93.3%**	**1,215,000**	**45,000**	**1,260,000**
OTHER (Vornado Capital Partners Real Estate Fund ("Fund")) [4] :						
800 Corporate Pointe, Culver City, CA (2 buildings)	100.0%	Office	57.0%	243,000	-	243,000
Crowne Plaza Times Square, NY	75.3%	Office / Retail / Hotel	87.9%	235,000	-	235,000
Lucida, 86th Street and Lexington Avenue, NY (ground leased through 2082) (39 units)	100.0%	Retail / Residential	100.0% [2]	154,000	-	154,000
1100 Lincoln Road, Miami, FL	100.0%	Retail / Theatre	100.0%	128,000	-	128,000
11 East 68th Street Retail, NY	100.0%	Retail	100.0%	8,000	3,000	11,000
501 Broadway, NY	100.0%	Retail	100.0%	9,000	-	9,000

Total Real Estate Fund Properties			**80.9%**	**777,000**	**3,000**	**780,000**
Vornado's Ownership Interest			**82.1%**	**213,000**	**1,000**	**214,000**
OTHER (Other Properties):						
Wayne Town Center, Wayne (ground leased through 2064)	100.0%	Retail	100.0%	635,000	20,000	655,000
Annapolis (ground leased through 2042)	100.0%	Retail	100.0%	128,000	-	128,000
Total Other Properties			**100.0%**	**763,000**	**20,000**	**783,000**
Vornado's Ownership Interest			**100.0%**	**763,000**	**20,000**	**783,000**

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

(2) Excludes residential occupancy statistics, which are shown on page 25.

(3) As of December 31, 2015, we own junior and senior mezzanine loans of 85 Tenth Avenue with an accreted balance of $164.6 million. The junior and senior mezzanine loans bear paid-in-kind interest of 12% and 9%, respectively and mature in May 2017. We account for our investment in 85 Tenth Avenue using the equity method of accounting because we will receive a 49.9% equity interest in the property after repayment of the junior mezzanine loan. As a result of recording our share of the GAAP losses of the property, the net carrying amount of these loans is $24.8 million on our consolidated balance sheets.

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

New York

As of December 31, 2015, our New York segment consisted of 29.3 million square feet in 84 properties. The 29.3 million square feet is comprised of 21.3 million square feet of office space in 35 properties, 2.6 million square feet of retail space in 65 properties, 1,711 units in eleven residential properties, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in Alexander's, Inc. ("Alexander's"), which owns seven properties in the greater New York metropolitan area. The New York segment also includes 11 garages totaling 1.7 million square feet (4,980 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, 2015, the occupancy rate for our New York segment was 96.4%.

Occupancy and weighted average annual rent per square foot:

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2015	21,288,000	17,627,000	96.3 %	$ 66.62
2014	20,154,000	16,622,000	96.9 %	65.34
2013	18,744,000	15,303,000	96.4 %	62.20
2012	18,319,000	15,338,000	95.6 %	60.45
2011	18,164,000	15,191,000	96.0 %	58.96

Retail:

		Vornado's Ownership Interest		
	Total			**Weighted**

As of December 31,	Property Square Feet	Square Feet	Occupancy Rate	Average Annual Rent Per Square Foot
2015	2,641,000	2,418,000	96.2 %	$ 202.85
2014	2,469,000	2,173,000	96.5 %	173.19
2013	2,349,000	2,126,000	97.4 %	162.92
2012	2,171,000	2,011,000	96.8 %	148.71
2011	2,213,000	1,954,000	95.6 %	105.36

Residential:

As of December 31,	Number of Units (in service)	Occupancy Rate	Average Monthly Rent Per Unit
2015	1,711	94.1 %	$ 3,491
2014	1,678	95.2 %	3,163
2013	1,672	94.8 %	2,864
2012	1,673	96.5 %	2,672

NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2015 Revenues	Percentage of New York Revenues	Percentage of Total Revenues
IPG and affiliates	830,000	$ 43,910,000	2.9 %	1.9 %
AXA Equitable Life Insurance	481,000	39,751,000	2.6 %	1.8 %

2015 rental revenue by tenants' industry:

Industry		Percentage
Office:		
	Financial Services	11%
	Communications	7%
	Real Estate	7%
	Family Apparel	6%
	Legal Services	6%
	Advertising / Marketing	5%
	Insurance	4%
	Technology	4%
	Publishing	3%
	Government	3%
	Banking	3%
	Engineering, Architect & Surveying	2%
	Home Entertainment & Electronics	2%
	Pharmaceutical	1%
	Health Services	1%
	Other	9%
		74%
Retail:		
	Family Apparel	7%
	Women's Apparel	6%
	Luxury Retail	3%
	Restaurants	2%
	Banking	2%
	Department Stores	1%
	Discount Stores	1%
	Other	4%
		26%

Total	100%

NEW YORK – CONTINUED

Lease expirations as of December 31, 2015, 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	12	17,000	0.1 %	$ 908,000	$ 53.41
2016	48	802,000 (1)	4.9 %	52,052,000	64.90 (1)
2017	109	980,000	6.0 %	57,581,000	58.76
2018	100	1,029,000 (2)	6.3 %	78,969,000	76.74
2019	109	970,000	5.9 %	67,005,000	69.08
2020	117	1,549,000	9.4 %	95,144,000	61.42
2021	94	1,180,000	7.2 %	77,595,000	65.76
2022	58	530,000	3.2 %	31,568,000	59.56
2023	57	1,717,000	10.4 %	127,573,000	74.30
2024	65	1,214,000	7.4 %	91,671,000	75.51
2025	43	805,000	4.9 %	55,706,000	69.20
Retail:					
Month to month	17	16,000	0.8 %	$ 1,703,000	$ 106.44
2016	24	78,000 (3)	4.1 %	19,818,000	254.08 (3)
2017	11	34,000	1.8 %	9,260,000	272.35
2018	24	170,000	8.9 %	42,406,000	249.45
2019	25	181,000	9.4 %	32,081,000	177.24
2020	25	63,000	3.3 %	9,987,000	158.52
2021	11	38,000	2.0 %	7,544,000	198.53
2022	10	35,000	1.8 %	4,261,000	121.74
2023	13	81,000	4.2 %	19,367,000	239.10
2024	17	161,000	8.4 %	58,724,000	364.75
2025	13	43,000	2.2 %	19,329,000	449.51

(1) Based on current market conditions, we expect to re-lease this space at weighted average rents between $75 to $80 per square foot.

(2) Excludes 492,000 square feet leased to the U.S. Post Office through 2038 (including four 5-year renewal options) for which the annual escalated rent is $11.42 per square foot.

(3) Based on current market conditions, we expect to re-lease this space at weighted average rents between $325 to $350 per square foot.

Alexander’s

As of December 31, 2015, we own 32.4% of the outstanding common stock of Alexander’s, which owns seven properties in the greater New York metropolitan area aggregating 2.2 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, net at December 31, 2015, of which our pro rata share was $341.3 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,				
	2015	**2014**	**2013**	**2012**	**2011**
Hotel Pennsylvania:					
Average occupancy rate	90.7 %	92.0 %	93.4 %	89.1 %	89.1 %
Average daily rate	$ 147.46	$ 162.01	$ 158.01	$ 152.79	$ 152.53
Revenue per available room	$ 133.69	$ 149.04	$ 147.63	$ 136.21	$ 135.87

Washington, DC

As of December 31, 2015, our Washington, DC segment consisted of 71 properties aggregating 19.0 million square feet comprised of 15.8 million square feet of office space in 57 properties, seven residential properties containing 2,414 units and a hotel property. In addition, we are developing a 699-unit residential project with a 40,000 square foot Whole Foods Market at the base of the building and own 18.2 acres of undeveloped land. The Washington, DC segment also includes 55 garages totaling approximately 8.8 million square feet (29,322 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 fixed percentage 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, 2015, the occupancy rate for our Washington DC segment was 84.8%, and 25.0% of the occupied space was leased to various agencies of the U.S. Government.

Occupancy and weighted average annual rent per square foot:

Office:

		Vornado's Ownership Interest		
As of December 31,	**Total Property Square Feet**	**Square Feet**	**Occupancy Rate**	**Weighted Average Annual Rent Per Square Foot**
2015	15,784,000	13,429,000	82.1 %	$ 42.65
2014	15,832,000	13,454,000	80.7 %	42.55
2013	15,954,000	13,524,000	80.5 %	42.34
2012	15,829,000	13,360,000	81.1 %	41.46
2011	16,362,000	13,901,000	89.1 %	40.74

Residential:

As of December 31,	**Number of Units**	**Occupancy Rate**	**Average Monthly Rent Per Unit**

2015	2,414	96.1 %	$ 2,068
2014	2,414	97.4 %	2,078
2013	2,414	96.3 %	2,101
2012	2,414	97.9 %	2,145
2011	2,414	96.6 %	2,056

Tenants accounting for 2% or more of revenues:

Tenant	**Square Feet Leased**	**2015 Revenues**	**Percentage of Washington, DC Revenues**	**Percentage of Total Revenues**
U.S. Government	3,505,000	$ 117,035,000	22.0 %	5.2 %
Family Health International	341,000	16,622,000	3.1 %	0.7 %
Lockheed Martin	313,000	14,917,000	2.8 %	0.7 %
Arlington County	240,000	10,747,000	2.0 %	0.5 %
Paul Hastings LLP	126,000	10,631,000	2.0 %	0.5 %

WASHINGTON, DC – CONTINUED

2015 rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	28%
Government Contractors	12%
Membership Organizations	10%
Legal Services	5%
Business Services	4%
Manufacturing	3%
Management Consulting Services	3%
State and Local Government	2%
Computer and Data Processing	2%
Health Services	2%
Food	2%
Real Estate	2%
Education	1%
Communication	1%
Television Broadcasting	1%
Other	22%
	100%

Lease expirations as of December 31, 2015, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Square Feet	Weighted Average Annual Rent of Expiring Leases Total	Per Square Foot
Month to month	44	475,000	4.6 %	$ 15,980,000	$ 33.63
2016	179	1,304,000 [(1)]	12.6 %	55,319,000	42.42 [(1)]
2017	91	608,000	5.9 %	25,193,000	41.43
2018	113	1,050,000	10.1 %	47,036,000	44.78
2019	92	1,652,000	15.9 %	70,602,000	42.75
2020	81	943,000	9.1 %	44,517,000	47.19
2021	45	655,000	6.3 %	28,854,000	44.03
2022	44	941,000	9.1 %	41,906,000	44.51
2023	13	178,000	1.7 %	8,411,000	47.13
2024	36	462,000	4.4 %	18,545,000	40.17
2025	27	332,000	3.2 %	13,022,000	39.27

(1) Based on current market conditions, we expect to re-lease this space at weighted average rents between $37 to $42 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 45 for the status of BRAC related move-outs.

OTHER INVESTMENTS

theMart

As of December 31, 2015, we own the 3.6 million square foot theMart in Chicago, whose largest tenant is Motorola Mobility at 608,000 square feet, the lease of which is guaranteed by Google. theMart 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, 2015, theMart had an occupancy rate of 98.6% and a weighted average annual rent per square foot of $38.72.

555 California Street

As of December 31, 2015, 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 $589,063,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2015, 555 California Street had an occupancy rate of 93.3% and a weighted average annual rent per square foot of $65.57.

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

As of December 31, 2015, we own a 25.0% interest in the Fund. We are the general partner and investment manager of the Fund. At December 31, 2015, the Fund had six investments which are carried at an aggregate fair value of $574,761,000. Our share of unfunded commitments is $25,553,000.

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, 2015 and 2014 were as follows:

	Year Ended December 31, 2015			Year Ended December 31, 2014		
Quarter	High	Low	Dividends (1)	High	Low	Dividends
1st	$ 126.62 (2)	$ 104.11	$ 0.63	$ 100.02	$ 87.82	$ 0.73
2nd	113.12	94.55	0.63	109.01	96.93	0.73
3rd	98.96	84.60	0.63	109.12	99.26	0.73
4th	103.41	89.32	0.63	120.23	93.09	0.73

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

As of February 1, 2016, there were 1,065 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2015, we issued 8,477 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

In January 2015, we received 61,476 Vornado common shares at a weighted average price of $120.22 per share as payment for the exercise price of certain employee stock options.

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, 2010 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.

	2010	2011	2012	2013	2014	2015
Vornado Realty Trust	$ 100	$ 95	$ 104	$ 119	$ 163	$ 156
S&P 500 Index	100	102	118	157	178	181
The NAREIT All Equity Index	100	108	130	133	171	176

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**ITEM 6.
SELECTED
FINANCIAL DATA**

(Amounts in thousands, except per share amounts)	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Operating Data:					
Revenues:					
Property rentals	$ 2,076,586	$ 1,911,487	$ 1,880,405	$ 1,771,264	$ 1,802,871
Tenant expense reimbursements	260,976	245,819	226,831	207,149	213,200
Cleveland Medical Mart development project	-	-	36,369	235,234	154,080
Fee and other income	164,705	155,206	155,571	119,077	123,452
Total revenues	2,502,267	2,312,512	2,299,176	2,332,724	2,293,603
Expenses:					
Operating	1,011,249	953,611	928,565	891,637	878,777
Depreciation and amortization	542,952	481,303	461,627	435,545	441,223
General and administrative	175,307	169,270	177,366	167,194	163,238
Cleveland Medical Mart development project	-	-	32,210	226,619	145,824
Acquisition and transaction related costs	12,511	18,435	24,857	17,386	34,930
Total expenses	1,742,019	1,622,619	1,624,625	1,738,381	1,663,992
Operating income	760,248	689,893	674,551	594,343	629,611
Income from real estate fund investments	74,081	163,034	102,898	63,936	22,886
(Loss) income from partially owned entities	(12,630)	(59,861)	(340,882)	421,668	115,912
Interest and other investment income (loss), net	26,978	38,752	(24,887)	(261,200)	148,540
Interest and debt expense	(378,025)	(412,755)	(425,782)	(431,235)	(453,420)
Net gain on disposition of wholly owned and partially owned assets	251,821	13,568	2,030	4,856	10,856

Income (loss) before income taxes	722,473	432,631	(12,072)	392,368	474,385
Income tax benefit (expense)	84,695	(9,281)	8,717	(8,132)	(23,891)
Income (loss) from continuing operations	807,168	423,350	(3,355)	384,236	450,494
Income from discontinued operations	52,262	585,676	568,095	310,305	289,506
Net income	859,430	1,009,026	564,740	694,541	740,000
Less net income attributable to noncontrolling interests in:					
Consolidated subsidiaries	(55,765)	(96,561)	(63,952)	(32,018)	(21,786)
Operating Partnership	(43,231)	(47,613)	(24,817)	(45,263)	(55,912)
Net income attributable to Vornado	760,434	864,852	475,971	617,260	662,302
Preferred share dividends	(80,578)	(81,464)	(82,807)	(76,937)	(65,531)
Preferred unit and share redemptions	-	-	(1,130)	8,948	5,000
Net income attributable to common shareholders	$ 679,856	$ 783,388	$ 392,034	$ 549,271	$ 601,771
Per Share Data:					
Income (loss) from continuing operations, net - basic	$ 3.35	$ 1.23	$ (0.75)	$ 1.37	$ 1.79
Income (loss) from continuing operations, net - diluted	3.33	1.22	(0.75)	1.37	1.77
Net income per common share - basic	3.61	4.18	2.10	2.95	3.26
Net income per common share - diluted	3.59	4.15	2.09	2.94	3.23
Dividends per common share	2.52 (1)	2.92	2.92	3.76 (2)	2.76
Balance Sheet Data:					
Total assets	$ 21,143,293	$ 21,157,980	$ 20,018,210	$ 21,978,802	$ 20,377,616
Real estate, at cost	18,090,137	16,822,358	15,392,968	15,287,078	13,383,927
Accumulated depreciation	(3,418,267)	(3,161,633)	(2,829,862)	(2,524,718)	(2,346,498)
Debt, net	11,091,010	9,530,337	8,708,414	9,714,819	8,381,908

Total equity	7,476,078	7,489,382	7,594,744	7,904,144	7,508,447

(1) Post spin-off of Urban Edge Properties (NYSE: UE) on January 15, 2015.
(2) Includes a special long-term capital gain dividend of $1.00 per share.

ITEM 6. SELECTED FINANCIAL DATA - CONTINUED

(Amounts in thousands)	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Other Data:					
Funds From Operations ("FFO")[1]:					
Net income attributable to Vornado	$ 760,434	$ 864,852	$ 475,971	$ 617,260	$ 662,302
Depreciation and amortization of real property	514,085	517,493	501,753	504,407	530,113
Net gains on sale of real estate	(289,117)	(507,192)	(411,593)	(245,799)	(51,623)
Real estate impairment losses	256	26,518	37,170	129,964	28,799
Proportionate share of adjustments to equity in net income of partially owned entities to arrive at FFO:					
Depreciation and amortization of real property	143,960	117,766	157,270	154,680	170,875
Net gains on sale of real estate	(4,513)	(11,580)	(465)	(241,602)	(9,767)
Real estate impairment losses	16,758	-	6,552	11,673	-
Income tax effect of above adjustments	-	(7,287)	(26,703)	(27,493)	(24,634)
Noncontrolling interests' share of above adjustments	(22,342)	(8,073)	(15,089)	(16,649)	(40,957)
FFO attributable to Vornado	1,119,521	992,497	724,866	886,441	1,265,108
Preferred share dividends	(80,578)	(81,464)	(82,807)	(76,937)	(65,531)
Preferred unit and share redemptions	-	-	(1,130)	8,948	5,000
FFO attributable to common shareholders	1,038,943	911,033	640,929	818,452	1,204,577
Convertible preferred share dividends	92	97	108	113	124
Interest on 3.88% exchangeable senior debentures	-	-	-	-	26,272
FFO attributable to common shareholders plus assumed conversions[1]	$ 1,039,035	$ 911,130	$ 641,037	$ 818,565	$ 1,230,973

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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 and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are non-GAAP financial measures used by 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 93.7% of the common limited partnership interest in the Operating Partnership at December 31, 2015. All references to "we," "us," "our," the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

On January 15, 2015, we completed the spin-off of substantially all of our retail segment comprised of 79 strip shopping centers, three malls, a warehouse park and $225,000,000 of cash to Urban Edge Properties ("UE") (NYSE: UE). As part of this transaction, we retained 5,717,184 UE operating partnership units (5.4% ownership interest). We are providing transition services to UE for an initial period of up to two years, primarily for information technology support. UE is providing us with leasing and property management services for (i) certain small retail properties that we plan to sell, and (ii) our affiliate, Alexander's, Inc. (NYSE: ALX) Rego Park retail assets. Steven Roth, our Chairman and Chief Executive Officer, is a member of the Board of Trustees of UE. The spin-off distribution was effected by Vornado distributing one UE common share for every two Vornado common shares. The historical financial results of UE are reflected in our consolidated financial statements as discontinued operations for all periods presented.

We own and operate office and retail properties (our "core" operations) with large concentrations in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. In addition, we have a 32.4% interest in Alexander's, Inc. (NYSE: ALX) ("Alexander's"), which owns seven properties in the greater New York metropolitan area, a 32.5% 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, 2015:

	Total Return[(1)]		
	Vornado	Office REIT	RMS
Three-months	11.3%	7.2%	7.1%
One-year	(3.9%)	0.3%	2.5%
Three-year	50.3%	33.3%	37.0%
Five-year	56.5%	51.0%	75.3%
Ten-year	92.9%	68.0%	103.2%

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

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

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

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

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

Overview - continued

<u>Year Ended December 31, 2015 Financial Results Summary</u>

Net income attributable to common shareholders for the year ended December 31, 2015 was $679,856,000, or $3.59 per diluted share, compared to $783,388,000, or $4.15 per diluted share, for the year ended December 31, 2014. Net income for the years ended December 31, 2015 and 2014 includes $293,630,000 and $518,772,000, respectively, of net gains on sale of real estate, and $17,014,000 and $26,518,000, respectively, of real estate impairment losses. In addition, the years ended December 31, 2015 and 2014 includes certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the years ended December 31, 2015 and 2014 by $374,404,000, or $1.98 per diluted share, and $477,133,000, or $2.53 per diluted share, respectively.

Funds from operations attributable to common shareholders plus assumed conversions ("FFO") for the year ended December 31, 2015 was $1,039,035,000, or $5.48 per diluted share, compared to $911,130,000, or $4.83 per diluted share, for the prior year. FFO for the years ended December 31, 2015 and 2014 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, increased FFO for the years ended December 31, 2015 and 2014 by $123,740,000, or $0.65 per diluted share, and $85,854,000, or $0.46 per diluted share, respectively.

(Amounts in thousands)	For the Year Ended December 31,	
	2015	**2014**
Items that affect comparability income (expense):		
Reversal of allowance for deferred tax assets (re: taxable REIT subsidiary's ability to use NOLs)	$ 90,030	$ -
FFO from discontinued operations and sold properties	46,423	188,932
Acquisition and transaction related costs	(12,511)	(16,392)
Net gain on sale of residential condominiums and a land parcel in 2014	6,724	13,568
Our share of impairment loss on India real estate venture's non-depreciable real estate	(4,502)	-
Toys "R" Us FFO (negative FFO) (including an impairment loss of $75,196 in 2014)	2,500	(60,024)
Impairment loss and loan reserve on investment in Suffolk Downs	(1,551)	(10,263)
Write-off of deferred financing costs and defeasance costs in connection with refinancings	-	(22,660)
Other, net	4,555	(2,097)
	131,668	91,064
Noncontrolling interests' share of above adjustments	(7,928)	(5,210)
Items that affect comparability, net	$ 123,740	$ 85,854

The percentage increase (decrease) in same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and cash basis same store EBITDA of our operating segments for the year ended December 31, 2015 over the year ended December 31, 2014 is summarized below.

	New York		Washington, DC
Same Store EBITDA:			
December 31, 2015 vs. December 31, 2014			
Same store EBITDA	1.5 %	(1)	(1.1%)
Cash basis same store EBITDA	0.3 %	(1)	(6.3%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 2.4% and by 1.3% on a cash basis.

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Overview - continued

Quarter Ended December 31, 2015 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2015 was $230,742,000, or $1.22 per diluted share, compared to $513,238,000, or $2.72 per diluted share, for the quarter ended December 31, 2014. Net income for the quarters ended December 31, 2015 and 2014 includes $142,693,000 and $460,216,000, respectively, of net gains on sale of real estate and $4,141,000 and $5,676,000, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2015 and 2014 includes certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarters ended December 31, 2015 and 2014 by $147,009,000, or $0.78 per diluted share, and $433,823,000, or $2.30 per diluted share, respectively.

FFO for the quarter ended December 31, 2015 was $259,528,000, or $1.37 per diluted share, compared to $230,143,000, or $1.22 per diluted share, for the prior year's quarter. FFO for the quarters ended December 31, 2015 and 2014 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, increased FFO for the quarters ended December 31, 2015 and 2014 by $19,418,000, or $0.10 per diluted share, and $13,033,000, or $0.07 per diluted share, respectively.

(Amounts in thousands)	For the Three Months Ended December 31, 2015	For the Three Months Ended December 31, 2014
Items that affect comparability income (expense):		
FFO from discontinued operations and sold properties	$ 19,251	$ 44,474
Acquisition and transaction related costs	(4,951)	(12,763)
Net gain on sale of residential condominiums	4,231	363
Write-off of deferred financing costs and defeasance costs in connection with refinancings	-	(16,747)
Other, net	2,171	(1,491)
	20,702	13,836
Noncontrolling interests' share of above adjustments	(1,284)	(803)
Items that affect comparability, net	$ 19,418	$ 13,033

The percentage increase (decrease) in same store EBITDA and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2015 over the quarter ended December 31, 2014 and the trailing quarter ended September 30, 2015 are summarized below.

	New York		Washington, DC
Same Store EBITDA:			
December 31, 2015 vs. December 31, 2014			
Same store EBITDA	0.1 %	(1)	(0.4%)
Cash basis same store EBITDA	(5.6%)	(1)	(4.9%)
December 31, 2015 vs. September 30, 2015			
Same store EBITDA	0.4 %	(2)	0.8 %
Cash basis same store EBITDA	(0.9%)	(2)	1.2 %

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 1.4% and decreased by 4.4% on a cash basis.

(2) Excluding Hotel Pennsylvania, same store EBITDA was flat and decreased by 1.5% on a cash basis.

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

Overview – continued

Acquisitions

On January 20, 2015, we and one of our real estate fund's limited partners co-invested with the Fund to buy out the Fund's joint venture partner's 57% interest in the Crowne Plaza Times Square Hotel. The purchase price for the 57% interest was approximately $95,000,000 (our share $39,000,000) which valued the property at approximately $480,000,000. The property is encumbered by a $310,000,000 mortgage loan bearing interest at LIBOR plus 2.80% which matures in December 2018 with a one-year extension option. Our aggregate ownership interest in the property increased to 33% from 11%.

On March 18, 2015, we acquired the Center Building, a 437,000 square foot office building, located at 33-00 Northern Boulevard in Long Island City, New York, for $142,000,000, including the assumption of an existing $62,000,000, 4.43% mortgage maturing in October 2018.

On June 2, 2015, we completed the acquisition of 150 West 34th Street, a 78,000 square foot retail property leased to Old Navy through May 2019, and 226,000 square feet of additional zoning air rights, for approximately $355,000,000. At closing we completed a $205,000,000 financing of the property.

On June 24, 2015, we entered into a joint venture, in which we own a 55% interest, to develop a 173,000 square foot Class-A office building, located along the western edge of the High Line at 512 West 22nd Street. The development cost of this project is approximately $235,000,000. The development commenced during the fourth quarter of 2015 and is expected to be completed in 2018. We account for our investment in the joint venture under the equity method.

On July 31, 2015, we acquired 260 Eleventh Avenue, a 235,000 square foot office property leased to the City of New York through 2021 with two five-year renewal options, a 10,000 square foot parking lot and additional air rights. The transaction is structured as a 99-year ground lease with an option to purchase the land for $110,000,000. The $3,900,000 annual ground rent and the purchase option price escalate annually at the lesser of 1.5% or CPI. The buildings were purchased for 813,900 newly issued Vornado Operating Partnership units valued at approximately $80,000,000.

On September 25, 2015, we acquired 265 West 34th Street, a 1,700 square foot retail property and 15,200 square feet of additional zoning air rights, for approximately $28,500,000.

Dispositions

On January 15, 2015, we completed the spin-off of substantially all of our retail segment comprised of 79 strip shopping centers, three malls, a warehouse park and $225,000,000 of cash to Urban Edge Properties ("UE") (NYSE: UE). As part of this transaction, we retained 5,717,184 UE operating partnership units (5.4% ownership interest). We are providing transition services to UE for an initial period of up to two years, primarily for information technology support. UE is providing us with leasing and property management services for (i) certain small retail properties that we plan to sell, and (ii) our affiliate, Alexander's, Inc. (NYSE: ALX) Rego Park retail assets. Steven Roth, our Chairman and Chief Executive Officer, is a member of the Board of Trustees of UE. The spin-off distribution was effected by Vornado distributing one UE common share for every two Vornado common shares.

On March 13, 2015, we sold our Geary Street, CA lease for $34,189,000, which resulted in a net gain of $21,376,000.

On March 25, 2015, the Fund completed the sale of 520 Broadway in Santa Monica, CA for $91,650,000. The Fund realized a $23,768,000 net gain over the holding period.

On March 31, 2015, we transferred the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to PREIT Associates, L.P., which is the operating partnership of Pennsylvania Real Estate Investment Trust (NYSE: PEI) (collectively, "PREIT"). The financial statement gain was $7,823,000, of which $7,192,000 was recognized in the first quarter of 2015 and the remaining $631,000 was deferred based on our ownership interest in PREIT. In the first quarter of 2014, we recorded a non-cash impairment loss of $20,000,000 on Springfield Town Center which is included in "income from discontinued operations" on our consolidated statements of income.

On August 6, 2015, we sold our 50% interest in the Monmouth Mall in Eatontown, NJ to our joint venture partner for $38,000,000, valuing the property at approximately $229,000,000, which resulted in a net gain of $33,153,000.

On September 9, 2015, we completed the sale of 1750 Pennsylvania Avenue, NW, a 278,000 square foot office building in Washington, DC for $182,000,000, resulting in a net gain of approximately $102,000,000 which is included in "net gain on disposition of wholly owned and partially owned assets" on our consolidated statement of income. The tax gain of approximately $137,000,000 was deferred as part of a like-kind exchange. We are managing the property on behalf of the new owner.

Overview – continued

Dispositions – continued

On December 22, 2015, we completed the sale of 20 Broad Street, a 473,000 square foot office building in Manhattan for an aggregate consideration of $200,000,000. The total income from this transaction was approximately $157,000,000 comprised of approximately $142,000,000 from the gain on sale and $15,000,000 of lease termination income.

We also sold five residual retail properties, in separate transactions, for an aggregate of $10,731,000, which resulted in net gains of $3,675,000.

Financings

Secured Debt

On April 1, 2015, we completed a $308,000,000 refinancing of RiverHouse Apartments, a three building, 1,670 unit rental complex located in Arlington, VA. The loan is interest only at LIBOR plus 1.28% (1.52% at December 31, 2015) and matures in 2025. We realized net proceeds of approximately $43,000,000. The property was previously encumbered by a 5.43%, $195,000,000 mortgage maturing in April 2015 and a $64,000,000 mortgage at LIBOR plus 1.53% maturing in 2018.

On June 2, 2015, we completed a $205,000,000 financing in connection with the acquisition of 150 West 34th Street. The loan bears interest at LIBOR plus 2.25% (2.52% at December 31, 2015) and matures in 2018 with two one-year extension options.

On July 28, 2015, we completed a $580,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot property comprised of 855,000 square feet of office space and the 256,000 square foot Manhattan Mall. The loan is interest only at LIBOR plus 1.65% (1.92% at December 31, 2015) and matures in July 2020. We realized net proceeds of approximately $242,000,000.

On September 22, 2015, we upsized the loan on our 220 Central Park South development by $350,000,000 to $950,000,000. The interest rate on the loan is LIBOR plus 2.00% (2.42% at December 31, 2015) and the final maturity date is 2020. In connection with the upsizing, the standby commitment for a $500,000,000 mezzanine loan for this development has been terminated by payment of a $15,000,000 contractual termination fee, which was capitalized as a component of "development costs and construction in progress" on our consolidated balance sheet as of December 31, 2015.

On December 11, 2015, we completed a $375,000,000 refinancing of 888 Seventh Avenue, a 882,000 square foot Manhattan office building. The five-year loan is interest only at LIBOR plus 1.60% (1.92% at December 31, 2015) which was swapped for the term of the loan to a fixed rate of 3.15% and matures in December 2020. We realized net proceeds of approximately $49,000,000.

On December 21, 2015, we completed a $450,000,000 financing of the retail condominium of the St. Regis Hotel and the adjacent retail town house located on Fifth Avenue at 55th Street. The loan matures in December 2020, with two one-year extension options. The loan is interest only at LIBOR plus 1.80% (2.19% at December 31, 2015) for the first three years, LIBOR plus 1.90% for years four and five, and LIBOR plus 2.00% during the extension periods. We own a 74.3% controlling interest in the joint venture which owns the property.

Senior Unsecured Notes

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

Unsecured Term Loan

On October 30, 2015, we entered into an unsecured delayed-draw term loan facility in the maximum amount of $750,000,000. The facility matures in October 2018 with two one-year extension options. The interest rate is LIBOR plus 1.15% (1.40% at December 31, 2015) with a fee of 0.20% per annum on the unused portion. At closing, we drew $187,500,000. The facility provides that the maximum amount available is twice the amount outstanding on April 29, 2016, limited to $750,000,000, and all draws must be made by October 2017. This facility, together with the $950,000,000 development loan mentioned above, provides the funding for our 220 Central Park South development.

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.

(Square feet in thousands)	New York		Washington, DC
	Office	**Retail**	**Office**
Quarter Ended December 31, 2015:			
Total square feet leased	610	3	407
Our share of square feet leased	555	3	355
Initial rent[1]	$ 74.99	$ 1,185.79	$ 43.96
Weighted average lease term (years)	10.1	1.5	6.8
Second generation relet space:			
Square feet	444	3	284
Cash basis:			
Initial rent[1]	$ 75.52	$ 1,185.79	$ 44.54
Prior escalated rent	$ 61.69	$ 1,021.71	$ 45.30
Percentage increase (decrease)	22.4%	16.1%	(1.7%)
GAAP basis:			
Straight-line rent[2]	$ 74.06	$ 1,189.25	$ 50.99
Prior straight-line rent	$ 58.94	$ 877.69	$ 50.62
Percentage increase	25.7%	35.5%	0.7%
Tenant improvements and leasing commissions:			
Per square foot	$ 70.05	$ 47.69	$ 34.39
Per square foot per annum:	$ 6.94	$ 31.79	$ 5.06
Percentage of initial rent	9.2%	2.7%	11.5%
Year Ended December 31, 2015:			
Total square feet leased	2,276	91	1,987
Our share of square feet leased	1,838	82	1,847
Initial rent[1]	$ 78.55	$ 917.59	$ 40.20
Weighted average lease term (years)	9.2	13.7	8.6

Second generation relet space:			
Square feet	1,297	74	1,322
Cash basis:			
Initial rent[1]	$ 78.89	$ 907.49	$ 40.12 [3]
Prior escalated rent	$ 66.21	$ 364.56	$ 43.99 [3]
Percentage increase (decrease)	19.1%	148.9%	(8.8%) [3]
GAAP basis:			
Straight-line rent[2]	$ 77.03	$ 1,056.66	$ 39.57 [3]
Prior straight-line rent	$ 62.73	$ 529.31	$ 43.08 [3]
Percentage increase (decrease)	22.8%	99.6%	(8.2%) [3]
Tenant improvements and leasing commissions:			
Per square foot	$ 69.36	$ 688.42	$ 55.14
Per square foot per annum:	$ 7.54	$ 50.25	$ 6.41
Percentage of initial rent	9.6%	5.5%	15.9%

See notes on the following page.

Overview - continued

Leasing Activity - continued

(Square feet in thousands)	New York		Washington, DC
	Office	**Retail**	**Office**
Year Ended December 31, 2014:			
Total square feet leased	3,973	119	1,817
Our share of square feet leased:	3,416	114	1,674
Initial rent [1]	$ 66.78	$ 327.38	$ 38.57
Weighted average lease term (years)	11.3	11.2	8.2
Second generation relet space:			
Square feet	2,550	92	1,121
Cash basis:			
Initial rent [1]	$ 68.18	$ 289.74	$ 38.57
Prior escalated rent	$ 60.50	$ 206.62	$ 41.37
Percentage increase (decrease)	12.7%	40.2%	(6.8%)
GAAP basis:			
Straight-line rent[2]	$ 67.44	$ 331.33	$ 36.97
Prior straight-line rent	$ 56.76	$ 204.15	$ 38.25
Percentage increase (decrease)	18.8%	62.3%	(3.3%)
Tenant improvements and leasing commissions:			
Per square foot	$ 75.89	$ 110.60	$ 46.77
Per square foot per annum:	$ 6.72	$ 9.88	$ 5.70
Percentage of initial rent	10.1%	3.0%	14.8%

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

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

(3) Excluding 371 square feet of leasing activity with the U.S. Marshals Service (of which 293 square feet are second generation relet space), the initial rent and prior escalated rent on a cash basis was $42.43 and $43.96 per square foot, respectively (3.5% decrease), and the initial rent and prior escalated rent on a GAAP basis was $42.30 and $43.89 per square foot, respectively (3.6% decrease).

Overview - continued

Square footage (in service) and Occupancy as of December 31, 2015:

(Square feet in thousands)		Square Feet (in service)		
	Number of properties	Total Portfolio	Our Share	Occupancy %
New York:				
Office	35	21,288	17,627	96.3%
Retail	65	2,641	2,418	96.2%
Residential - 1,711 units	11	1,561	827	94.1%
Alexander's - 296 units	7	2,419	784	99.7%
Hotel Pennsylvania	1	1,400	1,400	
		29,309	23,056	96.4%
Washington, DC:				
Office, excluding the Skyline Properties	49	13,136	10,781	90.0%
Skyline Properties	8	2,648	2,648	50.1%
Total Office	57	15,784	13,429	82.1%
Residential - 2,414 units	7	2,597	2,455	96.1%
Other	7	597	597	100.0%
		18,978	16,481	84.8%
Other:				
theMart	2	3,658	3,649	98.5%
555 California Street	3	1,736	1,215	93.3%
Other	2	763	763	100.0%
		6,157	5,627	
Total square feet at December 31, 2015		54,444	45,164	

Overview - continued

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

(Square feet in thousands)		**Square Feet (in service)**		
	Number of properties	**Total Portfolio**	**Our Share**	**Occupancy %**
New York:				
Office	30	20,154	16,622	96.9%
Retail	56	2,469	2,173	96.5%
Residential - 1,678 units	9	1,518	785	95.2%
Alexander's	6	2,178	706	99.7%
Hotel Pennsylvania	1	1,400	1,400	
		27,719	21,686	96.9%
Washington, DC:				
Office, excluding the Skyline Properties	50	13,184	10,806	87.4%
Skyline Properties	8	2,648	2,648	53.5%
Total Office	58	15,832	13,454	80.7%
Residential - 2,414 units	7	2,597	2,455	97.4%
Other	6	384	384	100.0%
		18,813	16,293	83.6%
Other:				
theMart	1	3,587	3,578	94.7%
555 California Street	3	1,801	1,261	97.6%
Other	2	672	672	100.0%
		6,060	5,511	
Total square feet at December 31, 2014		52,592	43,490	

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Overview - continued

Washington, DC Segment

Comparable EBITDA for the year ended December 31, 2015, was $3,467,000 behind last year.

We expect that Washington's 2016 comparable EBITDA will be approximately $7,000,000 to $11,000,000 lower than 2015, comprised of:

(i) core business being flat to $4,000,000 higher, offset by,

(ii) occupancy of Skyline properties declining further, decreasing EBITDA by approximately $6,500,000, and

(iii) 1726 M Street and 1150 17th Street being taken out of service (to prepare for the development in the future of a new Class A trophy office building) decreasing EBITDA by approximately $4,500,000.

Of the 2,395,000 square feet subject to the effects of the Base Realignment and Closure ("BRAC") statute, 393,000 square feet has been taken out of service for redevelopment and 1,372,000 square feet has been leased or is pending. The table below summarizes the status of the BRAC space as of December 31, 2015.

	Rent Per		Square Feet		
	Square Foot	Total	Crystal City	Skyline	Rosslyn
Resolved:					
Relet as of December 31, 2015	$ 37.67	1,337,000	864,000	389,000	84,000
Leases pending	39.98	35,000	25,000	10,000	-
Taken out of service for redevelopment		393,000	393,000	-	-
		1,765,000	1,282,000	399,000	84,000
To be resolved:					
Vacated as of December 31, 2015	34.89	610,000	134,000	412,000	64,000
Expiring in 2016	41.87	20,000	20,000	-	-
		630,000	154,000	412,000	64,000

Total square feet subject to BRAC	2,395,000	1,436,000	811,000	148,000

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Critical Accounting Policies

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

Real Estate

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

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

As of December 31, 2015 and 2014, the carrying amounts of real estate, net of accumulated depreciation, were $14.7 billion and $13.7 billion, respectively. As of December 31, 2015 and 2014, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were $227,901,000 and $225,155,000, respectively, and the carrying amounts of identified intangible liabilities, a component of "deferred revenue" on our consolidated balance sheets, were $318,148,000 and $328,201,000,

respectively.

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

Critical Accounting Policies – continued

Partially Owned Entities

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

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

As of December 31, 2015 and 2014, the carrying amounts of investments in partially owned entities were $1.6 billion and $1.2 billion, 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 ($11,908,000 and $12,210,000 as of December 31, 2015 and 2014, respectively) for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents ($2,751,000 and $3,188,000 as of December 31, 2015 and 2014, 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.

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

Income Taxes

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

Net Income and EBITDA by Segment for the Years Ended December 31, 2015, 2014 and 2013

Below is a summary of net income and a reconciliation of net income to EBITDA[1] by segment for the years ended December 31, 2015, 2014 and 2013.

(Amounts in thousands)	For the Year Ended December 31, 2015			
	Total	New York	Washington, DC	Other
Total revenues	$ 2,502,267	$ 1,695,925	$ 532,812	$ 273,530
Total expenses	1,742,019	1,032,015	390,921	319,083
Operating income (loss)	760,248	663,910	141,891	(45,553)
(Loss) income from partially owned entities	(12,630)	655	(5,083)	(8,202)
Income from real estate fund investments	74,081	-	-	74,081
Interest and other investment income (loss), net	26,978	7,722	(262)	19,518
Interest and debt expense	(378,025)	(194,278)	(68,727)	(115,020)
Net gain on disposition of wholly owned and partially owned assets	251,821	142,693	102,404	6,724
Income (loss) before income taxes	722,473	620,702	170,223	(68,452)
Income tax benefit (expense)	84,695	(4,379)	(317)	89,391
Income from continuing operations	807,168	616,323	169,906	20,939
Income from discontinued operations	52,262	-	-	52,262
Net income	859,430	616,323	169,906	73,201
Less net income attributable to noncontrolling interests	(98,996)	(13,022)	-	(85,974)
Net income (loss) attributable to Vornado	760,434	603,301	169,906	(12,773)
Interest and debt expense[2]	469,843	248,724	82,386	138,733
Depreciation and amortization[2]	664,637	394,028	179,788	90,821
Income tax (benefit) expense[2]	(85,379)	4,766	(1,610)	(88,535)
EBITDA[1]	$ 1,809,535	$ 1,250,819 [3]	$ 430,470 [4]	$ 128,246 [5]

(Amounts in thousands)	For the Year Ended December 31, 2014			
	Total	New York	Washington, DC	Other
Total revenues	$ 2,312,512	$ 1,520,845	$ 537,151	$ 254,516
Total expenses	1,622,619	946,466	358,019	318,134
Operating income (loss)	689,893	574,379	179,132	(63,618)
(Loss) income from partially owned entities	(59,861)	20,701	(3,677)	(76,885)

Income from real estate fund investments	163,034		-		-		163,034
Interest and other investment income, net	38,752		6,711		183		31,858
Interest and debt expense	(412,755)		(183,427)		(75,395)		(153,933)
Net gain on disposition of wholly owned and partially owned assets	13,568		-		-		13,568
Income (loss) before income taxes	432,631		418,364		100,243		(85,976)
Income tax expense	(9,281)		(4,305)		(242)		(4,734)
Income (loss) from continuing operations	423,350		414,059		100,001		(90,710)
Income from discontinued operations	585,676		463,163		-		122,513
Net income	1,009,026		877,222		100,001		31,803
Less net income attributable to noncontrolling interests	(144,174)		(8,626)		-		(135,548)
Net income (loss) attributable to Vornado	864,852		868,596		100,001		(103,745)
Interest and debt expense[2]	654,398		241,959		89,448		322,991
Depreciation and amortization[2]	685,973		324,239		145,853		215,881
Income tax expense[2]	24,248		4,395		288		19,565
EBITDA[1]	$ 2,229,471		$ 1,439,189	[3]	$ 335,590	[4]	$ 454,692 [5]

See notes on pages 51 and 52.

Net Income and EBITDA by Segment for the Years Ended December 31, 2015, 2014 and 2013 - continued

(Amounts in thousands)	For the Year Ended December 31, 2013			
	Total	**New York**	**Washington, DC**	**Other**
Total revenues	$ 2,299,176	$ 1,470,907	$ 541,161	$ 287,108
Total expenses	1,624,625	910,498	347,686	366,441
Operating income (loss)	674,551	560,409	193,475	(79,333)
(Loss) income from partially owned entities	(340,882)	15,527	(6,968)	(349,441)
Income from real estate fund investments	102,898	-	-	102,898
Interest and other investment (loss) income, net	(24,887)	5,357	129	(30,373)
Interest and debt expense	(425,782)	(181,966)	(102,277)	(141,539)
Net gain on disposition of wholly owned and partially owned assets	2,030	-	-	2,030
(Loss) income before income taxes	(12,072)	399,327	84,359	(495,758)
Income tax benefit (expense)	8,717	(2,794)	14,031	(2,520)
(Loss) income from continuing operations	(3,355)	396,533	98,390	(498,278)
Income from discontinued operations	568,095	160,314	-	407,781
Net income (loss)	564,740	556,847	98,390	(90,497)
Less net income attributable to noncontrolling interests	(88,769)	(10,786)	-	(77,983)
Net income (loss) attributable to Vornado	475,971	546,061	98,390	(168,480)
Interest and debt expense[(2)]	758,781	236,645	116,131	406,005
Depreciation and amortization[(2)]	732,757	293,974	142,409	296,374
Income tax expense (benefit)[(2)]	26,371	3,002	(15,707)	39,076
EBITDA[(1)]	$ 1,993,880	$ 1,079,682 [(3)]	$ 341,223 [(4)]	$ 572,975 [(5)]

See notes on pages 51 and 52.

Net Income and EBITDA by Segment for the Years Ended December 31, 2015, 2014 and 2013 - continued

Notes to preceding tabular information:

(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a non-GAAP financial measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on 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 in the reconciliation of net income to EBITDA includes our share of these items from partially owned entities.

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

(Amounts in thousands)	**For the Year Ended December 31,**		
	2015	**2014**	**2013**
Office[(a)]	$ 661,579	$ 622,818	$ 612,009
Retail[(b)]	358,379	281,428	246,808
Residential	22,266	21,907	20,420
Alexander's	42,858	41,746	42,210
Hotel Pennsylvania	23,044	30,753	30,723
Net gains on sale of real estate[(c)]	142,693	440,537	127,512
Total New York	$ 1,250,819	$ 1,439,189	$ 1,079,682

(a) 2015, 2014, and 2013 includes EBITDA from discontinued operations and other items that affect comparability, aggregating $28,846, $34,520, and $48,975, respectively. Excluding these items, EBITDA was $632,733, $588,298, and $563,034, respectively.

(b) 2014 and 2013 includes EBITDA from discontinued operations and other items that affect comparability, aggregating $1,751 and $934, respectively. Excluding these items, EBITDA was $279,677 and $245,874, respectively.

(c) Net gains on sale of real estate are related to 20 Broad Street in 2015, 1740 Broadway in 2014, and 866 UN Plaza in 2013.

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

(Amounts in thousands)	**For the Year Ended December 31,**		
	2015	**2014**	**2013**
Office, excluding the Skyline properties	$ 264,864	$ 266,859	$ 268,373
Skyline properties	24,224	27,150	29,499
Net gain on sale of 1750 Pennsylvania Avenue	102,404	-	-
Total Office	391,492	294,009	297,872
Residential	38,978	41,581	43,351
Total Washington, DC	$ 430,470	$ 335,590	$ 341,223

Net Income and EBITDA by Segment for the Years Ended December 31, 2015, 2014 and 2013 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
Our share of real estate fund investments:			
Income before net realized/unrealized gains	$ 8,611	$ 8,056	$ 7,752
Net realized/unrealized gains on investments	14,657	37,535	23,489
Carried interest	10,696	24,715	18,230
Total	33,964	70,306	49,471
Mart ("theMart") and trade shows	79,159	79,636	74,270
555 California Street	49,975	48,844	42,667
India real estate ventures	3,933	6,434	5,841
Our share of Toys[(a)]	2,500	103,632	(12,081)
Other investments	38,141	16,896	45,856
	207,672	325,748	206,024
Corporate general and administrative expenses[(b)(c)]	(106,416)	(94,929)	(94,904)
Investment income and other, net[(b)]	26,385	31,665	46,525
Gains on sale of partially owned entities and other	37,666	13,000	-
UE and residual retail properties discontinued operations	28,314	245,679	541,516
Our share of impairment loss on India real estate ventures	(14,806)	(5,771)	-
Acquisition and transaction related costs	(12,511)	(16,392)	(24,857)
Net gain on sale of marketable securities, land parcels and residential condominiums	6,724	13,568	56,868
Impairment loss and loan loss reserve on investment in Suffolk Downs	(1,551)	(10,263)	-
Losses from the disposition of investment in J.C. Penney	-	-	(127,888)
Severance costs (primarily reduction in force at theMart)	-	-	(5,492)
Net income attributable to noncontrolling interests in the Operating Partnership	(43,231)	(47,613)	(24,817)
	$ 128,246	$ 454,692	$ 572,975

(a) As a result of our investment being reduced to zero, we suspended equity method accounting in the third quarter of 2014. The years ended December 31, 2014 and 2013 include an impairment loss of $75,196 and $240,757, respectively.

(b) The amounts in these captions (for this table only) exclude income/expense from the mark-to-market of our deferred compensation plan of $111, $11,557 and $10,636 for the years ended December 31, 2015, 2014 and 2013, respectively.

(c) The year ended December 31, 2015 includes $6,217 from the acceleration of the recognition of compensation expense related to 2013-2015 Out-Performance Plans due to the modification of the vesting criteria of awards such that they will fully vest at age 65. The accelerated expense will result in lower general and administrative expense for 2016 of $2,940 and $3,277 thereafter.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region, excluding discontinued operations and other items that affect comparability.

		For the Year Ended December 31,		
		2015	2014	2013
Region:				
	New York City metropolitan area	71%	68%	66%
	Washington, DC / Northern Virginia area	21%	23%	25%
	Chicago, IL	5%	6%	6%
	San Francisco, CA	3%	3%	3%
		100%	100%	100%

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Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014

Revenues

Our revenues, which consist of property rentals (including hotel and trade show revenues), tenant expense reimbursements, and fee and other income, were $2,502,267,000 in the year ended December 31, 2015, compared to $2,312,512,000 in the prior year, an increase of $189,755,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	**Total**	**New York**	**Washington, DC**	**Other**
Property rentals:				
Acquisitions and other	$ 60,671	$ 62,316 (1)	$ (1,645)	$ -
Development and redevelopment	55,559	52,547 (2)	142	2,870
Hotel Pennsylvania	(6,501)	(6,501)	-	-
Trade shows	2,195	-	-	2,195
Same store operations	53,175	46,024	(625)	7,776
	165,099	154,386	(2,128)	12,841
Tenant expense reimbursements:				
Acquisitions and other	4,867	5,098 (1)	(231)	-
Development and redevelopment	2,863	2,904 (2)	(41)	-
Same store operations	7,427	4,046	(289)	3,670
	15,157	12,048	(561)	3,670
Fee and other income:				
BMS cleaning fees	(3,545)	(4,271)	-	726
Management and leasing fees	(3,123)	(2,509)	(480)	(134)
Lease termination fees	10,307	12,207	(1,900)	-
Other income	5,860	3,219	730	1,911
	9,499	8,646	(1,650)	2,503
Total increase (decrease) in revenues	$ 189,755	$ 175,080	$ (4,339)	$ 19,014

(1) Includes the acquisitions of 33-00 Northern Boulevard (Center Building), 260 Eleventh Avenue, 697-703 Fifth Avenue (St. Regis - retail) and 150 West 34th Street.

(2) Primarily 330 West 34th Street, 7 West 34th Street and 1535 Broadway (Marriott Marquis - retail and signage).

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,742,019,000 in the year ended December 31, 2015, compared to $1,622,619,000 in the prior year, an increase of $119,400,000. Below are the details of the increase by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Operating:				
Acquisitions and other	$ 10,242	$ 11,729 (1)	$ (1,487)	$ -
Development and redevelopment	19,760	14,289 (2)	1,449	4,023
Non-reimbursable expenses, including bad-debt reserves	(3,397)	(3,026)	(538)	167
Hotel Pennsylvania	915	915	-	-
Trade shows	249	-	-	249
BMS expenses	(2,963)	(4,229)	-	1,266
Same store operations	32,831	22,719	1,337	8,776
	57,638	42,396	761	14,481
Depreciation and amortization:				
Acquisitions and other	34,262	34,816 (1)	(554)	-
Development and redevelopment	17,014	(6,120) (2)	30,599	(7,465)
Same store operations	10,373	7,910	3,384	(921)
	61,649	36,606	33,429	(8,386)
General and administrative:				
Mark-to-market of deferred compensation plan liability	(11,446)	-	-	(11,446) (3)
Same store operations	17,483	6,547 (4)	(1,288)	12,224 (5)
	6,037	6,547	(1,288)	778
Acquisition and transaction related costs	(5,924)	-	-	(5,924)
Total increase in expenses	$ 119,400	$ 85,549	$ 32,902	$ 949

(1) Includes the acquisitions of 33-00 Northern Boulevard (Center Building), 260 Eleventh Avenue, 697-703 Fifth Avenue (St. Regis - retail) and 150 West 34th Street.

(2) Primarily 330 West 34th Street, 7 West 34th Street and 1535 Broadway (Marriott Marquis - retail and signage).

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

(4) Results primarily from (i) the acceleration of the recognition of compensation expense of $1,555 related to 2013-2015 Out-Performance Plans due to the modification of the vesting criteria of awards such that they fully vest at age 65. The accelerated expense will result in lower general and administrative expense for 2016 of $706 and $849 thereafter; and (ii) higher payroll and related costs.

(5) Results primarily from (i) the acceleration of the recognition of compensation expense of $6,217 related to 2013-2015 Out-Performance Plans due to the modification of the vesting criteria of awards such that they fully vest at age 65. The accelerated expense will result in lower general and administrative expense for 2016 of $2,940 and $3,277 thereafter; (ii) higher payroll and related costs of $2,900; and (iii) higher professional fees and other of $2,400.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Loss from Partially Owned Entities

Summarized below are the components of loss from partially owned entities for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	**Percentage Ownership at December 31, 2015**	**For the Year Ended December 31,**	
		2015	**2014**
Equity in Net Income (Loss):			
Alexander's	32.4%	$ 31,078	$ 30,009
Partially owned office buildings [1]	Various	(23,556)	93
India real estate ventures [2]	4.1%-36.5%	(18,746)	(8,309)
PREIT	8.1%	(7,450)	-
UE	5.4%	4,394	-
Toys [3]	32.5%	2,500	(73,556)
Other investments [4]	Various	(850)	(8,098)
		$ (12,630)	$ (59,861)

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue, 512 West 22nd Street and others. In 2015, we recognized net losses of $39,600 from our 666 Fifth Avenue (Office) joint venture as a result of our share of depreciation expense. Also in 2015, we recognized our $12,800 share of a write-off of a below market lease liability related to a tenant vacating at 650 Madison Avenue. In 2014, we recognized our $14,500 share of accelerated depreciation from our West 57th Street joint ventures in connection with the change in estimated useful life of those properties.

(2) Includes a $14,806 and $5,771 non-cash impairment loss in 2015 and 2014, respectively.

(3) For the year ended December 31, 2015, we recognized net income of $2,500 from our investment in Toys, representing management fees earned and received, compared to a net loss of $73,556 for the year ended December 31, 2014, which was primarily due to a $75,196 non-cash impairment loss.

(4) Includes interests in Independence Plaza, 85 Tenth Avenue, Fashion Center Mall, 50-70 West 93rd Street and others. In 2014, we recognized a $10,263 non-cash charge, comprised of a $5,959 impairment loss and a $4,304 loan loss reserve, on our equity and debt investments in Suffolk Downs.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Income from Real Estate Fund Investments

Below are the components of the income from our real estate fund investments for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	For the Year Ended December 31,	
	2015	2014
Net investment income	$ 16,329	$ 12,895
Net realized gains on exited investments	2,757	76,337
Net unrealized gains on held investments	54,995	73,802
Income from real estate fund investments	74,081	163,034
Less income attributable to noncontrolling interests	(40,117)	(92,728)
Income from real estate fund investments attributable to Vornado [1]	$ 33,964	$ 70,306

(1) Excludes management and leasing fees of $2,939 and $2,562 in the years ended December 31, 2015 and 2014, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment Income, net

Interest and other investment income, net was $26,978,000 in the year ended December 31, 2015, compared to $38,752,000 in the prior year, a decrease in income of $11,774,000. This decrease resulted primarily from a decrease in the value of investments in our deferred compensation plan (offset by a corresponding decrease in the liability for plan assets in “general and administrative” expenses on our consolidated statements of income).

Interest and Debt Expense

Interest and debt expense was $378,025,000 in the year ended December 31, 2015, compared to $412,755,000 in the prior year, a decrease of $34,730,000. This decrease was primarily due to (i) $26,652,000 of interest savings from the redemption of the $445,000,000 principal amount of the outstanding 7.875% senior unsecured notes during the fourth quarter of 2014, (ii) $21,375,000 of interest savings from the redemption of the $500,000,000 principal amount of the outstanding 4.25% senior unsecured notes on January 1, 2015, partially offset by (iii) $5,297,000 of interest expense from the issuance of $450,000,000 of 2.50% senior unsecured notes in June 2014, (iv) $5,182,000 of interest expense

from the current year's financings of 150 West 34th Street and the Center Building, and (v) $3,481,000 of lower capitalized interest.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

Net gain on disposition of wholly owned and partially owned assets was $251,821,000 in the year ended December 31, 2015, $142,693,000 from the net gain on sale of 20 Broad Street, $102,404,000 from the net gain on sale of 1750 Pennsylvania Avenue and $6,724,000 from the sale of residential condominiums, compared to $13,568,000 in the year ended December 31, 2014, from the sale of residential condominiums and a land parcel.

Income Tax Benefit (Expense)

In the year ended December 31, 2015, we had an income tax benefit of $84,695,000, compared to an expense of $9,281,000 in the prior year, a decrease in expense of $93,976,000. This decrease in expense resulted primarily from the reversal of the valuation allowances against certain of our deferred tax assets, as we have concluded that it is more-likely than not that we will generate sufficient taxable income from the sale of 220 Central Park South residential condominium units to realize the deferred tax assets.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Income from Discontinued Operations

We have reclassified the revenues and expenses of the properties that were sold or are currently held for sale to "income from discontinued operations" and the related assets and liabilities to "assets related to discontinued operations" and "liabilities related to discontinued operations" for all the periods presented in the accompanying financial statements. The table below sets forth the combined results of assets related to discontinued operations for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	For the Year Ended December 31,	
	2015	**2014**
Total revenues	$ 27,831	$ 395,786
Total expenses	17,651	274,107
	10,180	121,679
Net gains on sales of real estate	65,396	507,192
Transaction related costs (primarily UE spin off)	(22,972)	(14,956)
Impairment losses	(256)	(26,518)
Pretax income from discontinued operations	52,348	587,397
Income tax expense	(86)	(1,721)
Income from discontinued operations	$ 52,262	$ 585,676

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $55,765,000 in the year ended December 31, 2015, compared to $96,561,000 in the prior year, a decrease of $40,796,000. This decrease resulted primarily from lower net income allocated to the noncontrolling interests, including noncontrolling interests of our real estate fund investments.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was $43,231,000 in the year ended December 31, 2015, compared to $47,613,000 in the prior year, a decrease of $4,382,000. This decrease resulted primarily from lower net income subject to allocation to unitholders.

Preferred Share Dividends

Preferred share dividends were $80,578,000 in the year ended December 31, 2015, compared to $81,464,000 in the prior year, a decrease of $886,000.

Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Same Store EBITDA

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

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the year ended December 31, 2015, compared to the year ended December 31, 2014.

(Amounts in thousands)	**New York**	**Washington, DC**
EBITDA for the year ended December 31, 2015	$ 1,250,819	$ 430,470
Add-back:		
Non-property level overhead expenses included above	35,026	26,051
Less EBITDA from:		
Acquisitions	(61,369)	-
Dispositions, including net gains on sale	(169,362)	(108,015)
Properties taken out-of-service for redevelopment	(71,705)	2,271
Other non-operating income	(17,692)	(5,747)
Same store EBITDA for the year ended December 31, 2015	$ 965,717	$ 345,030
EBITDA for the year ended December 31, 2014	$ 1,439,189	$ 335,590
Add-back:		
Non-property level overhead expenses included above	28,479	27,339
Less EBITDA from:		
Acquisitions	(4,141)	-
Dispositions, including net gains on sale	(476,465)	(9,302)
Properties taken out-of-service for redevelopment	(26,832)	621
Other non-operating income	(8,815)	(5,445)
Same store EBITDA for the year ended December 31, 2014	$ 951,415	$ 348,803
Increase (decrease) in same store EBITDA -	$ 14,302 [(1)]	$ (3,773) [(3)]

Year ended December 31, 2015 vs. December 31, 2014		
% increase (decrease) in same store EBITDA	1.5% [(2)]	(1.1%)

See notes on following page.

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Results of Operations – Year Ended December 31, 2015 Compared to December 31, 2014 - continued

Notes to preceding tabular information:

New York:

(1) The $14,302,000 increase in New York same store EBITDA resulted primarily from increases in Office and Retail EBITDA of $13,688,000 and $6,519,000, respectively, partially offset by a decrease in Hotel Pennsylvania EBITDA of $7,709,000. The Office and Retail EBITDA increases resulted primarily from higher rents, including signage, partially offset by lower management and leasing fees and higher operating expenses, net of reimbursements.

(2) Excluding Hotel Pennsylvania, same store EBITDA increased by 2.4%.

Washington, DC:

(3) The $3,773,000 decrease in Washington, DC same store EBITDA resulted primarily from higher net operating expenses of $2,088,000, lower fee and other income of $942,000, and lower management and leasing fees of $480,000.

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York	Washington, DC
Same store EBITDA for the year ended December 31, 2015	$ 965,717	$ 345,030

Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(131,561)		(25,617)
Cash basis same store EBITDA for the year ended December 31, 2015	$ 834,156		$ 319,413
Same store EBITDA for the year ended December 31, 2014	$ 951,415		$ 348,803
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(119,842)		(7,828)
Cash basis same store EBITDA for the year ended December 31, 2014	$ 831,573		$ 340,975
Increase (decrease) in cash basis same store EBITDA - Year ended December 31, 2015 vs. December 31, 2014	$ 2,583		$ (21,562)
% increase (decrease) in cash basis same store EBITDA	0.3%	(1)	(6.3%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 1.3% on a cash basis.

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

Revenues

Our revenues, which consist primarily of property rentals, tenant expense reimbursements, and fee and other income, were $2,312,512,000 in the year ended December 31, 2014, compared to $2,299,176,000 in the year ended December 31, 2013, an increase of $13,336,000. Excluding decreases of $36,369,000 related to the Cleveland Medical Mart development project in 2013 and $23,992,000 from the deconsolidation of Independence Plaza, revenues increased by $73,697,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Other
Property rentals:				
Acquisitions and other	$ 15,600	$ 18,232	$ (1,353)	$ (1,279)
Deconsolidation of Independence Plaza[1]	(23,992)	(23,992)	-	-
Development and redevelopment	(9,229)	229	(2,274)	(7,184)
Same store operations	48,703	37,288	(2,913)	14,328
	31,082	31,757	(6,540)	5,865
Tenant expense reimbursements:				
Acquisitions and other	1,448	768	874	(194)
Development and redevelopment	(2,123)	(1,650)	94	(567)
Same store operations	19,663	17,367	(944)	3,240
	18,988	16,485	24	2,479
Cleveland Medical Mart development project	(36,369) [2]	-	-	(36,369) [2]
Fee and other income:				
BMS cleaning fees	19,152	19,358	-	(206) [3]
Management and leasing fees	(3,167)	(862)	(2,769)	464
Lease termination fees	(16,267)	(17,093) [4]	4,138	(3,312)
Other income	(83)	293	1,137	(1,513)
	(365)	1,696	2,506	(4,567)
Total increase (decrease) in revenues	$ 13,336	$ 49,938	$ (4,010)	$ (32,592)

(1) On June 7, 2013, we sold an 8.65% economic interest in our investment of Independence Plaza, which reduced our economic interest to 50.1%. As a result, we determined that we were no longer the primary

beneficiary of the VIE and accordingly, we deconsolidated the operations of the property on June 7, 2013 and began accounting for our investment under the equity method.

(2) Due to the completion of the project. This decrease in revenue is substantially offset by a decrease in development costs expensed in the period. See note (4) on page 61.

(3) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (3) on page 61.

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

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

Expenses

Our expenses, which consist primarily of operating (including hotel and trade show expenses), depreciation and amortization and general and administrative expenses, were $1,622,619,000 in the year ended December 31, 2014, compared to $1,624,625,000 in the year ended December 31, 2013, a decrease of $2,006,000. Excluding expenses of $32,210,000 related to the Cleveland Medical Mart development project in 2013 and $25,899,000 from the deconsolidation of Independence Plaza, expenses increased by $56,103,000. Below are the details of the (decrease) increase by segment:

(Amounts in thousands)

(Decrease) increase due to:	Total	New York	Washington, DC	Other
Operating:				
Acquisitions and other	$ 334	$ 336	$ 1,466	$ (1,468)
Deconsolidation of Independence Plaza[1]	(9,592)	(9,592)	-	-
Development and redevelopment	(12,124)	(4,374)	(1,113)	(6,637)
Non-reimbursable expenses, including bad-debt reserves	99	1,301	-	(1,202)
BMS expenses	11,813	12,019	-	(206) [3]
Same store operations	34,516	27,118	4,469	2,929
	25,046	26,808	4,822	(6,584)
Depreciation and amortization:				
Acquisitions and other	10,660	9,836	835	(11)
Deconsolidation of Independence Plaza[1]	(16,307)	(16,307)	-	-
Development and redevelopment	19,672	23,488	(649)	(3,167)
Same store operations	5,651	(7,130)	5,046	7,735
	19,676	9,887	5,232	4,557
General and administrative:				
Mark-to-market of deferred compensation plan liability [2]	921	-	-	921
Non-same store	(5,408)	-	(5)	(5,403)
Same store operations	(3,609)	(727)	284	(3,166)
	(8,096)	(727)	279	(7,648)
Cleveland Medical Mart development project	(32,210) [4]	-	-	(32,210) [4]

Impairment losses, acquisition related costs and tenant buy-outs		(6,422)		-		-		(6,422)
Total (decrease) increase in expenses	$	(2,006)	$	35,968	$	10,333	$	(48,307)

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

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

(3) Represents the change in the elimination of intercompany fees from operating segments upon consolidation. See note (3) on page 60.

(4) Due to the completion of the project. This decrease in expense is offset by the decrease in development revenue in the period. See note (2) on page 60.

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

Loss from Partially Owned Entities

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

(Amounts in thousands)	Percentage Ownership at December 31, 2014	For the Year Ended December 31, 2014	2013
Equity in Net (Loss) Income:			
Toys[1]	32.6%	$ (73,556)	$ (362,377)
Alexander's	32.4%	30,009	24,402
India real estate ventures[2]	4.1%-36.5%	(8,309)	(3,533)
Partially owned office buildings[3]	Various	93	(4,212)
LNR[4]	n/a	-	18,731
Lexington[5]	n/a	-	(979)
Other investments[6]	Various	(8,098)	(12,914)
		$ (59,861)	$ (340,882)

(1) For the year ended December 31, 2014, we recognized a net loss of $73,556, which was primarily due to a $75,196 non-cash impairment loss, compared to a net loss of $362,377 for the year ended December 31, 2013, which includes our $128,919 share of Toys' net loss and $240,757 of non-cash impairment losses.

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

(3) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue and others. In 2014, we recognized our $14,500 share of accelerated depreciation from our West 57th Street joint ventures in connection with the change in estimated useful life of those properties.

(4) In 2013, we recognized net income of $18,731, comprised of (i) $42,186 for our share of LNR's net income and (ii) a $27,231 non-cash impairment loss and (iii) a $3,776 net gain on sale.

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

(6) Includes interests in Independence Plaza, 85 Tenth Avenue, Fashion Center Mall, 50-70 West 93rd Street and others. In 2014, we recognized a $10,263 non-cash charge, comprised of a $5,959 impairment loss and a $4,304 loan loss reserve, on our equity and debt investments in Suffolk Downs.

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

Income from Real Estate Fund Investments

Below are the components of the income from our real estate fund investments for the years ended December 31, 2014 and 2013.

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

(1) Excludes management and leasing fees of $2,562 and $2,721 in the years ended December 31, 2014 and 2013, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

Interest and Other Investment Income (Loss), net

Interest and other investment income (loss), net, was income of $38,752,000 in the year ended December 31, 2014, compared to a loss of $24,887,000 in the prior year, an increase in income of $63,639,000. This increase resulted from:

(Amounts in thousands)		
Losses from the disposition of investment in J.C. Penney in 2013	$	72,974
Lower average loans receivable balances in 2014		(14,576)
Higher dividends on marketable securities		1,261
Increase in the value of investments in our deferred compensation plan (offset by a corresponding increase		921

	in the liability for plan assets in general and administrative expenses)	
Other, net		3,059
		$ 63,639

Interest and Debt Expense

Interest and debt expense was $412,755,000 in the year ended December 31, 2014, compared to $425,782,000 in the year ended December 31, 2013, a decrease of $13,027,000. This decrease was primarily due to (i) $20,483,000 of higher capitalized interest and (ii) $18,568,000 of interest savings from the restructuring of the Skyline properties mortgage loan in the fourth quarter of 2013, partially offset by (iii) $13,287,000 of interest expense from the $600,000,000 financing of our 220 Central Park South development site in January 2014, (iv) $6,265,000 of interest expense from the issuance of the $450,000,000 2.50% senior unsecured notes in June 2014, and (v) $5,589,000 of defeasance cost in connection with the refinancing of 909 Third Avenue.

Net Gain on Disposition of Wholly Owned and Partially Owned Assets

Net gain on disposition of wholly owned and partially owned assets was $13,568,000 in year ended December 31, 2014, primarily from the sale of residential condominiums and a land parcel, compared to $2,030,000 in the year ended December 31, 2013, primarily from net gains from the sale of marketable securities, land parcels (including Harlem Park), and residential condominiums aggregating $56,868,000, partially offset by a $54,914,000 net loss on sale of J.C. Penney common shares.

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

Income Tax Benefit (Expense)

In the year ended December 31, 2014, we had an income tax expense of $9,281,000, compared to a benefit of $8,717,000 in the year ended December 31, 2013, an increase in expense of $17,998,000. This increase resulted primarily from a reversal of previously accrued deferred tax liabilities in the prior year due to a change in the effective tax rate resulting from an amendment of the Washington, DC Unincorporated Business Tax Statute.

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, 2014 and 2013.

(Amounts in thousands)	For the Year Ended December 31,	
	2014	**2013**
Total revenues	$ 395,786	$ 502,061
Total expenses	274,107	310,364
	121,679	191,697
Net gains on sales of real estate	507,192	414,502
Impairment losses	(26,518)	(37,170)
Transaction related costs (primarily UE spin off)	(14,956)	-
Net gain on sale of asset other than real estate	-	1,377
Pretax income from discontinued operations	587,397	570,406
Income tax expense	(1,721)	(2,311)
Income from discontinued operations	$ 585,676	$ 568,095

Net Income Attributable to Noncontrolling Interests in Consolidated Subsidiaries

Net income attributable to noncontrolling interests in consolidated subsidiaries was $96,561,000 in the year ended December 31, 2014, compared to $63,952,000 in the year ended December 31, 2013, an increase of $32,609,000. This increase resulted primarily from higher net income allocated to the noncontrolling interests, including noncontrolling interests of our real estate fund investments.

Net Income Attributable to Noncontrolling Interests in the Operating Partnership

Net income attributable to noncontrolling interests in the Operating Partnership was $47,613,000 in the year ended December 31, 2014, compared to $24,817,000 in the year ended December 31, 2013, an increase of $22,796,000. This increase resulted primarily from higher net income subject to allocation to unitholders.

Preferred Share Dividends

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

Preferred Unit and Share Redemptions

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

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

Same Store EBITDA

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

(Amounts in thousands)	New York	Washington, DC
EBITDA for the year ended December 31, 2014	$ 1,439,189	$ 335,590
Add-back:		
Non-property level overhead expenses included above	28,479	27,339
Less EBITDA from:		
Acquisitions	(33,917)	-
Dispositions, including net gains on sale	(476,247)	(9,302)
Properties taken out-of-service for redevelopment	(26,056)	(1,432)
Other non-operating income	(9,013)	(5,446)
Same store EBITDA for the year ended December 31, 2014	$ 922,435	$ 346,749
EBITDA for the year ended December 31, 2013	$ 1,079,682	$ 341,223
Add-back:		
Non-property level overhead expenses included above	29,206	27,060
Less EBITDA from:		
Acquisitions	(4,764)	-
Dispositions, including net gains on sale	(172,693)	(7,388)
Properties taken out-of-service for redevelopment	(20,013)	(4,056)
Other non-operating income	(31,522)	(1,129)
Same store EBITDA for the year ended December 31, 2013	$ 879,896	$ 355,710
Increase (decrease) in same store EBITDA - Year ended December 31, 2014 vs. December 31, 2013	$ 42,539 [1]	$ (8,961) [3]
% increase (decrease) in same store EBITDA	4.8% [2]	(2.5%)

See notes on following page.

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

Notes to preceding tabular information:

New York:

(1) The $42,539,000 increase in New York same store EBITDA resulted primarily from increases in Office and Retail EBITDA of $29,324,000 and $13,159,000. The Office and Retail EBITDA increases resulted primarily from higher rents, including signage, partially offset by higher operating expenses, net of reimbursements.

(2) Excluding Hotel Pennsylvania, same store EBITDA increased by 5.0%.

Washington, DC:

(3) The $8,961,000 decrease in Washington, DC same store EBITDA resulted primarily from lower rental revenue of $2,913,000, lower management and leasing fee income of $2,769,000 and higher operating expenses of $4,534,000, partially offset by an increase in other income of $1,541,000.

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	**New York**	**Washington, DC**
Same store EBITDA for the year ended December 31, 2014	$ 922,435	$ 346,749

Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(105,955)		(7,770)
Cash basis same store EBITDA for the year ended December 31, 2014	$ 816,480		$ 338,979
Same store EBITDA for the year ended December 31, 2013	$ 879,896		$ 355,710
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(121,271)		(5,883)
Cash basis same store EBITDA for the year ended December 31, 2013	$ 758,625		$ 349,827
Increase (decrease) in cash basis same store EBITDA - Year ended December 31, 2014 vs. December 31, 2013	$ 57,855		$ (10,848)
% increase (decrease) in cash basis same store EBITDA	7.6%	(1)	(3.1%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 8.0% on a cash basis.

Supplemental Information

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2015 and 2014

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, 2015 and 2014.

(Amounts in thousands)	For the Three Months Ended December 31, 2015			
	Total	New York	Washington, DC	Other
Total revenues	$ 651,581	$ 452,717	$ 131,284	$ 67,580
Total expenses	443,878	265,152	97,149	81,577
Operating income (loss)	207,703	187,565	34,135	(13,997)
Loss from partially owned entities	(3,921)	(868)	(1,500)	(1,553)
Income from real estate fund investments	21,959	-	-	21,959
Interest and other investment income (loss), net	7,360	2,080	(322)	5,602
Interest and debt expense	(98,915)	(51,274)	(16,504)	(31,137)
Net gain on disposition of wholly owned and partially owned owned assets	146,924	142,693	-	4,231
Income (loss) before income taxes	281,110	280,196	15,809	(14,895)
Income tax benefit (expense)	450	(1,194)	(238)	1,882
Income (loss) from continuing operations	281,560	279,002	15,571	(13,013)
Income from discontinued operations	1,984	-	-	1,984
Net income (loss)	283,544	279,002	15,571	(11,029)
Less net income attributable to noncontrolling interests	(32,437)	(6,382)	-	(26,055)
Net income (loss) attributable to Vornado	251,107	272,620	15,571	(37,084)
Interest and debt expense[2]	121,118	64,347	19,973	36,798
Depreciation and amortization[2]	170,733	105,131	43,101	22,501
Income tax (benefit) expense[2]	(30)	1,398	246	(1,674)
EBITDA[1]	$ 542,928	$ 443,496 [3]	$ 78,891 [4]	$ 20,541 [5]

(Amounts in thousands)	For the Three Months Ended December 31, 2014			
	Total	New York	Washington, DC	Other
Total revenues	$ 597,010	$ 400,159	$ 133,506	$ 63,345
Total expenses	423,765	243,739	92,720	87,306

Operating income (loss)	173,245	156,420	40,786	(23,961)
Income from partially owned entities	18,815	4,329	1,248	13,238
Income from real estate fund investments	20,616	-	-	20,616
Interest and other investment income, net	9,938	1,822	90	8,026
Interest and debt expense	(111,713)	(48,457)	(18,703)	(44,553)
Net gain on disposition of wholly owned and partially owned assets	363	-	-	363
Income (loss) before income taxes	111,264	114,114	23,421	(26,271)
Income tax expense	(2,498)	(1,308)	(196)	(994)
Income (loss) from continuing operations	108,766	112,806	23,225	(27,265)
Income from discontinued operations	467,220	445,762	-	21,458
Net income (loss)	575,986	558,568	23,225	(5,807)
Less net income attributable to noncontrolling interests	(42,383)	(1,423)	-	(40,960)
Net income (loss) attributable to Vornado	533,603	557,145	23,225	(46,767)
Interest and debt expense[(2)]	143,674	61,809	21,979	59,886
Depreciation and amortization[(2)]	155,921	83,199	37,486	35,236
Income tax expense[(2)]	2,759	1,326	200	1,233
EBITDA[(1)]	$ 835,957	$ 703,479 [(3)]	$ 82,890 [(4)]	$ 49,588 [(5)]

See notes on pages 68 and 69.

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2015 and 2014 - continued

Notes to preceding tabular information:

(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." We consider EBITDA a non-GAAP financial measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on 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 in the reconciliation of net income to EBITDA includes our share of these items from partially owned entities.

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

(Amounts in thousands)	For the Three Months Ended December 31,	
	2015	**2014**
Office[(a)]	$ 181,072	$ 159,231
Retail	93,319	75,959
Residential	6,011	5,214
Alexander's	11,708	10,658
Hotel Pennsylvania	8,693	11,880
Net gains on sale of real estate[(b)]	142,693	440,537
Total New York	$ 443,496	$ 703,479

(a) 2015 and 2014 includes EBITDA from discontinued operations and other items that affect comparability, aggregating $17,265 and $7,955, respectively. Excluding these items, EBITDA was $163,807 and $151,276, respectively.

(b) Net gains on sale of real estate are related to 20 Broad Street in 2015 and 1740 Broadway in 2014.

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

(Amounts in thousands)	For the Three Months Ended December 31,	
	2015	**2014**
Office, excluding the Skyline properties	$ 64,233	$ 66,641
Skyline properties	5,187	5,880
Total Office	69,420	72,521
Residential	9,471	10,369
Total Washington, DC	$ 78,891	$ 82,890

Supplemental Information – continued

Net Income and EBITDA by Segment for the Three Months Ended December 31, 2015 and 2014 - continued

Notes to preceding tabular information:

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

(Amounts in thousands)	For the Three Months Ended December 31, 2015	2014
Our share of real estate fund investments:		
Income before net realized/unrealized gains	$ 1,732	$ 1,388
Net realized/unrealized gains on investments	5,115	4,645
Carried interest	4,448	3,072
Total	11,295	9,105
theMart and trade shows	16,930	18,598
555 California Street	11,738	13,278
India real estate ventures	1,704	1,860
Other investments	12,854	3,908
	54,521	46,749
Corporate general and administrative expenses[(a)]	(24,373)	(22,977)
Investment income and other, net[(a)]	5,110	8,901
Acquisition and transaction related costs	(4,951)	(12,763)
Net gain on sale of residential condominiums	4,231	363
UE and residual retail properties discontinued operations	2,001	53,147
Impairment loss on loan loss reserve on investment in Suffolk Downs	(956)	-
Gains on sale of partially owned entities and other	-	13,000
Our share of impairment loss on India real estate ventures	-	(5,771)
Net income attributable to noncontrolling interests in the Operating Partnership	(15,042)	(31,061)
	$ 20,541	$ 49,588

(a) The amounts in these captions (for this table only) exclude income/expense from the mark-to-market of our deferred compensation plan of $438 and $3,425 for the three months ended December 31, 2015 and 2014, respectively.

EBITDA by Region

Below is a summary of the percentages of EBITDA by geographic region, excluding discontinued operations and other items that affect comparability.

		For the Three Months Ended December 31,	
		2015	**2014**
Region:			
	New York City metropolitan area	72%	69%
	Washington, DC / Northern Virginia area	21%	22%
	Chicago, IL	4%	5%
	San Francisco, CA	3%	4%
		100%	100%

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Supplemental Information – continued

Three Months Ended December 31, 2015 Compared to December 31, 2014

Same Store EBITDA

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

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the three months ended December 31, 2015, compared to the three months ended December 31, 2014.

(Amounts in thousands)	**New York**	**Washington, DC**
EBITDA for the three months ended December 31, 2015	$ 443,496	$ 78,891
Add-back:		
Non-property level overhead expenses included above	6,788	7,553
Less EBITDA from:		
Acquisitions	(26,545)	-
Dispositions, including net gains on sale	(159,842)	41
Properties taken out-of-service for redevelopment	(21,515)	740
Other non-operating expense (income)	2,673	(2,452)
Same store EBITDA for the three months ended December 31, 2015	$ 245,055	$ 84,773
EBITDA for the three months ended December 31, 2014	$ 703,479	$ 82,890
Add-back:		
Non-property level overhead expenses included above	6,055	6,866
Less EBITDA from:		
Acquisitions	(4,191)	-
Dispositions, including net gains on sale	(448,915)	(3,551)
Properties taken out-of-service for redevelopment	(9,038)	283

Other non-operating income	(2,467)	(1,337)
Same store EBITDA for the three months ended December 31, 2014	$ 244,923	$ 85,151
Increase (decrease) in GAAP basis same store EBITDA - Three months ended December 31, 2015 vs. December 31, 2014	$ 132	$ (378)
% increase (decrease) in same store EBITDA	0.1% [1]	(0.4%)

(1) Excluding Hotel Pennsylvania, same store EBITDA increased by 1.4%.

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Supplemental Information – continued

Three Months Ended December 31, 2015 Compared to December 31, 2014 - continued

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York		Washington, DC
Same store EBITDA for the three months ended December 31, 2015	$ 245,055		$ 84,773
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(39,466)		(6,755)
Cash basis same store EBITDA for the three months ended December 31, 2015	$ 205,589		$ 78,018
Same store EBITDA for the three months ended December 31, 2014	$ 244,923		$ 85,151
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(27,187)		(3,079)
Cash basis same store EBITDA for the three months ended December 31, 2014	$ 217,736		$ 82,072
Decrease in cash basis same store EBITDA - Three months ended December 31, 2015 vs. December 31, 2014	$ (12,147)		$ (4,054)
% decrease in cash basis same store EBITDA	(5.6%)	(1)	(4.9%)

(1) Excluding Hotel Pennsylvania, same store EBITDA decreased by 4.4% on a cash basis.

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Supplemental Information – continued

Three Months Ended December 31, 2015 Compared to September 30, 2015

Below is the reconciliation of Net Income to EBITDA for the three months ended September 30, 2015.

(Amounts in thousands)	**New York**	**Washington, DC**
Net income attributable to Vornado for the three months ended September 30, 2015	$ 117,317	$ 114,252
Interest and debt expense	64,653	20,010
Depreciation and amortization	99,206	48,132
Income tax expense	1,214	294
EBITDA for the three months ended September 30, 2015	$ 282,390	$ 182,688

Below is the reconciliation of EBITDA to same store EBITDA for each of our segments for the three months ended December 31, 2015, compared to the three months ended September 30, 2015.

(Amounts in thousands)	**New York**	**Washington, DC**
EBITDA for the three months ended December 31, 2015	$ 443,496	$ 78,891
Add-back:		
Non-property level overhead expenses included above	6,788	7,553
Less EBITDA from:		
Acquisitions	(1,469)	-
Dispositions, including net gains on sale	(159,843)	41
Properties taken out-of-service for redevelopment	(21,515)	740
Other non-operating income	(9,259)	(2,452)
Same store EBITDA for the three months ended December 31, 2015	$ 258,198	$ 84,773
EBITDA for the three months ended September 30, 2015	$ 282,390	$ 182,688
Add-back:		
Non-property level overhead expenses included above	8,305	6,283
Less EBITDA from:		
Acquisitions	(712)	-
Dispositions, including net gains on sale	(3,161)	(104,005)
	(19,385)	548

Properties taken out-of-service for redevelopment				
Other non-operating income		(10,347)		(1,414)
Same store EBITDA for the three months ended September 30, 2015	$	257,090	$	84,100
Increase in same store EBITDA -				
Three months ended December 31, 2015 vs. September 30, 2015	$	1,108	$	673
% increase in same store EBITDA		0.4% [(1)]		0.8%

(1) Excluding Hotel Pennsylvania, same store EBITDA was flat.

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Supplemental Information – continued

Three Months Ended December 31, 2015 Compared to September 30, 2015 - continued

Reconciliation of Same Store EBITDA to Cash basis Same Store EBITDA

(Amounts in thousands)	New York		Washington, DC
Same store EBITDA for the three months ended December 31, 2015	$ 258,198		$ 84,773
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(47,577)		(6,840)
Cash basis same store EBITDA for the three months ended December 31, 2015	$ 210,621		$ 77,933
Same store EBITDA for the three months ended September 30, 2015	$ 257,090		$ 84,100
Less: Adjustments for straight line rents, amortization of acquired below-market leases, net, and other non-cash adjustments	(44,518)		(7,118)
Cash basis same store EBITDA for the three months ended September 30, 2015	$ 212,572		$ 76,982
(Decrease) increase in cash basis same store EBITDA - Three months ended December 31, 2015 vs. September 30, 2015	$ (1,951)		$ 951
% (decrease) increase in cash basis same store EBITDA	(0.9%)	(1)	1.2%

(1) Excluding Hotel Pennsylvania, same store EBITDA decreased by 1.5% on a cash basis.

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.

On January 15, 2015, we completed the spin-off of 79 strip shopping centers, three malls, a warehouse park and $225,000,000 of cash to UE and the transfer of all of the employees responsible for the management and leasing of those assets. In addition, we entered into agreements with UE to provide management and leasing services, on our behalf, for Alexander's Rego Park retail assets. Fees for these services are similar to the fees we are receiving from Alexander's as 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 general partners. As of December 31, 2015, Interstate and its partners beneficially owned an aggregate of approximately 7.1% 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 $541,000, $535,000, and $606,000 of management fees under the agreement for the years ended December 31, 2015, 2014 and 2013.

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, unsecured term loan and our unsecured 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 20, 2016, we declared a quarterly common dividend of $0.63 per share (an indicated annual rate of $2.52 per common share). This dividend, if continued for all of 2016, would require us to pay out approximately $476,000,000 of cash for common share dividends. In addition, during 2016, we expect to pay approximately $82,000,000 of cash dividends on outstanding preferred shares and approximately $32,000,000 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 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 unsecured 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 unsecured 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, 2015, we are in compliance with all of the financial covenants required by our senior unsecured notes and our unsecured revolving credit facilities.

As of December 31, 2015, we had $1,835,707,000 of cash and cash equivalents and $1,911,904,000 of borrowing capacity under our unsecured revolving credit facilities, net of outstanding borrowings and letters of credit of $550,000,000 and $38,096,000, respectively. A summary of our consolidated debt as of December 31, 2015 and 2014 is presented below.

(Amounts in thousands)		**2015**			**2014**	
		December 31,	**Weighted Average Interest**		**December 31,**	**Weighted Average Interest**
Consolidated debt:		**Balance**	**Rate**		**Balance**	**Rate**
Variable rate	$	3,995,704	2.00%	$	1,763,769	2.20%
Fixed rate		7,206,634	4.21%		7,847,286	4.36%
Total		11,202,338	3.42%		9,611,055	3.97%
Deferred financing costs, net and other		(111,328)			(80,718)	
Total, net	$	11,091,010		$	9,530,337	

During 2016 and 2017, $1,061,603,000 and $365,507,000, 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 unsecured 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, 2015.

(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	$ 11,186,625	$ 1,422,006	$ 1,377,301	$ 3,659,588	$ 4,727,730
Operating leases	1,733,133	33,265	70,148	72,179	1,557,541
Purchase obligations, primarily construction commitments	1,096,261	568,012	528,249	-	-
Unsecured revolving credit facilities [(2)]	550,084	550,084	-	-	-
Senior unsecured notes due 2022	520,833	20,000	40,000	40,000	420,833
Senior unsecured notes due 2019	489,375	11,250	22,500	455,625	-
Capital lease obligations	384,792	12,500	25,000	25,000	322,292
Unsecured term loan	210,802	3,847	9,206	197,749	-
Total contractual cash obligations	$ 16,171,905	$ 2,620,964	$ 2,072,404	$ 4,450,141	$ 7,028,396
Commitments:					
Capital commitments to partially owned entities	$ 69,719	$ 69,719	$ -	$ -	$ -
Standby letters of credit	38,096	38,096	-	-	-
Total commitments	$ 107,815	$ 107,815	$ -	$ -	$ -

(1) Interest on variable rate debt is computed using rates in effect at December 31, 2015.

(2) On January 5, 2016, the $550,000 outstanding balance under our unsecured revolving credit facilities was repaid.

Details of 2015 financing activities are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2014 financing activities are discussed below.

Secured Debt

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

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

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

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

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

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

Liquidity and Capital Resources – continued

Financing Activities and Contractual Obligations – continued

Senior Unsecured Notes

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

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

Unsecured Revolving Credit Facilities

On September 30, 2014, we extended one of our two $1.25 billion unsecured revolving credit facilities from November 2015 to November 2018 with two six-month extension options. The interest rate on the extended facility was lowered to LIBOR plus 105 basis points from LIBOR plus 125 basis points and the facility fee was reduced to 20 basis points from 25 basis points.

Acquisitions and Investments

Details of 2015 acquisitions and investments are provided in the "Overview" of Management's Discussion and Analysis of Financial Conditions and Results of Operations. Details of 2014 acquisitions and investments are discussed below.

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

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

On October 28, 2014, we completed the purchase of the retail condominium of the St. Regis Hotel for $700,000,000. We own a 74.3% controlling interest of the joint venture which owns the property. The acquisition was used in a like-kind exchange for income tax purposes for the sale of 1740 Broadway.

On November 21, 2014, we entered into an agreement to acquire the Center Building, an eight story 437,000 square foot office building, located at 33-00 Northern Boulevard in Long Island City, New York. The building is 98% leased. The purchase price is approximately $142,000,000, including the assumption of an existing $62,000,000 4.43% mortgage maturing in October 2018.

Liquidity and Capital Resources – continued

Certain Future Cash Requirements

Capital Expenditures

The following table summarizes anticipated 2016 capital expenditures.

(Amounts in millions, except square foot data)	Total	New York	Washington, DC	Other[1]
Expenditures to maintain assets	$ 182.0	$ 93.0	$ 29.0	$ 60.0
Tenant improvements	150.0	75.0	42.0	33.0
Leasing commissions	41.0	30.0	9.0	2.0
Total capital expenditures and leasing commissions	$ 373.0	$ 198.0	$ 80.0	$ 95.0
Square feet budgeted to be leased (in thousands)		*1,500*	*1,400*	
Weighted average lease term (years)		*10*	*6*	
Tenant improvements and leasing commissions:				
Per square foot		*$ 70.00*	*$ 37.00*	
Per square foot per annum		*$ 7.00*	*$ 6.50*	

(1) Primarily theMart 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.

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Liquidity and Capital Resources – continued

Development and Redevelopment Expenditures

We are constructing a residential condominium tower containing 392,000 salable square feet on our 220 Central Park South development site. The incremental development cost of this project is approximately $1.3 billion, of which $293,000,000 has been expended as of December 31, 2015.

We are developing The Bartlett, a 699-unit residential project in Pentagon City, which is expected to be completed in 2016. The project includes a 40,000 square foot Whole Foods Market at the base of the building. The incremental development cost of this project is approximately $250,000,000, of which $166,000,000 has been expended as of December 31, 2015.

On June 24, 2015, we entered into a joint venture, in which we own a 55% interest, to develop a 173,000 square foot Class-A office building, located along the western edge of the High Line at 512 West 22nd Street in the West Chelsea submarket of Manhattan. The development cost of this project is approximately $235,000,000. On November 24, 2015, the joint venture obtained a $126,000,000 construction loan. The loan matures in November 2019 with two six-month extension options. The interest rate is LIBOR plus 2.65% (3.07% at December 31, 2015). As of December 31, 2015, the outstanding balance of the loan was $44,072,000, of which $24,240,000 is our share.

On July 23, 2014, a joint venture in which we are a 50.1% partner entered into a 99-year ground lease for 61 Ninth Avenue located on the Southwest corner of Ninth Avenue and 15th Street in the West Chelsea submarket of Manhattan. The venture's current plans are to construct an office building, with retail at the base, of approximately 167,000 square feet. Total development costs are currently estimated to be approximately $150,000,000.

We plan to demolish two adjacent Washington, DC office properties, 1726 M Street and 1150 17th Street in the first half of 2016 and replace them in the future with a new 335,000 square foot Class A office building, to be addressed 1700 M Street. The incremental development cost of the project is approximately $170,000,000.

We are also evaluating other development and redevelopment opportunities at certain of our properties in Manhattan, including the Penn Plaza District, and in Washington, including Crystal City, 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 per property, and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of $180,000,000 per occurrence and in the annual aggregate, subject to a deductible in the amount of 5% of the value of the affected property. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by Terrorism Risk Insurance Program Reauthorization Act of 2015, which expires in December 2020.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism including NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of $3,200,000 ($2,400,000 effective January 1, 2016) per occurrence and 15% of the balance of a covered loss (16% effective January 1, 2016) and the Federal government is responsible for the remaining 85% of a covered loss (84% effective January 1, 2016). We are ultimately responsible for any loss incurred by PPIC.

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

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

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, 2015, the aggregate dollar amount of these guarantees and master leases is approximately $427,000,000.

At December 31, 2015, $38,096,000 of letters of credit were outstanding under one of our unsecured revolving credit facilities. Our unsecured 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 unsecured 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, 2015, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $70,000,000.

As of December 31, 2015, we have construction commitments aggregating $873,800,000.

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2015

Our cash and cash equivalents were $1,835,707,000 at December 31, 2015, a $637,230,000 increase over the balance at December 31, 2014. Our consolidated outstanding debt, net was $11,091,010,000 at December 31, 2015, a $1,560,673,000 increase over the balance at December 31, 2014. As of December 31, 2015 and 2014, $550,000,000 and $0, respectively, was outstanding under our revolving credit facilities. During 2016 and 2017, $1,061,603,000 and $365,507,000, 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 $672,150,000 was comprised of (i) net income of $859,430,000, (ii) return of capital from real estate fund investments of $91,458,000, and (iii) distributions of income from partially owned entities of $65,018,000, partially offset by (iv) $81,654,000 of non-cash adjustments, which include depreciation and amortization expense, the reversal of allowance for deferred tax assets, the effect of straight-lining of rental income, loss from partially owned entities and net gains on sale of real estate and other, and (v) the net change in operating assets and liabilities of $262,102,000 (including $95,010,000 related to real estate fund investments).

Net cash used in investing activities of $678,746,000 was comprised of (i) $490,819,000 of development costs and construction in progress, (ii) $478,215,000 of acquisitions of real estate and other, (iii) $301,413,000 of additions to real estate, (iv) $235,439,000 of investments in partially owned entities, and (v) $1,000,000 of investment in loans receivable and other, partially offset by (vi) $573,303,000 of proceeds from sales of real estate and related investments, (vii) $200,229,000 of changes in restricted cash, (viii) $37,818,000 of capital distributions from partially owned entities, and (ix) $16,790,000 of proceeds from sales and repayment of mezzanine loans receivable and other.

Net cash provided by financing activities of $643,826,000 was comprised of (i) $4,468,872,000 of proceeds from borrowings, (ii) $51,975,000 of contributions from noncontrolling interests, and (iii) $16,779,000 of proceeds received from exercise of employee share options, partially offset by (iv) $2,936,578,000 for the repayments of borrowings, (v) $474,751,000 of dividends paid on common shares, (vi) $225,000,000 of distributions in connection with the spin-off of UE, (vii) $102,866,000 of distributions to noncontrolling interests, (viii) $80,578,000 of dividends paid on preferred shares, (ix) $66,554,000 of debt issuance and other costs, and (x) $7,473,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings and other.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2015

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, 2015.

(Amounts in thousands)	Total	New York	Washington, DC	Other
Expenditures to maintain assets	$ 125,215	$ 57,752	$ 25,589	$ 41,874
Tenant improvements	153,696	68,869	51,497	33,330
Leasing commissions	50,081	35,099	6,761	8,221
Non-recurring capital expenditures	116,875	81,240	34,428	1,207
Total capital expenditures and leasing commissions (accrual basis)	445,867	242,960	118,275	84,632
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	156,753	93,105	35,805	27,843
Expenditures to be made in future periods for the current period	(222,469)	(118,911)	(73,227)	(30,331)
Total capital expenditures and leasing commissions (cash basis)	$ 380,151	$ 217,154	$ 80,853	$ 82,144
Tenant improvements and leasing commissions:				
Per square foot per annum	*$ 8.43*	*$ 10.20*	*$ 6.41*	*$ n/a*
Percentage of initial rent	*10.8%*	*8.9%*	*15.9%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2015

Development and redevelopment expenditures consist of all hard and soft costs associated with the development or redevelopment of a property, including capitalized interest, debt and operating costs until the property is substantially completed and ready for its intended use. Our development project budgets below include initial leasing costs, which are reflected as non-recurring capital expenditures in the table above.

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2015. These expenditures include interest of $59,305,000, payroll of $6,077,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $90,922,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Washington, DC	Other
220 Central Park South	$ 158,014	$ -	$ -	$ 158,014
The Bartlett	103,878	-	103,878	-
330 West 34th Street	32,613	32,613	-	-
90 Park Avenue	29,937	29,937	-	-
2221 South Clark Street (residential conversion)	23,711	-	23,711	-
Marriott Marquis Times Square - retail and signage	21,929	21,929	-	-
Wayne Towne Center	20,633	-	-	20,633
640 Fifth Avenue	17,899	17,899	-	-
Penn Plaza	17,701	17,701	-	-
251 18th Street	5,897	-	5,897	-
S. Clark Street/12th Street	4,579	-	4,579	-
1700 M Street	2,695	-	2,695	-
Other	51,333	8,100	27,525	15,708
	$ 490,819	$ 128,179	$ 168,285	$ 194,355

Liquidity and Capital Resources – continued

Cash Flows for the Year Ended December 31, 2014

Our cash and cash equivalents were $1,198,477,000 at December 31, 2014, a $615,187,000 increase over the balance at December 31, 2013. Our consolidated outstanding debt, net was $9,530,337,000 at December 31, 2014, a $821,923,000 increase over the balance at December 31, 2013.

Cash flows provided by operating activities of $1,135,310,000 was comprised of (i) net income of $1,009,026,000, (ii) return of capital from real estate fund investments of $215,676,000, and (iii) distributions of income from partially owned entities of $96,286,000, partially offset by (iv) $89,536,000 of non-cash adjustments, which include depreciation and amortization expense, the effect of straight-lining of rental income, loss from partially owned entities and net gains on sale of real estate and other, and (v) the net change in operating assets and liabilities of $96,142,000, including $3,392,000 related to real estate fund investments.

Net cash used in investing activities of $574,465,000 was comprised of (i) $544,187,000 of development costs and construction in progress, (ii) $279,206,000 of additions to real estate, (iii) $211,354,000 of acquisitions of real estate and other, (iv) $120,639,000 of investments in partially owned entities, and (v) $30,175,000 of investments in loans receivable and other, partially offset by (vi) $388,776,000 of proceeds from sales of real estate and related investments, (vii) $99,464,000 of changes in restricted cash, (viii) $96,913,000 of proceeds from sales and repayments of mortgages and mezzanine loans receivable and other, and (ix) $25,943,000 of capital distributions from partially owned entities.

Net cash provided by financing activities of $54,342,000 was comprised of (i) $2,428,285,000 of proceeds from borrowings, (ii) $30,295,000 of contributions from noncontrolling interests, and (iii) $19,245,000 of proceeds received from exercise of employee share options, partially offset by (iv) $1,312,258,000 for the repayments of borrowings, (v) $547,831,000 of dividends paid on common shares, (vi) $220,895,000 of distributions to noncontrolling interests, (vii) purchase of marketable securities in connection with the defeasance of mortgage payable of $198,884,000, (viii) $81,468,000 of dividends paid on preferred shares, (ix) $58,336,000 of debt issuance and other costs, and (x) $3,811,000 for the repurchase of shares related to stock compensation agreements and related tax withholdings and other.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2014

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, 2014.

(Amounts in thousands)	Total	New York	Washington, DC	Other
Expenditures to maintain assets	$ 107,728	$ 48,518	$ 23,425	$ 35,785
Tenant improvements	205,037	143,007	37,842	24,188
Leasing commissions	79,636	66,369	5,857	7,410
Non-recurring capital expenditures	122,330	64,423	37,798	20,109
Total capital expenditures and leasing commissions (accrual basis)	514,731	322,317	104,922	87,492
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	140,490	67,577	45,084	27,829
Expenditures to be made in future periods for the current period	(313,746)	(205,258)	(63,283)	(45,205)
Total capital expenditures and leasing commissions (cash basis)	$ 341,475	$ 184,636	$ 86,723	$ 70,116
Tenant improvements and leasing commissions:				
Per square foot per annum	$ *6.53*	$ *6.82*	$ *5.70*	$ *n/a*
Percentage of initial rent	*10.3%*	*9.1%*	*14.8%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2014

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2014. These expenditures include interest of $62,787,000, payroll of $7,319,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $67,939,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Other

			Washington, DC	
Springfield Mall	$ 127,467	$ -	$ -	$ 127,467
Marriott Marquis Times Square - retail and signage	112,390	112,390	-	-
220 Central Park South	78,059	-	-	78,059
330 West 34th Street	41,592	41,592	-	-
The Bartlett	38,163	-	38,163	-
608 Fifth Avenue	20,377	20,377	-	-
Wayne Towne Center	19,740	-	-	19,740
7 West 34th Street	11,555	11,555	-	-
Other	94,844	27,892	45,482	21,470
	$ 544,187	$ 213,806	$ 83,645	$ 246,736

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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 $8,708,414,000 at December 31, 2013, a $1,006,405,000 decrease from the balance at December 31, 2012.

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, loss from partially owned entities and net gains on sale of real estate and other, (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 sales of, and return of investment in, marketable securities, (iii) $290,404,000 of capital distributions from partially owned entities, (iv) $240,474,000 of proceeds 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 sales and 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 loans receivable and other.

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 withholdings and other, 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, and (xi) $7,765,000 of proceeds received from exercise of employee share options.

Liquidity and Capital Resources – continued

Capital Expenditures for the Year Ended December 31, 2013

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	Other
Expenditures to maintain assets	$ 73,130	$ 34,553	$ 22,165	$ 16,412
Tenant improvements	120,139	87,275	6,976	25,888
Leasing commissions	51,476	39,348	4,389	7,739
Non-recurring capital expenditures	49,441	11,579	37,342	520
Total capital expenditures and leasing commissions (accrual basis)	294,186	172,755	70,872	50,559
Adjustments to reconcile to cash basis:				
Expenditures in the current year applicable to prior periods	155,035	56,345	26,075	72,615
Expenditures to be made in future periods for the current period	(150,067)	(91,107)	(36,702)	(22,258)
Total capital expenditures and leasing commissions (cash basis)	$ 299,154	$ 137,993	$ 60,245	$ 100,916
Tenant improvements and leasing commissions:				
Per square foot per annum	$ *5.55*	$ *5.89*	$ *4.75*	$ *n/a*
Percentage of initial rent	*9.3%*	*8.1%*	*11.9%*	*n/a*

Development and Redevelopment Expenditures for the Year Ended December 31, 2013

Below is a summary of development and redevelopment expenditures incurred in the year ended December 31, 2013. These expenditures include interest of $42,303,000, payroll of $4,534,000, and other soft costs (primarily architectural and engineering fees, permits, real estate taxes and professional fees) aggregating $27,812,000, that were capitalized in connection with the development and redevelopment of these projects.

(Amounts in thousands)	Total	New York	Washington, DC	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	-	-
Other	102,793	31,764	41,701	29,328
	$ 469,417	$ 85,985	$ 41,701	$ 341,731

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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 and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are non-GAAP financial measures used by 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 $1,039,035,000, or $5.48 per diluted share for the year ended December 31, 2015, compared to $911,130,000, or $4.83 per diluted share for the year ended December 31, 2014. FFO attributable to common shareholders plus assumed conversions was $259,528,000, or $1.37 per diluted share for the three months ended December 31, 2015, compared to $230,143,000, or $1.22 per diluted share for the three months ended December 31, 2014. Details of certain items that affect comparability are discussed in the financial results summary of our "Overview."

(Amounts in thousands, except per share amounts)	**For The Year Ended December 31,**		**For The Three Months Ended December 31,**	
Reconciliation of our net income to FFO:	**2015**	**2014**	**2015**	**2014**
Net income attributable to Vornado	$ 760,434	$ 864,852	$ 251,107	$ 533,603
Depreciation and amortization of real property	514,085	517,493	131,910	129,944
Net gains on sale of real estate	(289,117)	(507,192)	(142,693)	(449,396)
Real estate impairment losses	256	26,518	-	5,676
Proportionate share of adjustments to equity in net income of partially owned entities to arrive at FFO:				
Depreciation and amortization of real property	143,960	117,766	37,275	24,350
Net gains on sale of real estate	(4,513)	(11,580)	-	(10,820)
Real estate impairment losses	16,758	-	4,141	-
Income tax effect of above adjustments	-	(7,287)	-	-
Noncontrolling interests' share of above adjustments	(22,342)	(8,073)	(1,869)	17,127
FFO attributable to Vornado	1,119,521	992,497	279,871	250,484
Preferred share dividends	(80,578)	(81,464)	(20,365)	(20,365)
FFO attributable to common shareholders	1,038,943	911,033	259,506	230,119
Convertible preferred share dividends	92	97	22	24

FFO attributable to common shareholders plus assumed conversions	$ 1,039,035	$ 911,130	$ 259,528	$ 230,143
Reconciliation of Weighted Average Shares				
Weighted average common shares outstanding	188,353	187,572	188,537	187,776
Effect of dilutive securities:				
Employee stock options and restricted share awards	1,166	1,075	1,107	1,153
Convertible preferred shares	45	43	44	41
Denominator for FFO per diluted share	189,564	188,690	189,688	188,970
FFO attributable to common shareholders plus assumed conversions per diluted share	$ 5.48	$ 4.83	$ 1.37	$ 1.22

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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)	2015			2014	
	December 31,	**Weighted Average Interest**	**Effect of 1% Change In**	**December 31,**	**Weighted Average Interest**
Consolidated debt:	**Balance**	**Rate**	**Base Rates**	**Balance**	**Rate**
Variable rate	$ 3,995,704	2.00%	$ 39,957	$ 1,763,769	2.20%
Fixed rate	7,206,634	4.21%	-	7,847,286	4.36%
	$ 11,202,338	3.42%	39,957	$ 9,611,055	3.97%
Pro rata share of debt of non-consolidated entities (non-recourse):					
Variable rate – excluding Toys	$ 485,160	1.97%	4,852	$ 313,652	1.69%
Variable rate – Toys	1,164,893	6.61%	11,649	1,199,835	6.47%
Fixed rate (including $661,513 and $674,443 of Toys debt in 2015 and 2014)	2,782,025	6.37%	-	2,676,941	6.48%
	$ 4,432,078	5.95%	16,501	$ 4,190,428	6.12%
Redeemable noncontrolling interests' share of above			(3,387)		
Total change in annual net income			$ 53,071		
Per share-diluted			$ 0.28		

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, 2015, we have an interest rate swap on a $417,000,000 mortgage loan that swapped the rate from LIBOR plus 1.65% (1.89% at December 31, 2015) to a fixed rate of 4.78% through March 2018.

In connection with the $375,000,000 refinancing of 888 Seventh Avenue, we entered into an interest rate swap from LIBOR plus 1.60% (1.92% at December 31, 2015) to a fixed rate of 3.15% through December 2020.

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, 2015, the estimated fair value of our consolidated debt was $10,911,500,000.

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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for and disclosure of discontinued operations for the year ended December 31, 2015 due to the adoption of Accounting Standards Update 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity."

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, 2015, based on the criteria

established in *Internal Control— Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2016 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 16, 2016

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)

ASSETS	December 31, 2015	December 31, 2014
Real estate, at cost:		
Land	$ 4,164,799	$ 3,861,913
Buildings and improvements	12,582,671	11,705,749
Development costs and construction in progress	1,226,637	1,128,037
Leasehold improvements and equipment	116,030	126,659
Total	18,090,137	16,822,358
Less accumulated depreciation and amortization	(3,418,267)	(3,161,633)
Real estate, net	14,671,870	13,660,725
Cash and cash equivalents	1,835,707	1,198,477
Restricted cash	107,799	176,204
Marketable securities	150,997	206,323
Tenant and other receivables, net of allowance for doubtful accounts of $11,908 and $12,210	98,062	109,998
Investments in partially owned entities	1,550,422	1,240,489
Real estate fund investments	574,761	513,973
Receivable arising from the straight-lining of rents, net of allowance of $2,751 and $3,188	931,245	787,271
Deferred leasing costs, net of accumulated amortization of $218,239 and $212,339	480,421	382,433
Identified intangible assets, net of accumulated amortization of $187,360 and $199,821	227,901	225,155
Assets related to discontinued operations	37,020	2,234,128
Other assets	477,088	422,804
	$ 21,143,293	$ 21,157,980
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable, net	$ 9,513,713	$ 8,187,843
Senior unsecured notes, net	844,159	1,342,494
Unsecured revolving credit facilities	550,000	-
Unsecured term loan, net	183,138	-
Accounts payable and accrued expenses	443,955	447,745
Deferred revenue	346,119	358,613
Deferred compensation plan	117,475	117,284
Liabilities related to discontinued operations	12,470	1,501,009
Other liabilities	426,965	375,830
Total liabilities	12,437,994	12,330,818
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,242,820 and 11,356,550 units outstanding	1,223,793	1,336,780
Series D cumulative redeemable preferred units - 177,101 and 1 units outstanding	5,428	1,000
	1,229,221	1,337,780

Total redeemable noncontrolling interests		
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,676,629 and 52,678,939 shares	1,276,954	1,277,026
Common shares of beneficial interest: $.04 par value per share; authorized 250,000,000 shares; issued and outstanding 188,576,853 and 187,887,498 shares	7,521	7,493
Additional capital	7,132,979	6,873,025
Earnings less than distributions	(1,766,780)	(1,505,385)
Accumulated other comprehensive income	46,921	93,267
Total Vornado shareholders' equity	6,697,595	6,745,426
Noncontrolling interests in consolidated subsidiaries	778,483	743,956
Total equity	7,476,078	7,489,382
	$ 21,143,293	$ 21,157,980

See notes to the consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2015	**2014**	**2013**
(Amounts in thousands, except per share amounts)			
REVENUES:			
Property rentals	$ 2,076,586	$ 1,911,487	$ 1,880,405
Tenant expense reimbursements	260,976	245,819	226,831
Cleveland Medical Mart development project	-	-	36,369
Fee and other income	164,705	155,206	155,571
Total revenues	2,502,267	2,312,512	2,299,176
EXPENSES:			
Operating	1,011,249	953,611	928,565
Depreciation and amortization	542,952	481,303	461,627
General and administrative	175,307	169,270	177,366
Cleveland Medical Mart development project	-	-	32,210
Acquisition and transaction related costs	12,511	18,435	24,857
Total expenses	1,742,019	1,622,619	1,624,625
Operating income	760,248	689,893	674,551
Income from real estate fund investments	74,081	163,034	102,898
Loss from partially owned entities	(12,630)	(59,861)	(340,882)
Interest and other investment income (loss), net	26,978	38,752	(24,887)
Interest and debt expense	(378,025)	(412,755)	(425,782)
Net gain on disposition of wholly owned and partially owned assets	251,821	13,568	2,030
Income (loss) before income taxes	722,473	432,631	(12,072)
Income tax benefit (expense)	84,695	(9,281)	8,717
Income (loss) from continuing operations	807,168	423,350	(3,355)
Income from discontinued operations	52,262	585,676	568,095
Net income	859,430	1,009,026	564,740
Less net income attributable to noncontrolling interests in:			
Consolidated subsidiaries	(55,765)	(96,561)	(63,952)
Operating Partnership	(43,231)	(47,613)	(24,817)
Net income attributable to Vornado	760,434	864,852	475,971
Preferred share dividends	(80,578)	(81,464)	(82,807)
Preferred unit and share redemptions	-	-	(1,130)
NET INCOME attributable to common shareholders	$ 679,856	$ 783,388	$ 392,034
INCOME (LOSS) PER COMMON SHARE - BASIC:			
Income (loss) from continuing operations, net	$ 3.35	$ 1.23	$ (0.75)

Income from discontinued operations, net	0.26	2.95	2.85
Net income per common share	$ 3.61	$ 4.18	$ 2.10
Weighted average shares outstanding	188,353	187,572	186,941

INCOME (LOSS) PER COMMON SHARE - DILUTED:

Income (loss) from continuing operations, net	$ 3.33	$ 1.22	$ (0.75)
Income from discontinued operations, net	0.26	2.93	2.84
Net income per common share	$ 3.59	$ 4.15	$ 2.09
Weighted average shares outstanding	189,564	188,690	187,709

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$ 859,430	$ 1,009,026	$ 564,740
Other comprehensive (loss) income:			
(Reduction) increase in unrealized net gain on available-for-sale securities	(55,326)	14,465	142,281
Amounts reclassified from accumulated other comprehensive income for the sale of available-for-sale securities	-	-	(42,404)
Pro rata share of other comprehensive (loss) income of nonconsolidated subsidiaries	(327)	2,509	(22,814)
Increase in value of interest rate swap and other	6,441	6,079	18,716
Comprehensive income	810,218	1,032,079	660,519
Less comprehensive income attributable to noncontrolling interests	(96,130)	(145,497)	(94,065)
Comprehensive income attributable to Vornado	$ 714,088	$ 886,582	$ 566,454

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 Interests in Consolidated Subsidiaries	Total
	Shares	Amount	Shares	Amount	Capital	Distributions			Equity
Balance, December 31, 2014	52,679	$ 1,277,026	187,887	$ 7,493	$ 6,873,025	$ (1,505,385)	$ 93,267	$ 743,956	$ 7,489,382
Net income attributable to Vornado	-	-	-	-	-	760,434	-	-	760,434
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	55,765	55,765
Distribution of Urban Edge Properties	-	-	-	-	-	(464,262)	-	(341)	(464,603)
Dividends on common shares	-	-	-	-	-	(474,751)	-	-	(474,751)
Dividends on preferred shares	-	-	-	-	-	(80,578)	-	-	(80,578)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	452	18	48,212	-	-	-	48,230
Under employees' share option plan	-	-	214	9	15,332	(2,579)	-	-	12,762
Under dividend reinvestment	-	-	14	1	1,437	-	-	-	1,438

plan									
Contributions:									
Real estate fund investments	-	-	-	-	-	-	-	51,725	51,725
Other	-	-	-	-	-	-	-	250	250
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(72,114)	(72,114)
Other	-	-	-	-	-	-	-	(525)	(525)
Conversion of Series A preferred shares to common shares	(2)	(72)	4	1	71	-	-	-	-
Deferred compensation shares and options	-	-	6	1	2,438	(359)	-	-	2,080
Reduction in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	(55,326)	-	(55,326)
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(327)	-	(327)
Increase in value of interest rate swap	-	-	-	-	-	-	6,435	-	6,435
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	192,464	-	-	-	192,464
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	2,866	-	2,866
Other	-	-	-	(2)	-	700	6	(233)	471
	52,677	$ 1,276,954	188,577	$ 7,521	$ 7,132,979	$ (1,766,780)	$ 46,921	$ 778,483	$ 7,476,078

Balance, December 31, 2015

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	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Subsidiaries	Equity
Balance, December 31, 2013	52,683	$ 1,277,225	187,285	$ 7,469	$ 7,143,840	$ (1,734,839)	$ 71,537	$ 829,512	$ 7,594,744
Net income attributable to Vornado	-	-	-	-	-	864,852	-	-	864,852
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	96,561	96,561
Dividends on common shares	-	-	-	-	-	(547,831)	-	-	(547,831)
Dividends on preferred shares	-	-	-	-	-	(81,464)	-	-	(81,464)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	271	11	27,262	-	-	-	27,273
Under employees' share option plan	-	-	304	12	17,428	(3,393)	-	-	14,047
Under dividend reinvestment plan	-	-	17	1	1,803	-	-	-	1,804
Contributions:									
Real estate fund investments	-	-	-	-	-	-	-	5,297	5,297

Other	-	-	-	-	-	-	-	32,998	32,998
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(182,964)	(182,964)
Other	-	-	-	-	-	-	-	(4,463)	(4,463)
Transfer of noncontrolling interest in real estate fund investments	-	-	-	-	-	-	-	(33,028)	(33,028)
Conversion of Series A preferred shares to common shares	(4)	(193)	5	-	193	-	-	-	-
Deferred compensation shares and options	-	-	5	-	5,852	(340)	-	-	5,512
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	14,465	-	14,465
Pro rata share of other comprehensive income of nonconsolidated subsidiaries	-	-	-	-	-	-	2,509	-	2,509
Increase in value of interest rate swap	-	-	-	-	-	-	6,079	-	6,079
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(315,276)	-	-	-	(315,276)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(1,323)	-	(1,323)
Other	-	(6)	-	-	(8,077)	(2,370)	-	43	(10,410)

Balance, December 31, 2014	52,679	$ 1,277,026	187,887	$ 7,493	$ 6,873,025	$ (1,505,385)	$ 93,267	$ 743,956	$ 7,489,382

See notes to consolidated financial statements.

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**	**Non-controlling Interests in Consolidated**	**Total**
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Distributions**	**(Loss)**	**Subsidiaries**	**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 attributable to Vornado	-	-	-	-	-	475,971	-	-	475,971
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	63,952	63,952
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 employees' share									

option 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:									
Real estate fund investments	-	-	-	-	-	-	-	28,078	28,078
Other	-	-	-	-	-	-	-	15,886	15,886
Distributions:									
Real estate fund investments	-	-	-	-	-	-	-	(47,268)	(47,268
Other	-	-	-	-	-	-	-	(133,153)	(133,153
Conversion of Series A preferred shares to common shares	(2)	(90)	3	-	90	-	-	-	-
Deferred compensation shares and options	-	-	(6)	(12)	9,589	(307)	-	-	9,270
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	142,281	-	142,281
Amounts reclassified related to sale of available-for-sale securities	-	-	-	-	-	-	(42,404)	-	(42,404
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(22,814)	-	(22,814
Increase in value of interest rate swap	-	-	-	-	-	-	18,183	-	18,183
Adjustments to carry									

redeemable Class A units at redemption value	-	-	-	-	(108,252)	-	-	-	(108,252
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(5,296)	-	(5,296
Preferred unit and share redemptions	-	-	-	-	-	(1,130)	-	-	(1,130
Deconsolidation of partially owned entity	-	-	-	-	-	-	-		