

VORNADO REALTY TRUST
Form 10-Q
November 04, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period **September 30, 2013**
ended:

Or

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

For the transition period from: _____ **to** _____

Commission File Number: **001-11954**

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

22-1657560

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York
(Address of principal executive offices)

10019
(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large Accelerated Filer

Accelerated Filer

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

Smaller Reporting Company

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

As of September 30, 2013, 187,048,110 of the registrant's common shares of beneficial interest are outstanding.

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

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

(Amounts in thousands, except share and per share amounts)	September 30, 2013	December 31, 2012
ASSETS		
Real estate, at cost:		
Land	\$ 4,170,656	\$ 4,791,049
Buildings and improvements	12,387,153	12,445,970
Development costs and construction in progress	1,077,703	920,349
Leasehold improvements and equipment	129,425	130,030
Total	17,764,937	18,287,398
Less accumulated depreciation and amortization	(3,334,920)	(3,078,667)
Real estate, net	14,430,017	15,208,731
Cash and cash equivalents	872,323	960,319
Restricted cash	320,979	183,256
Marketable securities	210,554	398,188
Tenant and other receivables, net of allowance for doubtful accounts of \$22,105 and \$37,674	131,479	195,718
Investments in partially owned entities	1,169,728	1,226,256
Investment in Toys "R" Us	378,615	478,041
Real Estate Fund investments	635,990	600,786
Mortgage and mezzanine loans receivable	176,388	225,359
Receivable arising from the straight-lining of rents, net of allowance of \$5,106 and \$3,165	804,526	759,742
Deferred leasing and financing costs, net of accumulated amortization of \$261,548 and \$223,670	400,970	407,126
Identified intangible assets, net of accumulated amortization of \$297,391 and \$346,613	275,250	406,309
Assets related to discontinued operations	27,413	634,139
Other assets	441,089	381,079
	\$ 20,275,321	\$ 22,065,049
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable	\$ 8,566,582	\$ 8,644,200
Senior unsecured notes	1,350,769	1,358,008
Revolving credit facility debt	83,982	1,170,000
Accounts payable and accrued expenses	442,623	484,746
Deferred revenue	472,805	596,067
Deferred compensation plan	111,752	105,200
Deferred tax liabilities	15,420	15,305
Liabilities related to discontinued operations	-	442,293
Other liabilities	452,456	400,934

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Total liabilities	11,496,389	13,216,753
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,302,612 and 11,215,682 units outstanding	950,098	898,152
Series D cumulative redeemable preferred units - 1 and 1,800,001 units outstanding	1,000	46,000
Total redeemable noncontrolling interests	951,098	944,152
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,682,807 and 51,184,609 shares	1,277,455	1,240,278
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,048,110 and 186,734,711 shares	7,440	7,440
Additional capital	7,183,660	7,195,438
Earnings less than distributions	(1,527,663)	(1,573,275)
Accumulated other comprehensive income (loss)	83,327	(18,946)
Total Vornado shareholders' equity	7,024,219	6,850,935
Noncontrolling interests in consolidated subsidiaries	803,615	1,053,209
Total equity	7,827,834	7,904,144
	\$ 20,275,321	\$ 22,065,049

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	For the Three		For the Nine	
	Months Ended September 30,		Months Ended September 30,	
(Amounts in thousands, except per share amounts)	2013	2012	2013	2012
REVENUES:				
Property rentals	\$ 532,691	\$ 511,561	\$ 1,609,442	\$ 1,536,216
Tenant expense reimbursements	84,638	79,215	236,580	220,679
Cleveland Medical Mart development project	4,893	72,651	34,026	184,014
Fee and other income	61,158	39,625	206,330	105,889
Total revenues	683,380	703,052	2,086,378	2,046,798
EXPENSES:				
Operating	264,422	261,512	784,031	749,213
Depreciation and amortization	124,079	122,241	400,952	381,270
General and administrative	48,250	48,456	157,155	150,578
Cleveland Medical Mart development project	3,239	70,431	29,764	177,127
Acquisition related costs	2,818	1,070	6,769	4,314
Total expenses	442,808	503,710	1,378,671	1,462,502
Operating income	240,572	199,342	707,707	584,296
(Loss) income applicable to Toys "R" Us	(34,209)	(8,585)	(69,311)	88,696
Income from partially owned entities	1,453	21,268	23,691	53,491
Income from Real Estate Fund	22,913	5,509	73,947	37,572
Interest and other investment (loss) income, net	(10,275)	10,523	(32,933)	(22,984)
Interest and debt expense	(119,870)	(119,330)	(363,128)	(373,257)
Net gain (loss) on disposition of wholly owned and partially owned assets	15,138	-	(20,581)	4,856
Income before income taxes	115,722	108,727	319,392	372,670
Income tax expense	(2,222)	(3,015)	(6,172)	(17,319)
Income from continuing operations	113,500	105,712	313,220	355,351
Income from discontinued operations	18,751	158,444	290,279	247,297
Net income	132,251	264,156	603,499	602,648
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(23,833)	(6,610)	(50,049)	(30,928)
Operating Partnership	(5,032)	(14,837)	(27,814)	(31,445)
Preferred unit distributions of the Operating Partnership	(12)	(1,403)	(1,146)	(9,150)
Net income attributable to Vornado	103,374	241,306	524,490	531,125
Preferred share dividends	(20,369)	(20,613)	(62,439)	(56,187)
Preferred unit and share redemptions	-	11,700	(1,130)	11,700
	\$ 83,005	\$ 232,393	\$ 460,921	\$ 486,638

**NET INCOME attributable to
common shareholders
INCOME PER COMMON SHARE -
BASIC:**

Income from continuing operations, net	\$ 0.36	\$ 0.45	\$ 1.02	\$ 1.36
Income from discontinued operations, net	0.08	0.80	1.45	1.26
Net income per common share	\$ 0.44	\$ 1.25	\$ 2.47	\$ 2.62
Weighted average shares outstanding	186,969	185,924	186,885	185,656

**INCOME PER COMMON SHARE -
DILUTED:**

Income from continuing operations, net	\$ 0.36	\$ 0.44	\$ 1.01	\$ 1.36
Income from discontinued operations, net	0.08	0.80	1.45	1.25
Net income per common share	\$ 0.44	\$ 1.24	\$ 2.46	\$ 2.61
Weighted average shares outstanding	187,724	186,655	187,679	186,399

**DIVIDENDS PER COMMON
SHARE**

	\$ 0.73	\$ 0.69	\$ 2.19	\$ 2.07
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See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three		For the Nine	
	Months Ended September 30,		Months Ended September 30,	
(Amounts in thousands)	2013	2012	2013	2012
Net income	\$ 132,251	\$ 264,156	\$ 603,499	\$ 602,648
Other comprehensive income:				
Change in unrealized net (loss) gain on available-for-sale securities	(8,252)	18,358	160,886	(202,167)
Amounts reclassified from accumulated other comprehensive income related to sale of available-for-sale securities	(42,404)	-	(42,404)	-
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(1,669)	(12,607)	(25,023)	(38,861)
Change in value of interest rate swap	(295)	(2,866)	14,265	(8,868)
Other	1	(30)	531	343
Comprehensive income	79,632	267,011	711,754	353,095
Less comprehensive income attributable to noncontrolling interests	(25,825)	(23,027)	(84,991)	(55,806)
Comprehensive income attributable to Vornado	\$ 53,807	\$ 243,984	\$ 626,763	\$ 297,289

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Comprehensive Income	Other	Non-	Consolidated	Total
	Shares	Amount	Shares	Amount				controlling Interests in		
Balance, December 31, 2011	42,187	\$ 1,021,660	185,080	\$ 7,373	\$ 7,127,258	\$ (1,401,704)	\$ 73,729	\$ 680,131	\$ 7,508,447	
Net income	-	-	-	-	-	531,125	-	30,928	562,053	
Dividends on common shares	-	-	-	-	-	(384,353)	-	-	(384,353)	
Dividends on preferred shares	-	-	-	-	-	(56,187)	-	-	(56,187)	
Issuance of Series K preferred shares	12,000	291,144	-	-	-	-	-	-	291,144	
Redemption of Series E preferred shares	(3,000)	(75,000)	-	-	-	-	-	-	(75,000)	
Common shares issued: Upon redemption of Class A units, at redemption value	-	-	624	25	51,191	-	-	-	51,216	
Under employees' share option plan	-	-	414	16	8,915	(16,389)	-	-	(7,458)	
Under dividend reinvestment plan	-	-	15	1	1,269	-	-	-	1,270	
Contributions: Real Estate Fund	-	-	-	-	-	-	-	120,606	120,606	

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Other	-	-	-	-	-	-	-	140	140
Distributions:									
Real Estate									
Fund	-	-	-	-	-	-	-	(44,910)	(44,910)
Other	-	-	-	-	-	-	-	(10)	(10)
Conversion									
of Series A									
preferred									
shares to									
common									
shares	(2)	(105)	3	-	105	-	-	-	-
Deferred									
compensation									
shares									
and options	-	-	7	-	11,009	(339)	-	-	10,670
Change in									
unrealized									
net loss									
on									
available-for-sale									
securities	-	-	-	-	-	-	(202,167)	-	(202,167)
Pro rata									
share of									
other									
comprehensive									
loss of									
nonconsolidated									
subsidiaries	-	-	-	-	-	-	(38,861)	-	(38,861)
Change in									
value of									
interest rate									
swap	-	-	-	-	-	-	(8,868)	-	(8,868)
Adjustments									
to carry									
redeemable									
Class A									
units at									
redemption									
value	-	-	-	-	(63,657)	-	-	-	(63,657)
Redeemable									
noncontrolling									
interests'									
share of									
above									
adjustments	-	-	-	-	-	-	15,717	-	15,717
Preferred									
unit and									
share									
redemptions	-	-	-	-	-	11,700	-	-	11,700
Other	-	-	-	-	-	(2,971)	343	(10)	(2,638)
	51,185	\$ 1,237,699	186,143	\$ 7,415	\$ 7,136,090	\$ (1,319,118)	\$ (160,107)	\$ 786,875	\$ 7,688,854

**Balance,
September
30, 2012**

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED
(UNAUDITED)

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Other Comprehensive Income (Loss)	Non- Accumulated controlling	Total Equity
	Shares	Amount	Shares	Amount				Interests in Consolidated Subsidiaries	
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	-	-	-	-	-	524,490	-	50,049	574,539
Dividends on common shares	-	-	-	-	-	(409,332)	-	-	(409,332)
Dividends on preferred shares	-	-	-	-	-	(62,439)	-	-	(62,439)
Issuance of Series L preferred shares	12,000	290,536	-	-	-	-	-	-	290,536
Redemption of Series F and Series H preferred shares	(10,500)	(253,269)	-	-	-	-	-	-	(253,269)
Common shares issued: Upon redemption of Class A									