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

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		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	Weighted Average Annual Rent of Expiring Leases 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	Weighted Average Annual Rent of Expiring Leases 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

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

Year Ended December 31, 2015 Financial Results Summary

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.

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	**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)	Number of properties	Square Feet (in service) 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)	Number of properties	Square Feet (in service) 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	

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 Foot	Square Feet			
		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

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

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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%

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).

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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.

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	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%

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%.

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.

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.

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	
Consolidated debt:	December 31, Balance	Weighted Average Interest Rate	December 31, Balance	Weighted Average Interest 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.

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

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

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

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.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)	Year Ended December 31, 2015	2014	2013
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.

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	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	(Loss)	Subsidiaries	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.

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	-	-	-	-	-	-	-	(165,427)	(165,427
Consolidation of partially owned entity	-	-	-	-	-	-	-	16,799	16,799
Other	-	-	-	-	2,472	(7,271)	533	(2,564)	(6,830
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

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2015	**2014**	**2013**
Cash Flows from Operating Activities:			
Net income	$ 859,430	$ 1,009,026	$ 564,740
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	566,207	583,408	561,998
Net gain on disposition of wholly owned and partially owned assets	(251,821)	(13,568)	(3,407)
Straight-lining of rental income	(153,668)	(82,800)	(69,391)
Return of capital from real estate fund investments	91,458	215,676	56,664
Reversal of allowance for deferred tax assets	(90,030)	-	-
Amortization of below-market leases, net	(79,053)	(46,786)	(52,876)
Net gains on sale of real estate and other	(65,396)	(507,192)	(414,502)
Distributions of income from partially owned entities	65,018	96,286	54,030
Net realized and unrealized gains on real estate fund investments	(57,752)	(150,139)	(85,771)
Other non-cash adjustments	37,721	37,303	41,663
Loss from partially owned entities	11,882	58,131	338,785
Impairment losses and tenant buy-outs	256	26,518	37,170
Defeasance cost in connection with the refinancing of mortgage payable	-	5,589	-
Losses from the disposition of investment in J.C. Penney	-	-	72,974
Changes in operating assets and liabilities:			
Real estate fund investments	(95,010)	(3,392)	(37,817)
Tenant and other receivables, net	11,936	(8,282)	83,897
Prepaid assets	(14,804)	(8,786)	(2,207)
Other assets	(116,157)	(123,435)	(50,856)
Accounts payable and accrued expenses	(33,747)	44,628	(41,729)
Other liabilities	(14,320)	3,125	(12,576)
Net cash provided by operating activities	672,150	1,135,310	1,040,789
Cash Flows from Investing Activities:			
Proceeds from sales of real estate and related investments	573,303	388,776	1,027,608
Development costs and construction in progress	(490,819)	(544,187)	(469,417)
Acquisitions of real estate and other	(478,215)	(211,354)	(193,417)
Additions to real estate	(301,413)	(279,206)	(260,343)
Investments in partially owned entities	(235,439)	(120,639)	(230,300)
Restricted cash	200,229	99,464	(26,892)

Distributions of capital from partially owned entities	37,818	25,943	290,404
Proceeds from sales and repayments of mortgage and mezzanine loans receivable and other	16,790	96,913	50,569
Investments in loans receivable and other	(1,000)	(30,175)	(390)
Proceeds from sales of, and return of investment in, marketable securities	-	-	378,709
Proceeds from the sale of LNR	-	-	240,474
Funding of J.C. Penney derivative collateral; and settlement of derivative in 2013	-	-	(186,079)
Return of J.C. Penney derivative collateral	-	-	101,150
Net cash (used in) provided by investing activities	(678,746)	(574,465)	722,076

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Amounts in thousands)	Year Ended December 31,		
	2015	**2014**	**2013**
Cash Flows from Financing Activities:			
Proceeds from borrowings	$ 4,468,872	$ 2,428,285	$ 2,262,245
Repayments of borrowings	(2,936,578)	(1,312,258)	(3,580,100)
Dividends paid on common shares	(474,751)	(547,831)	(545,913)
Cash included in the spin-off of Urban Edge Properties	(225,000)	-	-
Distributions to noncontrolling interests	(102,866)	(220,895)	(215,247)
Dividends paid on preferred shares	(80,578)	(81,468)	(83,188)
Debt issuance and other costs	(66,554)	(58,336)	(19,883)
Contributions from noncontrolling interests	51,975	30,295	43,964
Proceeds received from exercise of employee share options	16,779	19,245	7,765
Repurchase of shares related to stock compensation agreements and related tax withholdings and other	(7,473)	(3,811)	(443)
Purchase of marketable securities in connection with the defeasance of mortgage payable	-	(198,884)	-
Purchases of outstanding preferred units and shares	-	-	(299,400)
Proceeds from the issuance of preferred shares	-	-	290,306
Net cash provided by (used in) financing activities	643,826	54,342	(2,139,894)
Net increase (decrease) in cash and cash equivalents	637,230	615,187	(377,029)
Cash and cash equivalents at beginning of period	1,198,477	583,290	960,319
Cash and cash equivalents at end of period	$ 1,835,707	$ 1,198,477	$ 583,290
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest, excluding capitalized interest of $48,539, $53,139 and $42,303	$ 376,620	$ 443,538	$ 465,260
Cash payments for income taxes	$ 8,287	$ 11,696	$ 9,023
Non-Cash Investing and Financing Activities:			
Non-cash distribution of Urban Edge Properties:			
Assets	$ 1,709,256	$ -	$ -
Liabilities	(1,469,659)	-	-
Equity	(239,597)	-	-
Adjustments to carry redeemable Class A units at redemption value	192,464	(315,276)	(108,252)
Write-off of fully depreciated assets	(167,250)	(121,673)	(77,106)
Transfer of interest in real estate to Pennsylvania Real Estate Investment Trust	(145,313)	-	-
Accrued capital expenditures included in accounts payable and accrued expenses	122,711	100,528	72,042
Like-kind exchange of real estate:			
Acquisitions	80,269	606,816	66,076
Dispositions	(213,621)	(630,352)	(128,767)

Class A units in connection with acquisition	80,000	-	-
Financing assumed in acquisitions	62,000	-	79,253
Marketable securities transferred in connection with the defeasance of mortgage payable	-	198,884	-
Defeasance of mortgage payable	-	(193,406)	-
Elimination of a mortgage and mezzanine loan asset and liability	-	59,375	-
Transfer of interest in real estate fund to an unconsolidated joint venture	-	(58,564)	-
Transfer of noncontrolling interest in real estate fund	-	(33,028)	-
Beverly Connection seller financing	-	13,620	-
Decrease in assets and liabilities resulting from the deconsolidation of discontinued operations and/or investments that were previously consolidated:			
Real estate, net	-	-	(852,166)
Mortgages payable	-	-	(322,903)

See notes to consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and 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 $225,000,000 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 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. ("Toys"); and

- Other real estate and other investments.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Vornado and its consolidated subsidiaries, including the Operating Partnership. All inter-company amounts have been eliminated. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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.

Certain prior year balances have been reclassified in order to conform to the current period presentation. Beginning in the year ended December 31, 2015, we classified signage revenue within "property rentals". For the years ended December 31, 2014 and 2013, $37,929,000 and $32,866,000, respectively, related to signage revenue has been reclassified from "fee and other income" to "property rentals" to conform to the current period presentation.

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 UE. As part of this transaction, we received 5,717,184 UE operating partnership units (5.4% ownership interest).

Recently Issued Accounting Literature

In April 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-08") *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* to ASC Topic 205, *Presentation of Financial Statements* and ASC Topic 360, *Property Plant and Equipment.* Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity's results and operations would qualify as discontinued operations. In addition, ASU 2014-08 expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods in fiscal years that began after December 15, 2014. Upon adoption of this standard on January 1, 2015, individual properties sold in the ordinary course of business are not expected to qualify as discontinued operations. Under ASU 2014-08, operating results of disposals are included in income from

continuing operations, and any associated gains are now included in “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income. Gain on sales of properties classified as discontinued operations prior to January 1, 2015 are classified in “income from discontinued operations” on our consolidated statements of income. The financial results of UE and certain other retail assets are reflected in our consolidated financial statements as discontinued operations for all periods presented (see Note 7 – *Dispositions* for further details).

In May 2014, the FASB issued an update ("ASU 2014-09") establishing ASC Topic 606, *Revenue from Contracts with Customers*. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. ASU 2014-09 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017. We are currently evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Recently Issued Accounting Literature - continued

In June 2014, the FASB issued an update ("ASU 2014-12") to ASC Topic 718, *Compensation – Stock Compensation*. ASU 2014-12 requires an entity to treat performance targets that can be met after the requisite service period of a share based award has ended, as a performance condition that affects vesting. ASU 2014-12 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. We are currently evaluating the impact of the adoption of ASU 2014-12 on our consolidated financial statements.

In February 2015, the FASB issued an update ("ASU 2015-02") *Amendments to the Consolidation Analysis* to ASC Topic 810, *Consolidation*. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with VIEs, and (iv) provide a scope exception for certain entities. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. We are currently evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

In April 2015, the FASB issued an update ("ASU 2015-03") *Simplifying the Presentation of Debt Issuance Costs* to ASC Topic 835, *Interest* ("ASC 835"). ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability to which they relate, consistent with debt discounts, as opposed to being presented as assets. ASU 2015-03 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015. We elected to early adopt ASU 2015-03 effective as of December 31, 2015 with retrospective application to our December 31, 2014 consolidating balance sheet. The effect of the adoption of ASU 2015-03 was to reclassify debt issuance costs of approximately $79,987,000 as of December 31, 2014 from "deferred leasing and financing costs, net" to a contra account as a deduction from the related debt liabilities. There was no effect on our consolidated statements of income.

In August 2015, the FASB issued an update ("ASU 2015-15") *Interest – Imputation of Interest* to ASC 835. For debt issuance costs related to line-of-credit arrangements, ASU 2015-15 allows entities to present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We elected to early adopt ASU 2015-15 effective as of December 31, 2015 with retrospective application to our December

31, 2014 balance sheet. These debt issuance costs were $7,720,000 and $11,549,000 as of December 31, 2015 and 2014, respectively, and are included as a component of "other assets".

In January 2016, the FASB issued an update ("ASU 2016-01") *Recognition and Measurement of Financial Assets and Financial Liabilities* to ASC Topic 825, *Financial Instruments* ("ASC 825"). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. ASU 2016-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We are currently evaluating the impact of the adoption of ASU 2016-01 on our consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies - continued

Significant Accounting Policies

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. Additions to real estate include interest and debt expense capitalized during construction of $59,305,000 and $62,786,000 for the years ended December 31, 2015 and 2014, respectively.

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.

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.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Significant 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. In the years ended December 31, 2014 and 2013, we recognized non-cash impairment losses on investments in partially owned entities aggregating $85,459,000 and $281,098,000, respectively. Included in these amounts are $75,196,000 and $240,757,000 of impairment losses related to our investment in Toys in 2014 and 2013, respectively.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates fair value due to their short-term maturities. The majority of our cash and cash equivalents consists of (i) deposits at major commercial banks, which may at times exceed the Federal Deposit Insurance Corporation limit, (ii) United States Treasury Bills, and (iii) Certificate of Deposits placed through an Account Registry Service ("CDARS"). To date, we have not experienced any losses on our invested cash.

Restricted Cash: Restricted cash consists of security deposits, cash restricted for the purposes of facilitating a Section 1031 Like-Kind exchange, cash restricted in connection with our deferred compensation plan and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Allowance for Doubtful Accounts: We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts 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. 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. As of December 31, 2015 and 2014, we had $11,908,000 and $12,210,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2015 and 2014, we had $2,751,000 and $3,188,000, respectively, in allowances for receivables arising from the straight-lining of rents.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Significant Accounting Policies -continued

Deferred Charges: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to successful leasing activities are capitalized and amortized on a straight line basis over the lives of the related leases. All other deferred charges are amortized on a straight line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

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 is 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.

Derivative Instruments and Hedging Activities: ASC 815, *Derivatives and Hedging*, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As of December 31, 2015 and 2014, our derivative instruments consisted of two and one interest rate swaps, respectively. We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Presentation and Significant Accounting Policies – continued

Significant Accounting Policies –continued

Income Taxes: We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856 860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to our shareholders 100% of our taxable income and therefore, no provision for Federal income taxes is required. Dividends distributed for the year ended December 31, 2015, were characterized, for federal income tax purposes, as long-term capital gain income. Dividends distributed for the years ended December 31, 2014 and 2013, were characterized, for federal income tax purposes, as ordinary income.

We have elected to treat certain consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries pursuant to an amendment to the Internal Revenue Code that became effective January 1, 2001. Taxable REIT subsidiaries may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to Federal and State income tax at regular corporate tax rates. Our taxable REIT subsidiaries had a combined current income tax expense of approximately $8,322,000, $10,777,000 and $9,608,000 for the years ended December 31, 2015, 2014 and 2013, respectively, and have immaterial differences between the financial reporting and tax basis of assets and liabilities.

At December 31, 2015 and 2014, our taxable REIT subsidiaries had deferred tax assets related to net operating loss carryforwards of $97,104,000 and $94,100,000, respectively, which are included in “other assets” on our consolidated balance sheets. Prior to the quarter ended June 30, 2015, there was a full valuation allowance against these deferred tax assets because we had not determined that it is more-likely-than-not that we would use the net operating loss carryforwards to offset future taxable income. In our quarter ended June 30, 2015, based upon residential condominium unit sales, among other factors, we concluded that it was more-likely-than-not that we will generate sufficient taxable income to realize these deferred tax assets. Accordingly, we reversed $90,030,000 of the allowance for deferred tax assets and recognized an income tax benefit in our consolidated statements of income.

The following table reconciles net income attributable to common shareholders to estimated taxable income for the years ended December 31, 2015, 2014 and 2013.

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
Net income attributable to common shareholders	$ 679,856	$ 783,388	$ 392,034
Book to tax differences (unaudited):			
Tangible Property Regulations [(1)]	(575,618)	-	-
Sale of real estate and other capital transactions	320,326	(477,061)	(324,936)
Depreciation and amortization	227,297	219,403	155,401
Straight-line rent adjustments	(144,727)	(77,526)	(64,811)
Stock options	(8,278)	(9,566)	4,884
Earnings of partially owned entities	(5,299)	71,960	339,376
Impairment losses on marketable equity securities	-	-	37,236
Other, net	(5,833)	1,260	36,186
Estimated taxable income (unaudited)	$ 487,724	$ 511,858	$ 575,370

(1) Represents one-time deductions pursuant to the implementation of the Tangible Property Regulations issued by the Internal Revenue Service.

The net basis of our assets and liabilities for tax reporting purposes is approximately $3.4 billion lower than the amounts reported in our consolidated balance sheet at December 31, 2015.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Real Estate Fund Investments

We are the general partner and investment manager of Vornado Capital Partners Real Estate Fund (the "Fund"), which has an eight-year term and a three-year investment period that ended in July 2013. During the investment period, the Fund was our exclusive investment vehicle for all investments that fit within its investment parameters, as defined. The Fund is accounted for under ASC 946, *Financial Services – Investment Companies* ("ASC 946") and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

On June 26, 2014, the Fund sold its 64.7% interest in One Park Avenue to a newly formed joint venture that we and an institutional investor own 55% and 45%, respectively. This transaction was based on a property value of $560,000,000. From the inception of this investment through its disposition, the Fund realized a $75,529,000 net gain.

On August 21, 2014, the Fund and its 50% joint venture partner completed the sale of The Shops at Georgetown Park, a 305,000 square foot retail property, for $272,500,000. From the inception of this investment through its disposition, the Fund realized a $51,124,000 net gain.

On January 20, 2015, we co-invested with the Fund and one of the Fund's limited partners to buy out the Fund's joint venture partner's 57% interest in the Crowne Plaza Times Square Hotel (the "Co-Investment"). 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% and maturing in December 2018 with a one-year extension option. Our aggregate ownership interest in the property increased to 33% from 11%. The Co-Investment is also accounted for under ASC 946 and is included as a component of "real estate fund investments" on our consolidated balance sheet.

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.

At December 31, 2015, we had six real estate fund investments with an aggregate fair value of $574,761,000, or $208,614,000 in excess of cost, and had remaining unfunded commitments of $102,212,000, of which our share was $25,553,000. At December 31, 2014, we had seven real estate fund investments with an aggregate fair value of $513,973,000.

Below is a summary of income from the Fund and the Co-Investment for the years ended December 31, 2015, 2014 and 2013.

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
Net investment income	$ 16,329	$ 12,895	$ 8,943
Net realized gains on exited investments	2,757	76,337	8,184
Net unrealized gains on held investments	54,995	73,802	85,771
Income from real estate fund investments	74,081	163,034	102,898
Less income attributable to noncontrolling interests	(40,117)	(92,728)	(53,427)
Income from real estate fund investments attributable to Vornado[(1)]	$ 33,964	$ 70,306	$ 49,471

(1) Excludes $2,939, $2,562, and $2,721 of management and leasing fees in the years ended December 31, 2015, 2014 and 2013, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. 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 (see Note 3 – *Real Estate Fund Investments*).

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 (see Note 9 – *Debt*).

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.

5. Marketable Securities and Derivative Instruments

Our portfolio of marketable securities is comprised of equity securities that are classified as available-for-sale. Available-for-sale securities are presented on our consolidated balance sheets at fair value. Unrealized gains and losses resulting from the mark-to-market of these securities are included in "other comprehensive income (loss)." Realized gains and losses are recognized in earnings only upon the sale of the securities and are recorded based on the

weighted average cost of such securities.

We evaluate our portfolio of marketable securities for impairment each reporting period. For each of the securities in our portfolio with unrealized losses, we review the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold these investments for a reasonable period of time sufficient for us to recover our cost basis. We also evaluate the near-term prospects for each of these investments in relation to the severity and duration of the decline.

Below is a summary of our marketable securities portfolio as of December 31, 2015 and 2014.

	As of December 31, 2015			As of December 31, 2014		
	Fair Value	GAAP Cost	Unrealized Gain	Fair Value	GAAP Cost	Unrealized Gain
Equity securities:						
Lexington Realty Trust	$ 147,752	$ 72,549	$ 75,203	$ 202,789	$ 72,549	$ 130,240
Other	3,245	-	3,245	3,534	-	3,534
	$ 150,997	$ 72,549	$ 78,448	$ 206,323	$ 72,549	$ 133,774

During 2013, we sold other marketable securities for aggregate proceeds of $44,209,000, resulting in net gains of $31,741,000, which are included as a component of “net gain on disposition of wholly owned and partially owned assets” on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities

Toys "R" Us ("Toys")

As of December 31, 2015, we own 32.5% of Toys. We account for our investment in Toys under the equity method and record our share of Toys' net income or loss on a one-quarter lag basis because Toys' fiscal year ends on the Saturday nearest January 31, and our fiscal year ends on December 31. The business of Toys is highly seasonal and substantially all of Toys' net income is generated in its fourth quarter.

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

In the first quarter of 2014, we recognized our share of Toys' fourth quarter net income of $75,196,000 and a corresponding non-cash impairment loss of the same amount. In 2013, we recognized $240,757,000 of non-cash impairment losses based on an "other-than-temporary" decline in the fair value of our investment.

Alexander's, Inc. ("Alexander's") (NYSE: ALX)

As of December 31, 2015, we own 1,654,068 Alexander's common shares, or approximately 32.4% of Alexander's common equity. We manage, lease and develop Alexander's properties pursuant to agreements which expire in March of each year and are automatically renewable.

As of December 31, 2015 the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's December 31, 2015 closing share price of $384.11, was $635,345,000, or $501,777,000 in excess of the carrying amount on our consolidated balance sheet. As of December 31, 2015, the carrying amount of our

investment in Alexander's, excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander's by approximately $40,340,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander's common stock acquired over the book value of Alexander's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander's net income. The basis difference related to the land will be recognized upon disposition of our investment.

Management, Leasing and Development Agreements

We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) $2,800,000, (ii) 2% of the gross revenue from the Rego Park II Shopping Center, (iii) $0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue, and (iv) $289,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue. In addition, we are entitled to a development fee of 6% of development costs, as defined.

We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through twentieth year of a lease term and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event third-party real estate brokers are used, our fee increases by 1% and we are responsible for the fees to the third-parties. We are also entitled to a commission upon the sale of any of Alexander's assets equal to 3% of gross proceeds, as defined, for asset sales less than $50,000,000, and 1% of gross proceeds, as defined, for asset sales of $50,000,000 or more.

On December 22, 2014, the leasing agreements with Alexander's were amended to eliminate the annual installment cap of $4,000,000. In addition, Alexander's repaid to us the outstanding balance of $40,353,000.

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 described above.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities – continued

Alexander's, Inc. ("Alexander's") (NYSE: ALX) – continued

Other Agreements

Building Maintenance Services ("BMS"), our wholly-owned subsidiary, supervises (i) cleaning, engineering and security services at Alexander's 731 Lexington Avenue property and (ii) security services at Alexander's Rego Park I and Rego Park II properties. During the years ended December 31, 2015, 2014 and 2013, we recognized $2,221,000, $2,318,000 and $2,036,000 of income, respectively, for these services.

Urban Edge Properties ("UE") (NYSE: UE)

As part of our spin-off of substantially all of our retail segment to UE on January 15, 2015 (see Note 1 – *Organization and Business*), we retained 5,717,184 UE operating partnership units, representing a 5.4% ownership interest in UE. We account for our investment in UE under the equity method and record our share of UE's net income or loss on a one-quarter lag basis. 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, Rego Park retail assets. As of December 31, 2015, the fair value of our investment in UE, based on UE's December 31, 2015 closing share price of $23.45, was $134,068,000, or $108,717,000 in excess of the carrying amount on our consolidated balance sheet.

Pennsylvania Real Estate Investment Trust ("PREIT") (NYSE: PEI)

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 PREIT, in exchange for $485,313,000; comprised of $340,000,000 of cash and 6,250,000 PREIT operating partnership units (valued at $145,313,000 or $23.25 per PREIT unit) (See Note 7 – *Dispositions*). $19,000,000 of tenant improvements and allowances was credited to PREIT as a closing adjustment. As a result of this transaction, we own an 8.1% interest in PREIT. We account for our investment in PREIT under the equity method and record our share of PREIT's net income or loss on a one-quarter lag basis. As of December 31, 2015, the fair value of our investment in PREIT, based on PREIT's December 31, 2015 closing share price of $21.87, was $136,688,000, or $3,313,000 in excess of the carrying amount on our consolidated balance sheet. As of December 31, 2015, the carrying amount of our investment in PREIT exceeds our share of the equity in the net assets of PREIT by approximately $65,404,000. The majority of this basis difference resulted from the excess of the fair value of the PREIT operating units received over our share of the book value of PREIT's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of PREIT's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in PREIT's net loss. The basis difference related to the land will be recognized upon disposition of our investment.

512 West 22nd Street

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. 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. We account for our investment in the joint venture under the equity method.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities - continued

Below is a summary of our investments in partially owned entities.

(Amounts in thousands)	Percentage Ownership at December 31, 2015	As of December 31, 2015	2014
Investments:			
Partially owned office buildings[(1)]	Various	$ 909,782	$ 760,749
Alexander's	32.4%	133,568	131,616
PREIT	8.1%	133,375	-
India real estate ventures	4.1%-36.5%	48,310	76,752
UE	5.4%	25,351	-
Toys[(2)]	32.5%	-	-
Other investments[(3)]	Various	300,036	271,372
		$ 1,550,422	$ 1,240,489

(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.

(2) Pursuant to Rule 4-08(g) of Regulation S-X, in 2014 Toys was considered a significant subsidiary where as in 2015 it was not. As of November 1, 2014, Toys had total assets of $11,267,000, total liabilities of $10,377,000, noncontrolling interests of $82,000 and equity of $808,000.

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

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities – continued

Below is a summary of our income (loss) from partially owned entities.

(Amounts in thousands)	Percentage Ownership at December 31, 2015	For the Year Ended December 31, 2015	2014	2013
Our Share of Net (Loss) Income:				
Alexander's:				
Equity in net income	32.4%	$ 24,209	$ 21,287	$ 17,721
Management, leasing and development fees		6,869	8,722	6,681
		31,078	30,009	24,402
UE (see page 109 for details):				
Equity in net earnings	5.4%	2,430	-	-
Management fees		1,964	-	-
		4,394	-	-
Toys:				
Equity in net loss[1]	32.5%	-	(4,691)	(128,919)
Non-cash impairment losses (see page 108 for details)		-	(75,196)	(240,757)
Management fees		2,500	6,331	7,299
		2,500	(73,556)	(362,377)
Partially owned office buildings[2]	Various	(23,556)	93	(4,212)
India real estate ventures[3]	4.1%-36.5%	(18,746)	(8,309)	(3,533)
PREIT (see page 109 for details)	8.1%	(7,450)	-	-
LNR[4]	n/a	-	-	18,731
Lexington[5]	n/a	-	-	(979)

Other investments[6]	Various	(850)	(8,098)	(12,914)
		$ (12,630)	$ (59,861)	$ (340,882)

(1) Pursuant to Rule 4-08(g) of Regulation S-X, in 2014 and 2013 Toys was considered a significant subsidiary where as in 2015 it was not. For the twelve months ended November 1, 2014, Toys' total revenue was $12,645,000 and net loss attributable to Toys was $343,000. For the twelve months ended November 2, 2013, Toys' total revenue was $13,046,000 and net loss attributable to Toys was $396,000.

(2) 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.

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

(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.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities – continued

Below is a summary of the debt of our partially owned entities as of December 31, 2015 and 2014, none of which is recourse to us.

(Amounts in thousands)	Percentage Ownership at December 31, 2015	Maturity	Interest Rate at December 31, 2015	100% Partially Owned Entities' Debt at December 31, 2015	2014
Toys:					
Notes, loans and mortgages payable	32.5%	2016-2021	7.35%	$ 5,619,710	$ 5,748,350
Partially owned office buildings[(1)]:					
Mortgages payable	Various	2016-2023	5.57%	$ 3,771,255	$ 3,691,274
PREIT:					
Mortgages payable	8.1%	2016-2025	4.04%	$ 1,852,270	$ -
UE:					
Mortgages payable	5.4%	2018-2034	4.15%	$ 1,246,155	$ -
Alexander's:					
Mortgages payable	32.4%	2016-2022	1.69%	$ 1,053,262	$ 1,032,780
India Real Estate Ventures:					
TCG Urban Infrastructure Holdings mortgages payable	25.0%	2016-2026	12.06%	$ 185,607	$ 183,541
Other[(2)]:					
Mortgages payable	Various	2016-2023	4.27%	$ 1,316,641	$ 1,314,077

(1) Includes 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue, 512 West 22nd Street and others.

(2) Includes Independence Plaza, Fashion Center Mall, 50-70 West 93rd Street and others.

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities, was $4,432,078,000 and $4,190,428,000 as of December 31, 2015 and 2014, respectively.

Summary of Condensed Combined Financial Information

The following is a summary of condensed combined financial information for all of our partially owned entities, including Toys and Alexander's, as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.

(Amounts in thousands)	Balance as of December 31,	
	2015	**2014**
Balance Sheet:		
Assets	$ 25,526,000	$ 21,389,000
Liabilities	21,162,000	17,986,000
Noncontrolling interests	146,000	104,000
Equity	4,218,000	3,299,000

	For the Year Ended December 31,		
	2015	**2014**	**2013**
Income Statement:			
Total revenue	$ 13,423,000	$ 13,620,000	$ 14,092,000
Net loss	(224,000)	(434,000)	(368,000)

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Dispositions

2015 Activity:

New York

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 set forth in Note 15 – *Fee and Other Income*.

Washington, DC

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.

Discontinued Operations

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 UE (NYSE: UE) (see Note 1 – *Organization and Business*). In addition, we completed the following retail property sales, substantially completing the exit of the retail strips and malls business.

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 31, 2015, we transferred the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to PREIT (see Note 6 – *Investments in Partially Owned Entities*). 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. On March 31, 2018, we will be entitled to additional consideration of 50% of the increase in the value of Springfield Town Center, if any, over $465,000,000, calculated utilizing a 5.5% capitalization rate. 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.

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.

2014 Activity:

New York

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

Discontinued Operations

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

On March 2, 2014, we entered into an agreement to transfer upon completion, the redeveloped Springfield Town Center, a 1,350,000 square foot mall located in Springfield, Fairfax County, Virginia, to PREIT in exchange for $485,313,000; comprised of $340,000,000 of cash and 6,250,000 of PREIT operating partnership units (valued at $145,313,000 or $23.25 per PREIT unit). In connection therewith, we recorded a non-cash impairment loss of $20,000,000, which is included in “income from discontinued operations” on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Dispositions - continued

Discontinued Operations – continued

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

We also sold six of the 22 strip shopping centers which did not fit UE's strategy (see Note 1 – *Organization and Business*), in separate transactions, for an aggregate of $66,410,000 in cash, which resulted in a net gain aggregating $22,500,000.

2013 Activity:

New York

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

Discontinued Operations

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

$202,275,000.

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

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

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

We also sold 12 other properties, in separate transactions, for an aggregate of $82,300,000, in cash, which resulted in a net gain aggregating $7,851,000.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Dispositions - continued

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, we have reclassified the revenues and expenses of all of the properties discussed above 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 of the periods presented in the accompanying financial statements. The net gains resulting from the sale of these properties are included in "income from discontinued operations" on our consolidated statements of income. The tables below set forth the assets and liabilities related to discontinued operations at December 31, 2015 and 2014, and their combined results of operations for the years ended December 31, 2015, 2014 and 2013.

(Amounts in thousands)	Balance as of	
	December 31, 2015	December 31, 2014
Assets related to discontinued operations:		
Real estate, net	$ 29,561	$ 2,028,677
Other assets	7,459	205,451
	$ 37,020	$ 2,234,128
Liabilities related to discontinued operations:		
Mortgages payable, net	$ -	$ 1,278,182
Other liabilities (primarily deferred revenue in 2014)	12,470	222,827
	$ 12,470	$ 1,501,009

(Amounts in thousands)	For the Year Ended December 31,		
	2015	2014	2013
Income from discontinued operations:			
Total revenues	$ 27,831	$ 395,786	$ 502,061
Total expenses	17,651	274,107	310,364
	10,180	121,679	191,697
Net gains on sales of real estate	65,396	507,192	414,502
Transaction related costs (primarily UE spin off)	(22,972)	(14,956)	-
Impairment losses	(256)	(26,518)	(37,170)
Net gain on sale of asset other than real estate	-	-	1,377

Pretax income from discontinued operations	52,348	587,397	570,406
Income tax expense	(86)	(1,721)	(2,311)
Income from discontinued operations	$ 52,262	$ 585,676	$ 568,095
Cash flows related to discontinued operations:			
Cash flows from operating activities	$ (33,462)	$ 123,837	$ 279,436
Cash flows from investing activities	346,865	(180,019)	(117,497)

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily acquired above-market leases) and liabilities (primarily acquired below-market leases) as of December 31, 2015 and 2014.

(Amounts in thousands)	Balance as of December 31, 2015	2014
Identified intangible assets:		
Gross amount	$ 415,261	$ 424,976
Accumulated amortization	(187,360)	(199,821)
Net	$ 227,901	$ 225,155
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$ 643,488	$ 657,976
Accumulated amortization	(325,340)	(329,775)
Net	$ 318,148	$ 328,201

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental income of $78,749,000, $37,516,000 and $41,970,000 for the years ended December 31, 2015, 2014 and 2013, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years commencing January 1, 2016 is as follows:

(Amounts in thousands)	
2016	$ 52,359
2017	44,501
2018	43,028
2019	31,011
2020	23,320

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was $36,659,000, $28,275,000 and $61,915,000 for the years ended December 31, 2015, 2014 and 2013, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2016 is as follows:

(Amounts in thousands)

2016	$	29,349
2017		24,427
2018		20,063
2019		15,779
2020		12,345

We are a tenant under ground leases at certain properties. Amortization of these acquired below-market leases, net of above-market leases, resulted in an increase to rent expense of $1,832,000, $1,832,000, and $2,745,000 for the years ended December 31, 2015, 2014 and 2013. Estimated annual amortization of these below-market leases, net of above-market leases, for each of the five succeeding years commencing January 1, 2016 is as follows:

(Amounts in thousands)		
2016	$	1,832
2017		1,832
2018		1,832
2019		1,832
2020		1,832

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt

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 (see Note 4 – *Acquisitions*). 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.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt – continued

The following is a summary of our debt:

(Amounts in thousands)	Weighted Average Interest Rate at December 31, 2015	Balance at December 31, 2015	2014
Mortgages Payable:			
Fixed rate	4.29%	$ 6,356,634	$ 6,497,286
Variable rate	2.14%	3,258,204	1,763,769
Total	3.56%	9,614,838	8,261,055
Deferred financing costs, net and other		(101,125)	(73,212)
Total, net		$ 9,513,713	$ 8,187,843
Unsecured Debt:			
Senior unsecured notes	3.68%	$ 850,000	$ 1,350,000
Deferred financing costs, net and other		(5,841)	(7,506)
Senior unsecured notes, net		844,159	1,342,494
Unsecured term loan	1.40%	187,500	-
Deferred financing costs, net and other		(4,362)	-
Unsecured term loan, net		183,138	-
Unsecured revolving credit facilities	1.38%	550,000	-
Total, net		$ 1,577,297	$ 1,342,494

The net carrying amount of properties collateralizing the mortgages payable amounted to $9.6 billion at December 31, 2015. As of December 31, 2015, the principal repayments required for the next five years and thereafter are as follows:

(Amounts in thousands)	Mortgages Payable	Senior Unsecured Debt and Unsecured Revolving Credit Facilities
Year Ending December 31,		
2016	$ 1,095,366	$ 550,000
2017	411,113	-
2018	441,354	-
2019	379,122	450,000
2020	2,835,451	187,500
Thereafter	4,452,432	400,000

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests on our consolidated balance sheets are primarily comprised of Class A Operating Partnership units held by third parties and are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to "additional capital" in our consolidated statements of changes in equity. Class A units may be tendered for redemption to the Operating Partnership for cash; we, at our option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder.

Below are the details of redeemable noncontrolling interests as of December 31, 2015 and 2014.

(Amounts in thousands, except units and per unit amounts)	Balance as of December 31,		Units Outstanding at December 31,		Per Unit Liquidation	Preferred or Annual Distribution
Unit Series	**2015**	**2014**	**2015**	**2014**	**Preference**	**Rate**
Common:						
Class A	$ 1,223,793	$ 1,336,780	12,242,820	11,356,550	n/a	$ 2.52
Perpetual Preferred: [1]						
5.00% D-16 Cumulative Redeemable	$ 1,000	$ 1,000	1	1	$ 1,000,000.00	$ 50,000.00
3.25% D-17 Cumulative Redeemable	$ 4,428	$ -	177,100	-	$ 25.00	$ 0.8125

(1) Holders may tender units for redemption to the Operating Partnership for cash at their stated redemption amount; we, at our option, may assume that obligation and pay the holders either cash or Vornado preferred shares on a one-for-one basis. These units are redeemable at our option at any time.

Below is a table summarizing the activity of redeemable noncontrolling interests.

(Amounts in thousands)		
Balance at December 31, 2013	$	1,003,620
Net income		47,613
Other comprehensive income		1,323
Distributions		(33,469)
Redemption of Class A units for common shares, at redemption value		(27,273)
Adjustments to carry redeemable Class A units at redemption value		315,276
Other, net		30,690
Balance at December 31, 2014		1,337,780
Net income		43,231
Other comprehensive income		(2,866)
Distributions		(30,263)
Redemption of Class A units for common shares, at redemption value		(48,230)
Adjustments to carry redeemable Class A units at redemption value		(192,464)
Issuance of Class A units		80,000
Issuance of Series D-17 Preferred Units		4,428
Other, net		37,605
Balance at December 31, 2015	$	1,229,221

Redeemable noncontrolling interests exclude our Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly, the fair value of these units is included as a component of "other liabilities" on our consolidated balance sheets and aggregated $50,561,000 and $55,097,000 as of December 31, 2015 and 2014, respectively. Changes in the value from period to period, if any, are charged to "interest and debt expense" on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Shareholders' Equity

Common Shares

As of December 31, 2015, there were 188,576,853 common shares outstanding. During 2015, we paid an aggregate of $474,751,000 of common dividends comprised of quarterly common dividends of $0.63 per share.

Preferred Shares

The following table sets forth the details of our preferred shares of beneficial interest as of December 31, 2015 and 2014.

(Amounts in thousands, except share and per share amounts)	Balance as of December 31,		Shares Outstanding at December 31,		Per Share Liquidation	Annual Dividend
Preferred Shares	**2015**	**2014**	**2015**	**2014**	**Preference**	**Rate[1]**
Convertible Preferred:						
6.5% Series A: authorized 83,977 shares[2]	$ 1,321	$ 1,393	26,629	28,939	$ 50.00	$ 3.25
Cumulative Redeemable:						
6.625% Series G: authorized 8,000,000 shares[3]	193,135	193,135	8,000,000	8,000,000	$ 25.00	$ 1.65625
6.625% Series I: authorized 10,800,000 shares[3]	262,379	262,379	10,800,000	10,800,000	$ 25.00	$ 1.65625
6.875% Series J: authorized 9,850,000 shares[3]	238,842	238,842	9,850,000	9,850,000	$ 25.00	$ 1.71875

5.70% Series K: authorized 12,000,000 shares[3]	290,971	290,971	12,000,000	12,000,000	$ 25.00	$ 1.425
5.40% Series L: authorized 12,000,000 shares[3]	290,306	290,306	12,000,000	12,000,000	$ 25.00	$ 1.35
	$ 1,276,954	$ 1,277,026	52,676,629	52,678,939		

(1) Dividends on preferred shares are cumulative and are payable quarterly in arrears.

(2) Redeemable at our option under certain circumstances, at a redemption price of 1.5934 and 1.4334 common shares per Series A Preferred Share plus accrued and unpaid dividends through the date of redemption, or convertible at any time at the option of the holder for 1.5934 and 1.4334 common shares per Series A Preferred Share, as of December 31, 2015 and 2014, respectively.

(3) Redeemable at our option at a redemption price of $25.00 per share, plus accrued and unpaid dividends through the date of redemption.

Accumulated Other Comprehensive Income (Loss)

The following tables set forth the changes in accumulated other comprehensive income (loss) by component.

(Amounts in thousands)	For the Year Ended December 31, 2015				
	Total	Securities available-for-sale	Pro rata share of nonconsolidated subsidiaries' OCI	Interest rate swap	Other
Balance as of December 31, 2014	$ 93,267	$ 133,774	$ (8,992)	$ (25,803)	$ (5,712)
Net current period OCI	(46,346)	(55,326)	(327)	6,435	2,872
Balance as of December 31, 2015	$ 46,921	$ 78,448	$ (9,319)	$ (19,368)	$ (2,840)

12. Variable Interest Entities ("VIEs")

Unconsolidated VIEs

As of December 31, 2015 and 2014, we have six and three unconsolidated VIEs, respectively. We do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these

entities does not give us power over decisions that significantly affect these entities' economic performance. We account for our investment in these entities under the equity method (see Note 6 – *Investments in Partially Owned Entities*). As of December 31, 2015 and 2014, the net carrying amount of our investments in these entities was $379,939,000 and $286,783,000, respectively, and our maximum exposure to loss in these entities, is limited to our investments. We did not have any consolidated VIEs as of December 31, 2015 and 2014.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fair Value Measurements

ASC 820 defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in our assessment of fair value. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining the fair value of our financial and non-financial assets and liabilities. Accordingly, our fair value estimates, which are made at the end of each reporting period, may be different than the amounts that may ultimately be realized upon sale or disposition of these assets.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities that are measured at fair value on our consolidated balance sheets consist of (i) marketable securities, (ii) real estate fund investments, (iii) the assets in our deferred compensation plan (for which there is a corresponding liability on our consolidated balance sheet), (iv) mandatorily redeemable instruments (Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units), and (v) interest rate swaps. The tables below aggregate the fair values of these financial assets and liabilities by their levels in the fair value hierarchy at December 31, 2015 and 2014, respectively.

(Amounts in thousands)	As of December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 150,997	$ 150,997	$ -	$ -
Real estate fund investments (75% of which is attributable to noncontrolling interests)	574,761	-	-	574,761
Deferred compensation plan assets (included in other assets)	117,475	58,289	-	59,186
Total assets	$ 843,233	$ 209,286	$ -	$ 633,947

Mandatorily redeemable instruments (included in other liabilities)	$ 50,561	$ 50,561	$ -	$ -
Interest rate swaps (included in other liabilities)	19,600	-	19,600	-
Total liabilities	$ 70,161	$ 50,561	$ 19,600	$ -

(Amounts in thousands)	As of December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$ 206,323	$ 206,323	$ -	$ -
Real estate fund investments (75% of which is attributable to noncontrolling interests)	513,973	-	-	513,973
Deferred compensation plan assets (included in other assets)	117,284	53,969	-	63,315
Total assets	$ 837,580	$ 260,292	$ -	$ 577,288
Mandatorily redeemable instruments (included in other liabilities)	$ 55,097	$ 55,097	$ -	$ -
Interest rate swap (included in other liabilities)	25,797	-	25,797	-
Total liabilities	$ 80,894	$ 55,097	$ 25,797	$ -

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fair Value Measurements - continued

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued

Real Estate Fund Investments

At December 31, 2015, we had six real estate fund investments with an aggregate fair value of $574,761,000, or $208,614,000 in excess of cost. These investments are classified as Level 3. We use a discounted cash flow valuation technique to estimate the fair value of each of these investments, which is updated quarterly by personnel responsible for the management of each investment and reviewed by senior management at each reporting period. The discounted cash flow valuation technique requires us to estimate cash flows for each investment over the anticipated holding period, which currently ranges from 1.0 to 5.0 years. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and our estimates for future leasing activity, which are based on current market rents for similar space plus a projected growth factor. Similarly, estimated operating expenses and real estate taxes are based on amounts incurred in the current period plus a projected growth factor for future periods. Anticipated sales proceeds at the end of an investment's expected holding period are determined based on the net cash flow of the investment in the year of exit, divided by a terminal capitalization rate, less estimated selling costs.

The fair value of each property is calculated by discounting the future cash flows (including the projected sales proceeds), using an appropriate discount rate and then reduced by the property's outstanding debt, if any, to determine the fair value of the equity in each investment. Significant unobservable quantitative inputs used in determining the fair value of each investment include capitalization rates and discount rates. These rates are based on the location, type and nature of each property, and current and anticipated market conditions, industry publications and from the experience of our Acquisitions and Capital Markets departments. Significant unobservable quantitative inputs in the table below were utilized in determining the fair value of these real estate fund investments at December 31, 2015.

			Weighted Average (based on fair

Unobservable Quantitative Input	Range	value of investments)
Discount rates	12.0% to 14.9%	13.6%
Terminal capitalization rates	4.8% to 6.1%	5.5%

The above inputs are subject to change based on changes in economic and market conditions and/or changes in use or timing of exit. Changes in discount rates and terminal capitalization rates result in increases or decreases in the fair values of these investments. The discount rates encompass, among other things, uncertainties in the valuation models with respect to terminal capitalization rates and the amount and timing of cash flows. Therefore, a change in the fair value of these investments resulting from a change in the terminal capitalization rate, may be partially offset by a change in the discount rate. It is not possible for us to predict the effect of future economic or market conditions on our estimated fair values.

The table below summarizes the changes in the fair value of real estate fund investments that are classified as Level 3, for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	For The Year Ended December 31,	
	2015	2014
Beginning balance	$ 513,973	$ 667,710
Purchases	95,010	3,392
Dispositions / Distributions	(91,450)	(307,268)
Net unrealized gains	54,995	73,802
Net realized gains	2,757	76,337
Other, net	(524)	-
Ending balance	$ 574,761	$ 513,973

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fair Value Measurements - continued

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis - continued

Deferred Compensation Plan Assets

Deferred compensation plan assets that are classified as Level 3 consist of investments in limited partnerships and investment funds, which are managed by third parties. We receive quarterly financial reports from a third-party administrator, which are compiled from the quarterly reports provided to them from each limited partnership and investment fund. The quarterly reports provide net asset values on a fair value basis which are audited by independent public accounting firms on an annual basis. The third-party administrator does not adjust these values in determining our share of the net assets and we do not adjust these values when reported in our consolidated financial statements.

The table below summarizes the changes in the fair value of deferred compensation plan assets that are classified as Level 3, for the years ended December 31, 2015 and 2014.

(Amounts in thousands)	For The Year Ended December 31,	
	2015	2014
Beginning balance	$ 63,315	$ 68,782
Purchases	9,062	14,162
Sales	(13,252)	(24,951)
Realized and unrealized gains	(501)	3,415
Other, net	562	1,907
Ending balance	$ 59,186	$ 63,315

Fair Value Measurements on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist primarily of real estate assets required to be measured for impairment at December 31, 2014. There are no assets measured at fair value on a nonrecurring basis at December 31, 2015. The fair values of real estate assets required to be measured for impairment were determined using widely accepted valuation techniques, including (i) discounted cash flow analysis, which considers, among other things, leasing assumptions, growth rates, discount rates and terminal capitalization rates, (ii) income capitalization approach, which considers prevailing market capitalization rates, and (iii) comparable sales activity.

(Amounts in thousands)	As of December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Real estate assets	$ -	$ -	$ -	$ -

(Amounts in thousands)	As of December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Real estate assets	$ 4,848	$ -	$ -	$ 4,848

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fair Value Measurements – continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents (primarily money market funds, which invest in obligations of the United States government), mezzanine loan receivable and our secured and unsecured debt. Estimates of the fair value of these instruments are determined by the standard practice of modeling the contractual cash flows required under the instrument and discounting them back to their present value at the appropriate current risk adjusted interest rate, which is provided by a third-party specialist. For floating rate debt, we use forward rates derived from observable market yield curves to project the expected cash flows we would be required to make under the instrument. The fair value of cash equivalents and borrowings under our unsecured revolving credit facilities and unsecured term loan are classified as Level 1, and the fair value of our mezzanine loan receivable as of December 31, 2014 is classified as Level 3. There are no mezzanine loans outstanding as of December 31, 2015. The fair value of our secured and unsecured debt is classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of December 31, 2015 and 2014.

(Amounts in thousands)	As of December 31, 2015		As of December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash equivalents	$ 1,295,980	$ 1,296,000	$ 749,418	$ 749,000
Mezzanine loan receivable (included in other assets)	-	-	16,748	17,000
	$ 1,295,980	$ 1,296,000	$ 766,166	$ 766,000
Debt:				
Mortgages payable	$ 9,614,838	$ 9,306,000	$ 8,261,055	$ 8,224,000
Senior unsecured notes	850,000	868,000	1,350,000	1,385,000
Unsecured term loan	187,500	187,500	-	-
Unsecured revolving credit facilities	550,000	550,000	-	-
Total	$ 11,202,338	$ 10,911,500	$ 9,611,055	$ 9,609,000

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Stock-based Compensation

Our Omnibus Share Plan (the "Plan"), which was approved in May 2010, provides the Compensation Committee of the Board (the "Committee") the ability to grant incentive and non-qualified stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards to certain of our employees and officers. Under the Plan, awards may be granted up to a maximum of 6,000,000 shares, if all awards granted are Full Value Awards, as defined, and up to 12,000,000 shares, if all of the awards granted are Not Full Value Awards, as defined, plus shares in respect of awards forfeited after May 2010 that were issued pursuant to our 2002 Omnibus Share Plan. Full Value Awards are awards of securities, such as restricted shares, that, if all vesting requirements are met, do not require the payment of an exercise price or strike price to acquire the securities. Not Full Value Awards are awards of securities, such as options, that do require the payment of an exercise price or strike price. This means, for example, if the Committee were to award only restricted shares, it could award up to 6,000,000 restricted shares. On the other hand, if the Committee were to award only stock options, it could award options to purchase up to 12,000,000 shares (at the applicable exercise price). The Committee may also issue any combination of awards under the Plan, with reductions in availability of future awards made in accordance with the above limitations. As of December 31, 2015, we have approximately 3,570,000 shares available for future grants under the Plan, if all awards granted are Full Value Awards, as defined.

In the years ended December 31, 2015, 2014 and 2013, we recognized an aggregate of $39,846,000, $36,641,000 and $34,914,000, respectively, of stock-based compensation expense, which is included as a component of "general and administrative" expenses on our consolidated statements of income. The year ended December 31, 2015 includes $7,834,000 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 $3,679,000 and $4,155,000 thereafter. The details of the various components of our stock-based compensation are discussed below.

Out-Performance Plans ("the OPPs")

OPPs are multi-year, performance-based equity compensation plans under which participants, including our Chairman and Chief Executive Officer, have the opportunity to earn a class of units ("OPP units") of the Operating Partnership if, and only if, we outperform a predetermined total shareholder return ("TSR") and/or outperform the market with respect to a relative TSR in any year during the requisite performance periods as described below. OPP units, if earned, become convertible into Class A common units of the Operating Partnership (and ultimately into shares) following vesting.

Awards under the 2012 and 2013 OPP have been earned. Awards under the 2014 and 2015 OPP may be earned if we (i) achieve a TSR level greater than 7% per annum, or 21% over the three-year performance measurement periods (the "Absolute Component"), and/or (ii) achieve a TSR above that of the Index over the three-year performance measurement periods (the "Relative Component"). To the extent awards would be earned under the Absolute Component of each of the OPPs, but we underperform the Index, such awards would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be fully earned under the Absolute Component, awards may still be earned or increased under the Relative Component. To the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 6% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which we may outperform the Index. Dividends on awards issued accrue during the performance period.

If the designated performance objectives are achieved, OPP units are subject to time-based vesting requirements. Awards earned under the OPPs vest 33% in year three, 33% in year four and 34% in year five. Our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold earned 2013, 2014 and 2015 OPP awards for one year following vesting.

Below is the summary of the OPP units earned through December 31, 2015 and the aggregate grant date notional and fair values.

Plan Year	Notional Amount	Grant-Date Fair Value[(1)]	OPP Units Earned
2015	$ 40,000,000	$ 9,120,000	To be determined in 2017
2014	50,000,000	8,202,000	To be determined in 2016
2013	40,000,000	6,814,000	85,420
2012	40,000,000	12,250,000	303,202

(1) Such amounts are being amortized into expense over a five-year period from the date of grant, using a graded vesting attribution model. In the years ended December 31, 2015, 2014 and 2013, we recognized $15,531,000, $6,185,000 and $3,226,000, respectively, of compensation expense related to OPPs. As of December 31, 2015, there was $5,087,000 of total unrecognized compensation cost related to the OPPs, which will be recognized over a weighted-average period of 1.7 years.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Stock-based Compensation - continued

Stock Options

Stock options are granted at an exercise price equal to the average of the high and low market price of our common shares on the NYSE on the date of grant, generally vest over four years and expire 10 years from the date of grant. Compensation expense related to stock option awards is recognized on a straight-line basis over the vesting period. In the years ended December 31, 2015, 2014 and 2013, we recognized $1,298,000, $4,550,000 and $8,234,000, respectively, of compensation expense related to stock options that vested during each year. As of December 31, 2015, there was $1,325,000 of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 1.7 years.

Below is a summary of our stock option activity for the year ended December 31, 2015.

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2015 (1)	2,965,968	$ 60.82		
Granted	35,208	112.10		
Exercised	(160,266)	82.21		
Cancelled or expired	(13,340)	100.21		
Outstanding at December 31, 2015	2,827,570	$ 60.06	4.0	$ 115,796,000
Options vested and expected to vest at December 31, 2015	2,826,685	$ 60.06	4.0	$ 115,788,000
Options exercisable at December 31, 2015	2,741,863	$ 59.08	3.8	$ 114,653,000

(1) Adjusted for the effect of the UE spin-off.

The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions for grants in the years ended December 31, 2015, 2014 and 2013.

	December 31,		
	2015	**2014**	**2013**
Expected volatility	35.00%	36.00%	36.00%
Expected life	5.0 years	5.0 years	5.0 years
Risk free interest rate	1.56%	1.81%	0.91%
Expected dividend yield	3.30%	4.10%	4.30%

The weighted average grant date fair value of options granted during the years ended December 31, 2015, 2014 and 2013 was $28.85, $20.31 and $17.18, respectively. Cash received from option exercises for the years ended December 31, 2015, 2014 and 2013 was $15,343,000, $17,441,000 and $5,915,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $3,873,000, $18,223,000 and $3,386,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Stock-based Compensation - continued

Restricted Stock

Restricted stock awards are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant and generally vest over four years. Compensation expense related to restricted stock awards is recognized on a straight-line basis over the vesting period. In the years ended December 31, 2015, 2014 and 2013, we recognized $837,000, $1,303,000 and $1,344,000, respectively, of compensation expense related to restricted stock awards that vested during each year. As of December 31, 2015, there was $1,315,000 of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.7 years. Dividends paid on unvested restricted stock are charged directly to retained earnings and amounted to $58,000, $88,000 and $110,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

Below is a summary of our restricted stock activity under the Plan for the year ended December 31, 2015.

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015 [(1)]	24,478	$ 78.32
Granted	8,177	110.84
Vested	(11,298)	78.08
Cancelled or expired	(1,765)	88.69
Unvested at December 31, 2015	19,592	91.09

(1) Adjusted for the effect of the UE spin-off.

Restricted stock awards granted in 2015, 2014 and 2013 had a fair value of $906,000, $1,048,000 and $857,000, respectively. The fair value of restricted stock that vested during the years ended December 31, 2015, 2014 and 2013 was $882,000, $1,174,000 and $1,194,000, respectively.

Restricted Operating Partnership Units ("OP Units")

OP Units are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant, vest ratably over four years and are subject to a taxable book-up event, as defined. Compensation expense related to OP Units is recognized ratably over the vesting period using a graded vesting attribution model. In the years ended December 31, 2015, 2014 and 2013, we recognized $22,180,000, $24,603,000 and $22,110,000, respectively, of compensation expense related to OP Units that vested during each year. As of December 31, 2015, there was $18,625,000 of total unrecognized compensation cost related to unvested OP Units, which is expected to be recognized over a weighted-average period of 1.6 years. Distributions paid on unvested OP Units are charged to "net income attributable to noncontrolling interests in the Operating Partnership" on our consolidated statements of income and amounted to $2,414,000, $2,866,000 and $2,598,000 in the years ended December 31, 2015, 2014 and 2013, respectively.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2015.

Unvested Units	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015 (1)	721,662	$ 74.38
Granted	197,497	102.75
Vested	(270,443)	74.22
Cancelled or expired	(9,699)	83.89
Unvested at December 31, 2015	639,017	83.07

(1) Adjusted for the effect of the UE spin-off.

OP Units granted in 2015, 2014 and 2013 had a fair value of $20,293,000, $19,669,000 and $31,947,000, respectively. The fair value of OP Units that vested during the years ended December 31, 2015, 2014 and 2013 was $20,072,000, $22,758,000 and $16,404,000, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fee and Other Income

The following table sets forth the details of our fee and other income:

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
BMS cleaning fees	$ 82,113	$ 85,658	$ 66,505
Lease termination fees[(1)]	27,233	16,362	32,630
Management and leasing fees	16,831	19,905	23,073
Other income	38,528	33,281	33,363
	$ 164,705	$ 155,206	$ 155,571

(1) The year ended December 31, 2015 includes $15,000 related to the New York Stock Exchange lease termination at 20 Broad Street. The year ended December 31, 2013 includes $19,500 from a tenant at 1290 Avenue of the Americas, of which our 70% share, net of a $1,529 write-off of the straight lining of rents, was $12,121; and $3,000 from the termination of our subsidiaries' agreements with Cuyahoga County to operate the Cleveland Medical Mart Convention Center.

The above table excludes fee income from partially owned entities, which is included in “loss from partially owned entities” (see Note 6 – *Investments in Partially Owned Entities*).

16. Interest and Other Investment Income (Loss), Net

The following table sets forth the details of our interest and other investment income (loss), net:

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
Dividends on marketable securities	$ 12,836	$ 12,707	$ 11,446
Interest on loans receivable	6,371	6,107	20,683
Mark-to-market of investments in our deferred compensation plan[(1)]	111	11,557	10,636
Losses from the disposition of investment in J.C. Penney	-	-	(72,974)
Other, net	7,660	8,381	5,322

	$ 26,978	$ 38,752	$ (24,887)

(1) This income is entirely offset by the expense resulting from the mark-to-market of the deferred compensation plan liability, which is included in "general and administrative" expense.

17. Interest and Debt Expense

The following table sets forth the details of our interest and debt expense.

(Amounts in thousands)	For the Year Ended December 31,		
	2015	**2014**	**2013**
Interest expense	$ 405,169	$ 430,278	$ 444,412
Amortization of deferred financing costs	32,161	45,263	23,673
Capitalized interest and debt expense	(59,305)	(62,786)	(42,303)
	$ 378,025	$ 412,755	$ 425,782

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which includes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Dilutive share equivalents may include our Series A convertible preferred shares, employee stock options and restricted stock awards.

(Amounts in thousands, except per share amounts)	Year Ended December 31,		
	2015	2014	2013
Numerator:			
Income (loss) from continuing operations, net of income attributable to noncontrolling interests	$ 711,240	$ 312,700	$ (56,727)
Income from discontinued operations, net of income attributable to noncontrolling interests	49,194	552,152	532,698
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
Earnings allocated to unvested participating securities	(81)	(125)	(110)
Numerator for basic income per share	679,775	783,263	391,924
Impact of assumed conversions:			
Convertible preferred share dividends	91	97	-
Numerator for diluted income per share	$ 679,866	$ 783,360	$ 391,924
Denominator:			
Denominator for basic income per share – weighted average shares	188,353	187,572	186,941
Effect of dilutive securities [(1)]:			
Employee stock options and restricted share awards	1,166	1,075	768
Convertible preferred shares	45	43	-
Denominator for diluted income per share – weighted average shares and assumed conversions	189,564	188,690	187,709
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
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

(1) The effect of dilutive securities in the years ended December 31, 2015, 2014 and 2013 excludes an aggregate of 11,744, 11,238 and 11,752 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Leases

As lessor:

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Office building leases generally require the tenants to reimburse us for operating costs and real estate taxes above their base year costs. Shopping center leases provide for pass-through to tenants the tenant's share of real estate taxes, insurance and maintenance. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2015, future base rental revenue under non-cancelable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, are as follows:

(Amounts in thousands)	
Year Ending December 31:	
2016	$ 1,633,615
2017	1,686,056
2018	1,644,440
2019	1,496,805
2020	1,349,724
Thereafter	8,103,382

These amounts do not include percentage rentals based on tenants' sales. These percentage rents approximated $5,760,000, $6,343,000 and $7,344,000, for the years ended December 31, 2015, 2014 and 2013, respectively.

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

As lessee:

We are a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2015 are as follows:

(Amounts in thousands)

Year Ending December 31:	
2016	$ 33,265
2017	34,831
2018	35,317
2019	35,826
2020	36,353
Thereafter	1,557,541

Rent expense was $38,887,000, $36,315,000 and $35,913,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Leases - continued

We are also a lessee under a capital lease under which we will redevelop the retail and signage components of the Marriott Marquis Times Square Hotel. The lease has put/call options, which if exercised would lead to our ownership. Capitalized leases are recorded at the present value of future minimum lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease. Depreciation expense on capital leases is included in "depreciation and amortization" on our consolidated statements of income. As of December 31, 2015, future minimum lease payments under this capital lease are as follows:

(Amounts in thousands)	
Year Ending December 31:	
2016	$ 12,500
2017	12,500
2018	12,500
2019	12,500
2020	12,500
Thereafter	322,292
Total minimum obligations	384,792
Interest portion	(144,792)
Present value of net minimum payments	$ 240,000

At December 31, 2015, the gross carrying amount of the property leased under the capital lease was $424,369,000, which is a component of "buildings and improvements" on our consolidated balance sheet.

20. Multiemployer Benefit Plans

Our subsidiaries make contributions to certain multiemployer defined benefit plans ("Multiemployer Pension Plans") and health plans ("Multiemployer Health Plans") for our union represented employees, pursuant to the respective collective bargaining agreements.

Multiemployer Pension Plans

Multiemployer Pension Plans differ from single-employer pension plans in that (i) contributions to multiemployer plans may be used to provide benefits to employees of other participating employers and (ii) if other participating employers fail to make their contributions, each of our participating subsidiaries may be required to bear its then pro rata share of unfunded obligations. If a participating subsidiary withdraws from a plan in which it participates, it may be subject to a withdrawal liability. As of December 31, 2015, our subsidiaries' participation in these plans was not significant to our consolidated financial statements.

In the years ended December 31, 2015, 2014 and 2013, our subsidiaries contributed $10,878,000, $11,431,000 and $10,223,000, respectively, towards Multiemployer Pension Plans, which is included as a component of "operating" expenses on our consolidated statements of income. Our subsidiaries' contributions did not represent more than 5% of total employer contributions in any of these plans for the years ended December 31, 2015, 2014 and 2013.

Multiemployer Health Plans

Multiemployer Health Plans in which our subsidiaries participate provide health benefits to eligible active and retired employees. In the years ended December 31, 2015, 2014 and 2013, our subsidiaries contributed $29,269,000, $29,073,000 and $26,262,000, respectively, towards these plans, which is included as a component of "operating" expenses on our consolidated statements of income.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Commitments and Contingencies

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.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. 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*.

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*.

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.

23. Summary of Quarterly Results (Unaudited)

The following summary represents the results of operations for each quarter in 2015 and 2014:

(Amounts in thousands, except per share amounts)		Revenues	Net Income Attributable to Common Shareholders (1)	Net Income Per Common Share (2)	
				Basic	Diluted
2015					
	December 31	$ 651,581	$ 230,742	$ 1.22	$ 1.22
	September 30	627,596	198,870	1.05	1.05
	June 30	616,288	165,651	0.88	0.87
	March 31	606,802	84,593	0.45	0.45
2014					
	December 31	$ 597,010	$ 513,238	$ 2.73	$ 2.72
	September 30	578,710	131,159	0.70	0.69
	June 30	574,411	76,642	0.41	0.41
	March 31	562,381	62,349	0.33	0.33

(1) Fluctuations among quarters resulted primarily from non-cash impairment losses, mark-to-market of derivative instruments, net gains on sale of real estate and from seasonality of business operations.

(2) The total for the year may differ from the sum of the quarters as a result of weighting.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Segment Information

As a result of the spin-off of substantially all of our Retail Properties segment (see Note 7 – *Dispositions*), the remaining retail properties no longer meet the criteria to be a separate reportable segment. In addition, as a result of our investment in Toys being reduced to zero, we suspended equity method accounting for our investment in Toys (see Note 6 – *Investments in Partially Owned Entities*) and the Toys segment no longer meets the criteria to be a separate reportable segment. Accordingly, effective January 1, 2015, the Retail Properties segment and Toys have been reclassified to the Other segment. 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
	664,637	394,028	179,788	90,821

Depreciation and amortization[2]				
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]
Balance Sheet Data:				
Real estate, at cost	$ 18,090,137	$ 10,577,078	$ 4,544,842	$ 2,968,217
Investments in partially owned entities	1,550,422	1,195,122	100,511	254,789
Total assets	21,143,293	12,257,774	4,536,895	4,348,624

See notes on pages 136 and 137.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Segment Information – continued

(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]
Balance Sheet Data:				
Real estate, at cost	$ 16,822,358	$ 9,732,818	$ 4,383,418	$ 2,706,122
Investments in partially owned entities	1,240,489	1,036,130	102,635	101,724
Total assets	21,157,980	10,706,476	4,300,628	6,150,876

(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]
Balance Sheet Data:				
Real estate, at cost	$ 15,392,968	$ 8,422,297	$ 4,243,048	$ 2,727,623
Investments in partially owned entities	1,159,803	904,278	100,543	154,982
Total assets	20,018,210	9,214,055	4,098,338	6,705,817

See notes on page 136 and 137.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Segment Information – 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	$ 661,579	$ 622,818	$ 612,009
Retail	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[(a)]	142,693	440,537	127,512
Total New York	$ 1,250,819	$ 1,439,189	$ 1,079,682

(a) 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

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Segment Information – 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
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 (see Note 6 - *Investments in Partially Owned Entities*). 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.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Subsequent Events

2016 Out-Performance Plan

On January 14, 2016, the Compensation Committee approved the 2016 Outperformance Plan, a multi-year, performance-based equity compensation plan and related form of award agreement (the "2016 OPP"). Awards under the 2016 OPP constitute awards under Vornado's shareholder approved 2010 Omnibus Share Plan. Under the 2016 OPP, participants, including our Chairman and Chief Executive Officer, have the opportunity to earn compensation payable in the form of operating partnership units if, and only if, we outperform a predetermined total shareholder return ("TSR") and/or outperform the market with respect to relative total TSR during a three-year performance period. Specifically, awards under our 2016 OPP may potentially be earned if we (i) achieve a TSR above that of the SNL US REIT Index (the "Index") over a three-year performance period (the "Relative Component") and/or (ii) achieve a TSR level greater than 7% per annum, or 21% over the three-year performance period (the "Absolute Component"). To the extent awards would be earned under the Absolute Component but we underperform the Index, such awards earned under the Absolute Component would be reduced (and potentially fully negated) based on the degree to which we underperform the Index. In certain circumstances, in the event we outperform the Index but awards would not otherwise be earned under the Absolute Component, awards may still be earned under the Relative Component. Moreover, to the extent awards would otherwise be earned under the Relative Component but we fail to achieve at least a 3% per annum absolute TSR, such awards earned under the Relative Component would be reduced based on our absolute TSR performance, with no awards being earned in the event our TSR during the applicable measurement period is 0% or negative, irrespective of the degree to which it may outperform the Index. If the designated performance objectives are achieved, OPP Units are also subject to time-based vesting requirements. Dividend payments on awards issued accrue during the performance period and are paid to participants if, and only if, awards are ultimately earned based on the achievement of the designated performance objectives. In addition, all of our executive officers (for the purposes of Section 16 of the Exchange Act) are required to hold any earned OPP Units for one year following vesting.

770 Broadway Refinancing

On February 8, 2016, we completed a $700,000,000 refinancing of 770 Broadway, a 1,158,000 square foot Manhattan office building. The five-year loan is interest-only at LIBOR plus 1.75% (2.18% at February 11, 2016) which was swapped for four and a half years to a fixed rate of 2.56%. We realized net proceeds of approximately $330,000,000. The property was previously encumbered by a 5.65%, $353,000,000 mortgage maturing in March 2016.

ITEM 9. changes in and disagreements with accountants on accounting and financial disclosure

None.

ITEM 9A. Controls and procedures

Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a 15 (e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2015, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2015 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures are being made only in accordance with authorizations of management and our trustees; and provide reasonable assurance

regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 140, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have audited the internal control over financial reporting of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective 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.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2015 of the Company and our report dated February 16, 2016 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the Company's adoption of a new accounting standard.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

February 16, 2016

ITEM 9B. Other information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information relating to trustees of the Registrant, including its audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of trustees under the caption “Election of Trustees” which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 2015, and such information is incorporated herein by reference. Also incorporated herein by reference is the information under the caption “16(a) Beneficial Ownership Reporting Compliance” of the Proxy Statement.

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office that run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

Name	Age	PRINCIPAL OCCUPATION, POSITION AND OFFICE (Current and during past five years with Vornado unless otherwise stated)
Steven Roth	74	Chairman of the Board; Chief Executive Officer since April 2013 and from May 1989 to May 2009; Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander’s, Inc. since March 1995, a Director since 1989, and Chairman since May 2004.
Michael J. Franco	47	Executive Vice President - Chief Investment Officer since April 2015; Executive Vice President - Head of Acquisitions and Capital Markets since November 2010; Managing Director (2003-2010) and Executive Director (2001-2003) of the Real Estate Investing Group of Morgan Stanley.
David R. Greenbaum	64	President of the New York Division since April 1997 (date of our acquisition); President of Mendik Realty (the predecessor to the New York Office division) from 1990 until April 1997.
Joseph Macnow	70	Executive Vice President - Finance and Chief Administrative Officer since June 2013; Executive Vice President - Finance and Administration from January 1998 to June 2013, and Chief Financial Officer from March 2001 to June 2013; Executive Vice President and Chief Financial Officer of Alexander's, Inc. since August 1995.

Mitchell N. Schear	57	President of Vornado/Charles E. Smith L.P. (our Washington, DC division) since April 2003; President of the Kaempfer Company from 1998 to April 2003 (date acquired by us).
Stephen W. Theriot	56	Chief Financial Officer since June 2013; Assistant Treasurer of Alexander's, Inc. since May 2014; Partner at Deloitte & Touche LLP (1994 - 2013) and most recently, leader of its Northeast Real Estate practice (2011 - 2013).

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Steven Roth, its principal executive officer, and Stephen W. Theriot, its principal financial and accounting officer. This Code is available on our website at www.vno.com.

ITEM 11. Executive Compensation

Information relating to executive officer and trustee compensation will be contained in the Proxy Statement referred to above in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Executive Compensation” and such information is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management and related stockholder matters will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Principal Security Holders” and such information is incorporated herein by reference.

Equity compensation plan information

The following table provides information as of December 31, 2015 regarding our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	4,623,934 (1)	$ 60.06	3,569,694 (2)
Equity compensation awards not approved by security holders	-	-	-
Total	4,623,934	$ 60.06	3,569,694

(1) Includes an aggregate of 1,796,364 shares/units, comprised of (i) 19,592 restricted common shares, (ii) 791,843 restricted Operating Partnership units and (iii) 984,929 Out-Performance Plan units, which do

not have an exercise price.

(2) Based on awards being granted as "Full Value Awards," as defined. If we were to grant "Not Full Value Awards," as defined, the number of securities available for future grants would be 7,139,388.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to certain relationships and related transactions, and director independence will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Certain Relationships and Related Transactions” and such information is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

Information relating to principal accounting fees and services will be contained in the Proxy Statement referred to in Item 10, “Directors, Executive Officers and Corporate Governance,” under the caption “Ratification of Selection of Independent Auditors” and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K.

	Pages in this Annual Report on Form 10-K
II--Valuation and Qualifying Accounts--years ended December 31, 2015, 2014 and 2013	145
III--Real Estate and Accumulated Depreciation as of December 31, 2015	146

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The following exhibits listed on the Exhibit Index, which is incorporated herein by reference, are filed with this Annual Report on Form 10-K.

Exhibit No.	
12	Computation of Ratios
21	Subsidiaries of Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14 (a) Certification of Chief Executive Officer
31.2	Rule 13a-14 (a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VORNADO REALTY TRUST
(Registrant)

Date: February 16, 2016

By: /s/ Stephen W. Theriot
Stephen W. Theriot, Chief Financial Officer

(duly authorized officer and principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
By: /s/Steven Roth (Steven Roth)	Chairman of the Board of Trustees and Chief Executive Officer	February 16, 2016
By: /s/Candace K. Beinecke (Candace K. Beinecke)	Trustee	February 16, 2016
By: /s/Michael D. Fascitelli (Michael D. Fascitelli)	Trustee	February 16, 2016
By: /s/Robert P. Kogod (Robert P. Kogod)	Trustee	February 16, 2016
By: /s/Michael Lynne (Michael Lynne)	Trustee	February 16, 2016
By: /s/David Mandelbaum (David Mandelbaum)	Trustee	February 16, 2016
By: /s/Daniel R. Tisch (Daniel R. Tisch)	Trustee	February 16, 2016
By: /s/Richard R. West (Richard R. West)	Trustee	February 16, 2016

By: /s/Russell B. Wight (Russell B. Wight, Jr.)	Trustee	February 16, 2016
By: /s/Stephen W. Theriot (Stephen W. Theriot)	Chief Financial Officer (Principal Financial and Accounting Officer)	February 16, 2016

VORNADO REALTY TRUST
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
December 31, 2015
(Amounts in Thousands)

Column A Description	Column B Balance at Beginning of Year	Column C Additions Charged Against Operations	Column D Uncollectible Accounts Written-off	Column E Balance at End of Year
Year Ended December 31, 2015:				
Allowance for doubtful accounts	$ 21,209	$ (99)	$ (6,451)	$ 14,659
Year Ended December 31, 2014:				
Allowance for doubtful accounts	$ 24,719	$ 3,076	$ (6,586)	$ 21,209
Year Ended December 31, 2013:				
Allowance for doubtful accounts	$ 28,675	$ 9,326	$ (13,282)	$ 24,719

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H
		Initial cost to company (1)			Gross amount at which carried at close of period					
Encumbrances (2)		Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (3)	Accumulated depreciation and amortization	Date of construction (4)	Date acquired
New York										
New York										
	Manhattan									
	1290 Avenue of the Americas	$ 950,000	$ 515,539	$ 923,653	$ 156,868	$ 515,540	$ 1,080,520	$ 1,596,060	$ 233,742	1963	20
	697-703 Fifth Avenue (St. Regis - retail)	450,000	152,825	584,230	-	152,825	584,230	737,055	17,197		20
	350 Park Avenue	280,242	265,889	363,381	45,811	265,889	409,192	675,081	94,115	1960	20
	666 Fifth Avenue (Retail Condo)	390,000	189,005	471,072	-	189,005	471,072	660,077	37,030		20
	One Penn Plaza	-	-	412,169	200,348	-	612,517	612,517	261,693	1972	19
	100 West 33rd Street	398,402	242,776	247,970	31,934	242,776	279,904	522,680	61,476	1911	20
	150 West 34th	205,000	119,657	268,509	1	119,658	268,509	388,167	3,916	1900	20

Street										
1535 Broadway (Marriott Marquis)	-	-	249,285	137,101	-	386,386	386,386	4,796		20
1540 Broadway	-	110,000	223,122	26,714	110,001	249,835	359,836	43,592		20
655 Fifth Avenue	140,000	102,594	231,903	-	102,594	231,903	334,497	13,149		20
Two Penn Plaza	575,000	53,615	164,903	98,098	52,689	263,927	316,616	133,450	1968	19
90 Park Avenue	-	8,000	175,890	96,269	8,000	272,159	280,159	98,331	1964	19
Manhattan Mall	181,598	88,595	113,473	71,400	88,595	184,873	273,468	48,993	2009	20
770 Broadway	353,000	52,898	95,686	97,290	52,898	192,976	245,874	75,613	1907	19
888 Seventh Avenue	375,000	-	117,269	115,848	-	233,117	233,117	97,680	1980	19
909 Third Avenue	350,000	-	120,723	80,715	-	201,438	201,438	76,663	1969	19
Eleven Penn Plaza	450,000	40,333	85,259	72,995	40,333	158,254	198,587	60,765	1923	19
7 West 34th Street	-	-	-	182,067	34,614	147,453	182,067	62,011	1901	20
640 Fifth Avenue	-	38,224	25,992	102,472	38,224	128,464	166,688	41,282	1950	19
150 East 58th Street	-	39,303	80,216	40,870	39,303	121,086	160,389	50,879	1969	19
595 Madison Avenue	-	62,731	62,888	26,218	62,731	89,106	151,837	33,566	1968	19
828-850 Madison Avenue	80,000	107,937	28,261	10	107,937	28,271	136,208	7,538		20
33-00 Northern Boulevard	61,759	46,505	86,226	-	46,505	86,226	132,731	2,189	1915	20
330 West	-	-	8,599	111,810	-	120,409	120,409	6,530	1925	19

34th Street										
715 Lexington Avenue	-	-	26,903	63,002	63,000	26,905	89,905	7,243	1923	20
478-486 Broadway	-	30,000	20,063	33,827	30,000	53,890	83,890	9,610	2009	20
4 Union Square South	1	7,904	24,079	55,220	2,610	24,080	57,829	81,909	16,392	1965/2004	19
260 Eleventh Avenue	-	-	80,482	10	-	80,492	80,492	943	1911	20
510 Fifth Avenue	-	34,602	18,728	19,227	34,602	37,955	72,557	5,820		20
40 Fulton Street	-	15,732	26,388	15,153	15,732	41,541	57,273	16,888	1987	19
689 Fifth Avenue	-	19,721	13,446	22,809	19,721	36,255	55,976	9,492	1925	19
443 Broadway	-	11,187	41,186	-	11,187	41,186	52,373	2,693		20
40 East 66th Street	-	13,616	34,635	142	13,616	34,777	48,393	8,739		20
155 Spring Street	-	13,700	30,544	2,582	13,700	33,126	46,826	7,527		20

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C			COLUMN D	COLUMN E			COLUMN F	CO
		Initial cost to company (1)				Gross amount at which carried at close of period				
Description	Encumbrances (2)	Land	Building and improvements		Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (3)	Accumulated depreciation and amortization	D cons
435 Seventh Avenue	$ 98,000	$ 19,893	$ 19,091		$ 37	$ 19,893	$ 19,128	$ 39,021	$ 6,449	2
3040 M Street	-	7,830	27,490		3,256	7,830	30,746	38,576	7,960	
608 Fifth Avenue	-	-	-		33,906	-	33,906	33,906	3,601	1
692 Broadway	-	6,053	22,908		3,540	6,053	26,448	32,501	6,895	
265 West 34th Street	-	28,500	-		-	28,500	-	28,500	-	1
677-679 Madison Avenue	-	13,070	9,640		388	13,070	10,028	23,098	2,401	
1131 Third Avenue	-	7,844	7,844		5,198	7,844	13,042	20,886	719	
431 Seventh Avenue	-	16,700	2,751		-	16,700	2,751	19,451	602	
138-142 West 32nd Street	-	9,252	9,936		-	9,252	9,936	19,188	228	1
304 Canal Street	-	3,511	12,905		1,109	-	17,525	17,525	-	1
334 Canal Street	-	1,693	6,507		7,264	1,693	13,771	15,464	221	
	-	5,099	10,037		-	5,099	10,037	15,136	548	

267 West 34th Street	-	8,869	3,631	-	8,869	3,631	12,500	212	
966 Third Avenue	-	3,200	8,112	406	3,200	8,518	11,718	1,621	
148 Spring Street	-	3,200	5,822	258	3,200	6,080	9,280	1,175	
150 Spring Street	-	6,398	1,550	-	6,398	1,550	7,948	29	1
137 West 33rd Street	-	10,650	1,767	(4,674)	6,859	884	7,743	178	
488 Eighth Avenue	-	3,856	762	399	3,856	1,161	5,017	365	
484 Eighth Avenue	-	1,483	697	33	1,483	730	2,213	341	
825 Seventh Avenue	-	70,683	20,378	98,431	70,683	118,809	189,492	21,395	
Other (Including signage)	-	2,626,847	5,660,102	2,003,752	2,716,237	7,574,464	10,290,701	1,706,483	
Total New York	5,464,905								
New Jersey									
Paramus	-	-	-	25,339	1,033	24,306	25,339	12,194	1
Other Properties									
Hotel Pennsylvania	-	29,903	121,712	86,609	29,903	208,321	238,224	95,882	1
Total New York	5,464,905	2,656,750	5,781,814	2,115,700	2,747,173	7,807,091	10,554,264	1,814,559	

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F
		Initial cost to company (1)			Gross amount at which carried at close of period			
Description	Encumbrances (2)	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (3)	Accumulated depreciation and amortization
Washington, DC								
Washington, DC								
2011-2451 Crystal Drive - 5 buildings	$ 220,248	$ 100,935	$ 409,920	$ 149,218	$ 100,228	$ 559,845	$ 660,073	$ 213,614
Skyline Properties - 8 buildings	696,319	64,544	355,563	88,132	64,355	443,884	508,239	152,263
2001 Jefferson Davis Highway, 2100/2200 Crystal Drive, 223 23rd Street, 2221 South Clark Street, Crystal City Shops at 2100, 220 20th Street	69,869	57,213	131,206	404,016	57,070	346,946	404,016	81,180
S. Clark Street/12th Street - 5 buildings	55,722	63,420	231,267	78,426	63,291	309,822	373,113	101,024
1550-1750 Crystal	38,707	64,817	218,330	79,201	64,652	297,696	362,348	101,272

Drive/ 241-251 18th Street - 4 buildings								
RiverHouse Apartments	307,710	118,421	125,078	73,611	138,854	178,256	317,110	40,965
Met Park / Warehouses	-	106,946	1,326	186,466	124,585	170,153	294,738	67
1825 - 1875 Connecticut Ave NW - (Universal Buildings) - 2 buildings	185,000	69,393	143,320	116,996	68,612	156,656	225,268	38,670
West End 25	101,671	67,049	5,039	106,814	68,198	110,704	178,902	17,389
2101 L Street, NW	146,222	32,815	51,642	84,372	39,768	129,061	168,829	35,595
2200 / 2300 Clarendon Blvd (Courthouse Plaza) - 2 buildings	23,250	-	105,475	49,165	-	154,640	154,640	56,063
1800, 1851 and 1901 South Bell Street - 3 buildings	-	37,551	118,806	(4,269)	37,551	114,537	152,088	35,454
875 15th Street, NW (Bowen Building)	115,022	30,077	98,962	2,835	30,176	101,698	131,874	26,980
1399 New York Avenue, NW	-	33,481	67,363	7,047	34,178	73,713	107,891	10,138
Commerce Executive - 3 buildings	-	13,401	58,705	25,080	13,140	84,046	97,186	29,088
H Street - North 10-1D Land Parcel	-	104,473	55	(33,069)	61,970	9,489	71,459	-
Crystal City Hotel	-	8,000	47,191	10,888	8,000	58,079	66,079	16,263
1150 17th Street, NW	28,728	23,359	24,876	14,388	24,723	37,900	62,623	31,700
Democracy Plaza One	-	-	33,628	6,103	-	39,731	39,731	18,189
1730 M Street, NW	14,853	10,095	17,541	11,863	10,687	28,812	39,499	11,086
	-	9,450	22,062	3,433	9,455	25,490	34,945	21,502

1726 M Street, NW								
Crystal Drive Retail	-	-	20,465	7,294	-	27,759	27,759	11,493
1109 South Capitol Street	-	11,541	178	(253)	11,597	(131)	11,466	-
South Capitol	-	4,009	6,273	(1,920)	-	8,362	8,362	-
Other	-	1,763	52,408	(27,100)	1,763	25,308	27,071	705
Total Washington, DC	2,003,321	1,032,753	2,346,679	1,438,737	1,032,853	3,492,456	4,525,309	1,050,700

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	
		Initial cost to company (1)			Gross amount at which carried at close of period				
Description	Encumbrances (2)	Land	Building and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (3)	Accumulated depreciation and amortization	
Other									
theMart									
Illinois									
theMart, Chicago	$ 550,000	$ 64,528	$ 319,146	$ 307,313	$ 64,535	$ 626,452	$ 690,987	$ 232,480	
527 West Kinzie, Chicago	-	5,166	-	25	5,166	25	5,191	-	
Total Illinois	550,000	69,694	319,146	307,338	69,701	626,477	696,178	232,480	
New York									
MMPI Piers	-	-	-	13,840	-	13,840	13,840	1,426	
Total theMart	550,000	69,694	319,146	321,178	69,701	640,317	710,018	233,906	
555 California Street	589,063	221,903	893,324	91,882	221,903	985,206	1,207,109	217,490	1
220 Central Park South	950,000	115,720	16,420	654,912	-	787,052	787,052	-	
Borgata Land, Atlantic City, NJ	57,549	83,089	-	-	83,089	-	83,089	-	
Wayne Towne Center	-	-	26,137	42,628	-	68,765	68,765	8,254	
	-	29,199	85,798	(93,222)	8,454	13,321	21,775	3,142	

40 East 66th Residential								
Annapolis	-	-	9,652	-	-	9,652	9,652	3,207
677-679 Madison	-	1,462	1,058	284	1,626	1,178	2,804	361
Other	-	-	-	4,270	-	4,270	4,270	785
Total Other	2,146,612	521,067	1,351,535	1,021,932	384,773	2,509,761	2,894,534	467,145
Leasehold Improvements Equipment and Other	-	-	-	116,030	-	116,030	116,030	85,863
Total December 31, 2015	$ 9,614,838	$ 4,210,570	$ 9,480,028	$ 4,692,399	$ 4,164,799	$ 13,925,338	$ 18,090,137	$ 3,418,267

(1) Initial cost is cost as of January 30, 1982 (the date on which we commenced real estate operations) unless acquired subsequen
(2) Represents the contractual debt obligations.
(3) The net basis of our assets and liabilities for tax reporting purposes is approximately $3.4 billion lower than the amount repor
(4) Date of original construction — many properties have had substantial renovation or additional construction — see Column D
(5) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to forty years.

VORNADO REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation:

	Year Ended December 31,		
	2015	**2014**	**2013**
Real Estate			
Balance at beginning of period	$ 16,822,358	$ 15,392,968	$ 15,287,078
Additions during the period:			
Land	281,048	225,536	131,646
Buildings & improvements	1,288,136	1,348,153	1,014,876
	18,391,542	16,966,657	16,433,600
Less: Assets sold, written-off and deconsolidated	301,405	144,299	1,040,632
Balance at end of period	$ 18,090,137	$ 16,822,358	$ 15,392,968
Accumulated Depreciation			
Balance at beginning of period	$ 3,161,633	$ 2,829,862	$ 2,524,718
Additions charged to operating expenses	459,612	461,689	423,844
	3,621,245	3,291,551	2,948,562
Less: Accumulated depreciation on assets sold and written-off	202,978	129,918	118,700
Balance at end of period	$ 3,418,267	$ 3,161,633	$ 2,829,862

EXHIBIT INDEX

Exhibit No.			
3.1	-	Articles of Restatement of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on July 30, 2007 - Incorporated by reference to Exhibit 3.75 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-11954), filed on July 31, 2007	*
3.2	-	Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
3.3	-	Articles Supplementary, 5.40% Series L Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value – Incorporated by reference to Exhibit 3.6 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on January 25, 2013	*
3.4	-	Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.5	-	Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.6	-	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated	*

		by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998	
3.7	-	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998	*
3.8	-	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999	*
3.9	-	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999	*
3.10	-	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.11	-	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.12	-	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.13	-	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*

* Incorporated by reference.

3.14	-	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to exhibit 3,4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.15	-	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999	*
3.16	-	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000	*
3.17	-	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000	*
3.18	-	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000	*
3.19	-	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.20	-	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001 11954), filed on October 12, 2001	*
3.21	-		*

		Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8 K (File No. 001-11954), filed on October 12, 2001	
3.22	-	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002	*
3.23	-	Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*
3.24	-	Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.25	-	Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
3.26	-	Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 – Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*

* Incorporated by reference.

3.27	-	Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 – Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004	*
3.28	-	Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 – Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.29	-	Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 – Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.30	-	Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.31	-	Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.32	-	Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005	*
3.33	-	Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005	*

3.34	-	Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005	*
3.35	-	Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005	*
3.36	-	Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of December 19, 2005 – Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 000-22685), filed on May 8, 2006	*
3.37	-	Thirty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006	*
3.38	-	Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006	*
3.39	-	Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on August 23, 2006	*
3.40	-	Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on January 22, 2007	*

* Incorporated by reference.

3.41	-	Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.42	-	Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.43	-	Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.44	-	Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007	*
3.45	-	Forty-First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008 – Incorporated by reference to Exhibit 3.44 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-11954), filed on May 6, 2008	*
3.46	-	Forty-Second Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of December 17, 2010 – Incorporated by reference to Exhibit 99.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2010	*
3.47	-		*

		Forty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 20, 2011 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on April 21, 2011	
3.48	-	Forty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership dated as of July 18, 2012 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 001-34482), filed on July 18, 2012	*
3.49	-	Forty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of January 25, 2013 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 001-34482), filed on January 25, 2013	*
4.1	-	Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005	*
4.2	-	Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 27, 2006	*
		Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission	

* Incorporated by reference.

10.1		-	Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.2	**	-	Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.3	**	-	Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.4		-	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002	*
10.5		-	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002	*
10.6	**	-	Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit	*

			10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	
10.7	**	-	59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.8		-	Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.9	**	-	Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006	*
10.10	**	-	Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*
10.11	**	-	Amendment to 59th Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. – Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007	*

*	Incorporated by reference.
**	Management contract or compensatory agreement.

10.12	**	-	Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April 19, 2007 – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007	*
10.13	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 29, 2008. Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.14	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Joseph Macnow, dated December 29, 2008. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.15	**	-	Amendment to Employment Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.16	**	-	Amendment to Indemnification Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	*
10.17	**	-	Amendment to Employment Agreement between Vornado Realty Trust and Mitchell N. Schear, dated December 29, 2008. Incorporated by reference to Exhibit 10.51 to Vornado	*

			Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009	
10.18	**	-	Vornado Realty Trust's 2010 Omnibus Share Plan. Incorporated by reference to Exhibit 10.41 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-11954) filed on August 3, 2010	*
10.19	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Incentive / Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012	*
10.20	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted Stock Agreement. Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012	*
10.21	**	-	Form of Vornado Realty Trust 2010 Omnibus Share Plan Restricted LTIP Unit Agreement. Incorporated by reference to Exhibit 99.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954) filed on April 5, 2012	*
10.22	**	-	Form of Vornado Realty Trust 2012 Outperformance Plan Award Agreement. Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 001-11954) filed on February 26, 2013	*
10.23	**	-	Letter Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013	*

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* Incorporated by reference.

** Management contract or compensatory agreement.

10.24	**	-	Waiver and Release between Vornado Realty Trust and Michael D. Fascitelli, dated February 27, 2013. Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 27, 2013	*
10.25		-	Amendment to June 2011 Revolving Credit Agreement dated as of March 28, 2013, by and among Vornado Realty L.P., as Borrower, the banks listed on the signature pages, and J.P. Morgan Chase Bank N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 001-11954), filed on May 6, 2013	*
10.26	**	-	Form of Vornado Realty Trust 2013 Outperformance Plan Award Agreement. Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 001-11954), filed on May 6, 2013	*
10.27	**	-	Employment agreement between Vornado Realty Trust and Stephen W. Theriot dated June 1, 2013. Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (File No. 001-11954), filed on August 5, 2013	*
10.28	**	-	Employment agreement between Vornado Realty Trust and Michael J. Franco dated January 10, 2014. Incorporated by reference to Exhibit 10.52 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 001-11954), filed on May 5, 2014	*
10.29	**	-	Form of Vornado Realty Trust 2014 Outerperformance Plan Award Agreement. Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 001-11954), filed on May 5, 2014	*

10.30		-	Amended and Restated Revolving Credit Agreement dated as of September 30, 2014, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and JPMorgan Chase Bank N.A. as Administrative Agent for the Banks. Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 001-11954), filed on November 3, 2014	*
10.31	**	-	Form of Vornado Realty Trust 2016 Outperformance Plan Award Agreement. Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on January 21, 2016	*
10.32		-	Term Loan Agreement dated as of October 30, 2015, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and JPMorgan Chase Bank, N.A. as Administrative Agent for the Banks	

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* Incorporated by reference.

** Management contract or compensatory agreement.

12	-	Computation of Ratios
21	-	Subsidiaries of the Registrant
23	-	Consent of Independent Registered Public Accounting Firm
31.1	-	Rule 13a-14 (a) Certification of the Chief Executive Officer
31.2	-	Rule 13a-14 (a) Certification of the Chief Financial Officer
32.1	-	Section 1350 Certification of the Chief Executive Officer
32.2	-	Section 1350 Certification of the Chief Financial Officer
101.INS	-	XBRL Instance Document
101.SCH	-	XBRL Taxonomy Extension Schema
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase
101.LAB	-	XBRL Taxonomy Extension Label Linkbase
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase