

VORNADO REALTY TRUST  
Form 10-K  
February 12, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended: December 31, 2017

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)

Commission File Number: 001 34482  
(Vornado  
Realty  
L.P.)

Vornado Realty Trust  
Vornado Realty L.P.  
(Exact name of registrants as specified in its charter)

Vornado Realty Trust Maryland 22-1657560  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

Vornado Realty L.P. Delaware 13-3925979  
(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)

(212) 894-7000

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(Registrants' telephone number, including area code)

N/A

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

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

Registrant	Title of Each Class	Name of Exchange on Which Registered
Vornado Realty Trust	Common Shares of beneficial interest, \$.04 par value per share	New York Stock Exchange
	Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
Vornado Realty Trust	6.625% Series G	New York Stock Exchange
Vornado Realty Trust	6.625% Series I	New York Stock Exchange
Vornado Realty Trust	5.70% Series K	New York Stock Exchange
Vornado Realty Trust	5.40% Series L	New York Stock Exchange
Vornado Realty Trust	5.25% Series M	New York Stock Exchange

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

Registrant	Title of Each Class
Vornado Realty L.P.	Class A Units of Limited Partnership Interest

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

Vornado Realty Trust: YES  NO  Vornado Realty L.P.: YES  NO

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

Vornado Realty Trust: YES  NO  Vornado Realty L.P.: YES  NO

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.

Vornado Realty Trust: YES  NO  Vornado Realty L.P.: 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).

Vornado Realty Trust: YES  NO  Vornado Realty L.P.: YES  NO

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.

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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," "non-accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Vornado Realty Trust:

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

Vornado Realty L.P.:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Vornado Realty Trust: YES  NO  Vornado Realty L.P.: YES  NO

The aggregate market value of the voting and non-voting common shares held by non-affiliates of Vornado Realty Trust, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$16,284,558,000 at June 30, 2017.

As of December 31, 2017, there were 189,983,858 common shares of beneficial interest outstanding of Vornado Realty Trust.

There is no public market for the Class A units of limited partnership interest of Vornado Realty L.P. Based on the June 30, 2017 closing share price of Vornado Realty Trust's common shares, which are issuable upon redemption of the Class A units, the aggregate market value of the Class A units held by non-affiliates of Vornado Realty L.P., i.e. by persons other than Vornado Realty Trust and its officers and trustees, was \$897,361,000 at June 30, 2017.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Vornado Realty Trust's Shareholders to be held on May 17, 2018.

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## EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2017 of Vornado Realty Trust and Vornado Realty L.P. Unless stated otherwise or the context otherwise requires, references to “Vornado” refer to Vornado Realty Trust, a Maryland real estate investment trust (“REIT”), and references to the “Operating Partnership” refer to Vornado Realty L.P., a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean, collectively, Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

The Operating Partnership is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. Vornado is the sole general partner and also a 93.5% limited partner of the Operating Partnership. As the sole general partner of the Operating Partnership, Vornado has exclusive control of the Operating Partnership’s day-to-day management.

Under the limited partnership agreement of the Operating Partnership, unitholders may present their Class A units for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Class A units may be tendered for redemption to the Operating Partnership for cash; Vornado, at its 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. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. Vornado generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having the Operating Partnership pay cash. With each such exchange or redemption, Vornado’s percentage ownership in the Operating Partnership will increase. In addition, whenever Vornado issues common shares other than to acquire Class A units of the Operating Partnership, Vornado must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to Vornado an equivalent number of Class A units of the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the Annual Reports on Form 10-K of Vornado and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of Vornado and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation because a substantial portion of the disclosure applies to both Vornado and the Operating Partnership; and
- creates time and cost efficiencies in the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between Vornado and the Operating Partnership in the context of how Vornado and the Operating Partnership operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of Vornado. Vornado does not have any other significant assets, liabilities or operations, other than its investment in the Operating Partnership. The Operating Partnership, not Vornado, generally executes all significant business relationships other than transactions involving the securities of Vornado. The Operating Partnership holds substantially all of the assets of Vornado. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by Vornado, which are contributed to the capital of the Operating Partnership in exchange for Class A units of partnership in the Operating Partnership, as applicable, the Operating Partnership generates all remaining capital required by the Company’s business. These capital sources may include working capital, net cash provided by operating activities, borrowings under the revolving

credit facility, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties.

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To help investors better understand the key differences between Vornado and the Operating Partnership, certain information for Vornado and the Operating Partnership in this report has been separated, as set forth below:

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;

Item 6. Selected Financial Data;

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable; and

Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for Vornado Realty Trust and Vornado Realty L.P.:

Note 9. Redeemable Noncontrolling Interests/Redeemable Partnership Units

Note 10. Shareholders' Equity/Partners' Capital

Note 13. Stock-based Compensation

Note 17. Income Per Share/Income Per Class A Unit

Note 22. Summary of Quarterly Results (Unaudited)

This report also includes separate Part II, Item 9A. Controls and Procedures sections, separate Exhibit 12 computation of ratios, and separate Exhibits 31 and 32 certifications for each of Vornado and the Operating Partnership in order to establish that the requisite certifications have been made and that Vornado and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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These items are omitted in whole or in part because Vornado, the Operating Partnership's sole general partner, will (1) 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, 2017, 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,” “intends,” “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 is a fully integrated REIT and conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership, a Delaware limited 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 93.5% of the common limited partnership interest in the Operating Partnership at December 31, 2017.

On July 17, 2017, we completed the spin-off of our Washington, DC segment comprised of (i) 37 office properties totaling over 11.1 million square feet, five multifamily properties with 3,133 units and five other assets totaling approximately 406,000 square feet and (ii) 18 future development assets totaling over 10.4 million square feet of estimated potential development density, and (iii) \$412.5 million of cash (\$275.0 million plus The Bartlett financing proceeds less transaction costs and other mortgage items) to JBG SMITH Properties ("JBGS"). On July 18, 2017, JBGS was combined with the management business and certain Washington, DC assets of The JBG Companies ("JBG"), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, is the Chairman of the Board of Trustees of JBGS. Mitchell Schear, former President of our Washington, DC business, is a member of the Board of Trustees of JBGS. We are providing transition services to JBGS initially including information technology, financial reporting and payroll services. The spin-off was effected through a tax-free distribution by Vornado to the holders of Vornado common shares of all of the common shares of JBGS at the rate of one JBGS common share for every two common shares of Vornado and the distribution by the Operating Partnership to the holders of its common units of all of the outstanding common units of JBG SMITH Properties LP ("JBGSLP") at the rate of one JBGSLP common unit for every two common units of VRLP held of record. See JBGS' Amendment No. 3 on Form 10 (File No. 1-37994) filed with the Securities and Exchange Commission on June 9, 2017 for additional information. Beginning in the third quarter of 2017, the historical financial results of our Washington, DC segment are reflected in our consolidated financial statements as discontinued operations for all periods presented.

We currently own all or portions of:

New York:

- 2.3 million square feet of Manhattan office in 36 properties;
- 2.7 million square feet of Manhattan street retail in 71 properties;
- 2,009 units in twelve 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. ("Alexander's") (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;

Other Real Estate and Related Investments:

- The 3.7 million square foot theMART in Chicago;
-

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- 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 (the "Fund"). We are the general partner and investment manager of the Fund;
- A 32.5% interest in Toys "R" Us, Inc. ("Toys"), which is in Chapter 11 bankruptcy and carried at zero in our consolidated balance sheets; and
- Other real estate and other investments.

## OBJECTIVES AND STRATEGY

Our business objective is to maximize Vornado 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, where we believe there is a high likelihood of capital appreciation;
- acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- developing and redeveloping our existing properties to increase returns and maximize value; and
- investing in operating companies that have a significant real estate component.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from 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

We completed the following acquisition during 2017:

- \$230.0 million upfront contribution for the acquisition of a 99-year leasehold of Farley Post Office (50.1% interest)

## DISPOSITIONS

We completed the following sale transactions during 2017:

- \$6.0 billion spin-off of our Washington, DC segment on July 17, 2017;
- \$155.0 million sale of property comprising the Suffolk Downs racetrack in East Boston, Massachusetts (21.2% interest);
- \$148.0 million sale of 800 Corporate Pointe in Culver City, CA (25% interest);
- \$23.9 million sale of investments by India Property Fund (36.5% interest);
- \$18.7 million sale of our 25% interest in TCG Urban Infrastructure Holdings Private Limited, which substantially completes our sale of our investments in India; and
- We received \$50.0 million representing our interest in the \$150.0 million mezzanine loan owned by a joint venture in which we had a 33.3% ownership interest.

## FINANCINGS

We completed the following financing transactions during 2017:

- \$1.25 billion revolving credit facility extended to January 2022 with two six-month extension options, lowering the interest rate from LIBOR plus 105 basis points to LIBOR plus 100 basis points.

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\$1.2 billion refinancing of 280 Park Avenue (50% interest);  
\$500 million refinancing of the office portion of 731 Lexington (32.4% interest);  
\$500 million refinancing of 330 Madison (25% interest);  
\$450 million public offering of 3.5% 7-year senior unsecured notes;  
\$450 million redemption of 2.5% senior unsecured notes;  
\$320 million issuance of 5.25% Series M cumulative redeemable preferred shares and \$470 million redemption of 6.625% Series G and 6.625% Series I cumulative redeemable preferred shares in January 2018;  
\$271 million loan facility for the Moynihan Office Building (50.1% interest);  
\$220 million financing of The Bartlett (included in the spin-off of our Washington, DC segment);  
\$100 million loan facility for the refinancing of Lincoln Road (25% interest);  
\$44 million repayment of 1700 and 1730 M Street (included in the spin-off of our Washington, DC segment); and  
\$20 million refinancing of 50 West 57th Street (50% interest).

## DEVELOPMENT AND REDEVELOPMENT EXPENDITURES

We are constructing a residential condominium tower containing 397,000 salable square feet at 220 Central Park South. The development cost of this project (exclusive of land cost of \$515 million) is estimated to be approximately \$1.4 billion, of which \$890 million has been expended as of December 31, 2017.

We are developing 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 (55.0% interest). The development cost of this project is estimated to be approximately \$130,000,000, of which our share is \$72,000,000. As of December 31, 2017, \$73,890,000 has been expended, of which our share is \$40,640,000.

We are developing a 170,000 square foot office and retail building at 61 Ninth Avenue, located on the southwest corner of Ninth Avenue and 15th Street in the West Chelsea submarket of Manhattan (45.1% interest). The development cost of this project is estimated to be approximately \$152,000,000, of which our share is \$69,000,000. As of December 31, 2017, \$105,281,000 has been expended, of which our share is \$47,482,000.

We are developing a 34,000 square foot office and retail building at 606 Broadway, located on the northeast corner of Broadway and Houston Street in Manhattan (50.0% interest). The venture's development cost of this project is estimated to be approximately \$60,000,000, of which our share is \$30,000,000. As of December 31, 2017, \$34,189,000 has been expended, of which our share is \$17,095,000.

A joint venture in which we have a 50.1% ownership interest is redeveloping the historic Farley Post Office building which will include a new Moynihan Train Hall and approximately 850,000 rentable square feet of commercial space, comprised of approximately 730,000 square feet of office space and approximately 120,000 square feet of retail space. As of December 31, 2017, \$271,641,000 has been expended, of which our share is \$136,092,000. The joint venture has also entered into a development agreement with Empire State Development ("ESD") and a design-build contract with Skanska Moynihan Train Hall Builders. Under the development agreement with ESD, the joint venture is obligated to build the Moynihan Train Hall, with Vornado and Related Companies ("Related") each guaranteeing the joint venture's obligations. Under the design-build agreement, Skanska Moynihan Train Hall Builders is obligated to fulfill all of the joint venture's obligations. The obligations of Skanska Moynihan Train Hall Builders have been bonded by Skanska USA and bear a full guaranty from Skanska AB.

We are redeveloping a 64,000 square foot Class A office building at 345 Montgomery Street, a part of our 555 California Street complex in San Francisco (70.0% interest) located at the corner of California and Pine Street. The development cost of this project is estimated to be approximately \$46,000,000, of which our share is \$32,000,000. As of December 31, 2017, \$2,720,000 has been expended, of which our share is \$1,904,000.

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

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 reportable segments: New York and Other. Financial information related to these reportable segments for the years ended December 31, 2017, 2016 and 2015 is set forth in Note 23 – 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 segment has 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, 2017, 2016 and 2015.

## 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. Generally our activities are reviewed and may be modified from time to time by Vornado's Board of Trustees without the vote of our shareholders or Operating Partnership unitholders.

## EMPLOYEES

As of December 31, 2017, we have approximately 3,989 employees, of which 290 are corporate staff. The New York segment has 3,551 employees, including 2,788 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York properties and our former Washington, DC properties and 449 employees at the Hotel Pennsylvania. theMART has 148 employees. 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, 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](http://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. We refer to the equity and debt securities of both Vornado and the Operating Partnership as our “securities” and the investors who own shares of Vornado or units of the Operating Partnership, or both, as our “equity holders.” 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, operations and financial condition. See “Forward-Looking Statements” contained herein on page 6.

### OUR INVESTMENTS ARE CONCENTRATED CURRENTLY IN THE NEW YORK CITY METROPOLITAN AREA AND CIRCUMSTANCES AFFECTING THIS AREA GENERALLY COULD MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS.

A significant portion of our properties are located currently in the New York City/New Jersey metropolitan area and are affected by the economic cycles and risks inherent to this area.

In 2017, approximately 89% of our net operating income (“NOI”, a non-GAAP measure) came from properties located in the New York City metropolitan area. We may continue to concentrate a significant portion of our future acquisitions and development in this area. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact this market in either the short or long term. Declines in the economy or declines in real estate markets in the New York City metropolitan area 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 this region include:

- financial performance and productivity of the media, advertising, professional services, financial, technology, retail, insurance and real estate industries;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- changes in the number of domestic and international tourists to our markets (including, as a result of changes in the relative strengths of world currencies);
- infrastructure quality;
- changes in the treatment of the deductibility of state and local taxes; 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.

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, change in relative strengths of world currencies, the threat of terrorism, increasing competition from retailers, outlet malls,

retail websites and catalog companies and the impact of technological change upon the retail environment generally. These factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our retail locations.

Terrorist attacks, such as those of September 11, 2001 in New York City, 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, 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. Furthermore, we may experience increased costs in security, equipment and personnel. 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, 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. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy at our properties and requiring us to expend funds as we seek to repair and protect our properties against such risks. The incurrence of these losses, costs or business interruptions may adversely affect our operating and financial results.

#### 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 consumer preferences adversely affecting retailers and retail store values;
- 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 equity holders. 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 an investment in 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 securities.

U.S. federal tax reform legislation now and in the future could affect REITs generally, the geographic markets in which we operate, the trading of our shares and our results of operations, both positively and negatively, in ways that are difficult to anticipate.

The Tax Cuts and Jobs Act of 2017 (the “2017 Act”) represents sweeping tax reform legislation that makes significant changes to corporate and individual tax rates and the calculation of taxes, as well as international tax rules. As a REIT, we are generally not required to pay federal taxes otherwise applicable to regular corporations if we comply with the various tax regulations governing REITs. Shareholders, however, are generally required to pay taxes on REIT dividends. The 2017 Act and future tax reform legislation could impact our share price or how shareholders and potential investors view an investment in REITs. For example, the decrease in corporate tax rates in the 2017 Act could decrease the attractiveness of the REIT structure relative to companies that are not organized as REITs. In addition, while certain elements of the 2017 Act do not impact us directly as a REIT, they could impact the geographic markets in which we operate as well as our tenants in ways, both positive and negative, that are difficult to anticipate. For example, the limitation in the 2017 Act on the deductibility of certain state and local taxes may make operating in jurisdictions that impose such taxes at higher rates less desirable than operating in jurisdictions imposing such taxes at lower rates. The overall impact of the 2017 Act also depends on the future interpretations and regulations that may be issued by U.S. tax authorities, and it is possible that future guidance could adversely impact us.

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.

Competition for acquisitions may reduce the number of acquisition opportunities available to us and increase the costs of those acquisitions.

We may acquire properties when we are presented with attractive opportunities. We may face competition for acquisition opportunities from other well-capitalized investors, including publicly traded and privately held REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, sovereign wealth funds, pension trusts, partnerships and individual investors which may adversely affect us by causing us the inability to acquire a desired property or cause an increase in the purchase price for such acquisition property.

If we are unable to successfully acquire additional properties, our ability to grow our business could be adversely affected. In addition, increases in the cost of acquisition opportunities could adversely affect our results of operations.

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 equity holders 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 and other 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 equity 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 equity holders.

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 also 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. In addition, our leases, loans and other agreements may require us to comply with OFAC and related requirements, and any failure to do so may result in a breach of such agreements. If a tenant or other party with whom we conduct business is placed on the OFAC list or is otherwise a party with whom 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 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 \$1,976,000 (\$1,601,000 for 2018) and 17% (18% for 2018) of the balance of a covered loss and the Federal government is responsible for the remaining portion of a covered loss. We are ultimately responsible for any loss incurred by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of our insurance coverage, which could be material.

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 equity holders.

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.

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may affect our financial results.

The chief executive of the United Kingdom Financial Conduct Authority (“FCA”), which regulates LIBOR, has recently announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities. The Federal Reserve Bank said that the publication of these alternative rates is targeted to commence by mid-2018.

Any changes announced by the FCA, including the FCA Announcement, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change. In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include requesting certain rates from major reference banks in London or New York, or alternatively using LIBOR for the immediately preceding interest period or using the initial interest rate, as applicable, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR rate was available in its current form.

**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; or (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 securities.

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 securities.

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"), 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.

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, 2017, our marketable securities have an aggregate carrying amount of \$182,752,000, 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. This, in turn, requires the Operating Partnership to make distributions to its unitholders. 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.

We depend on dividends and distributions from our direct and indirect subsidiaries. The creditors and preferred equity holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to us.

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 its equity holders 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 its holders of common and preferred shares 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 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 the Operating Partnership’s equity holders, including Vornado. Thus, Vornado’s ability to pay cash dividends to its equity holders 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 its equity holders, including Vornado. As of December 31, 2017, there were four series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of \$56,010,000.

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 equity holders, are satisfied.



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

As of December 31, 2017, our consolidated mortgages and unsecured indebtedness, excluding related premium, discount and deferred financing costs, net, totaled \$9.8 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/redemption price of our securities, and our ability to satisfy our debt service obligations and to pay dividends and distributions to our equity 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 Vornado will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, Vornado 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, Vornado fails to maintain its qualification as a REIT and does not qualify under statutory relief provisions, Vornado could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on its taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If Vornado had to pay federal income tax, the amount of money available to distribute to equity holders and pay its indebtedness would be reduced for the year or years involved, and Vornado would not be

required to make distributions to shareholders in that taxable year and in future years until it was able to qualify as a REIT and did so. In addition, Vornado would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless Vornado 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 and distributions.

Loss of our key personnel could harm our operations and adversely affect the value of our common shares and Operating Partnership Class A units.

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 securities.

**VORNADO'S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE US.**

Vornado's Amended and Restated Declaration of Trust (the "declaration of trust") sets limits on the ownership of its 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 equity holders.

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, Vornado's Board of Trustees 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 of Trustees. Vornado's Board of Trustees 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 our equity holders. 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 our equity holders. The business combination statute may discourage others from trying to acquire control of Vornado and increase the difficulty of consummating any offer.

Vornado 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.

Vornado's Board of Trustees could establish a series of preferred shares whose terms could delay, deter or prevent a change in control of Vornado, and therefore of the Operating Partnership, or other transaction that might involve a premium price or otherwise be in the best interest of our equity holders, although Vornado's 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 equity holders.

We may change our policies without obtaining the approval of our equity holders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization, dividends and distributions, are exclusively determined by Vornado's Board of Trustees. Accordingly, our equity holders 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 Vornado's other trustees and officers have interests or positions in other entities that may compete with us.

As of December 31, 2017, Interstate Properties, a New Jersey general partnership, and its partners owned an aggregate of approximately 7.2% of the common shares of Vornado and 26.2% of the common stock of 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 of Trustees and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board of Directors 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 therefore over the Operating Partnership. 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 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 Note 21 – Related Party Transactions to our 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, 2017, 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 26.2% of the outstanding common stock of Alexander's as of December 31, 2017. Mr. Roth is the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, the managing general partner of Interstate Properties, and the Chairman of the Board of Directors 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 – Chief Financial Officer and Chief Administrative Officer, is the Treasurer of Alexander's and Matthew Iocco, our Executive Vice President – Chief Accounting Officer, is the Chief Financial Officer of Alexander's.

We manage, develop and lease Alexander's properties under management and development agreements and leasing agreements under which we receive annual fees from Alexander's. See Note 21 – Related Party Transactions to our 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 Vornado's common shares has been volatile and may continue to fluctuate.

The trading price of Vornado's 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 Vornado's common shares and the redemption price of the Operating Partnership's Class A units. Among those factors 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 Vornado 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;
- changes in tax laws and rules; and
- all other risk factors addressed elsewhere in this Annual Report on Form 10-K.

A significant decline in Vornado's stock price could result in substantial losses for our equity holders.

Vornado has many shares available for future sale, which could hurt the market price of its shares and the redemption price of the Operating Partnership's units.

The interests of equity holders could be diluted if we issue additional equity securities. As of December 31, 2017, Vornado had authorized but unissued, 60,016,142 common shares of beneficial interest, \$.04 par value and 72,116,023 preferred shares of beneficial interest, no par value; of which 19,666,004 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 Vornado's common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our securities.

In addition, under Maryland law, Vornado's Board of Trustees 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 and Exchange Commission as of the date of this Annual Report on Form 10-K.



## ITEM 2. PROPERTIES

We operate in two reportable segments: New York and Other. The following pages provide details of our real estate properties as of December 31, 2017.

NEW YORK SEGMENT Property	% Ownership	Type	% Occupancy	Square Feet		Total Property	
				In Service	Under Development or Not Available for Lease		
One Penn Plaza (ground leased through 2098)	100.0	% Office/Retail	92.5	%	2,530,000	—	2,530,000
1290 Avenue of the Americas	70.0	% Office/Retail	100.0	%	2,114,000	—	2,114,000
Two Penn Plaza	100.0	% Office/Retail	98.7	%	1,634,000	—	1,634,000
909 Third Avenue (ground leased through 2063)	100.0	% Office	97.6	%	1,347,000	—	1,347,000
Independence Plaza, Tribeca (1,327 units) <sup>(1)</sup>	50.1	% Retail/Residential	97.7	% <sup>(2)</sup>	1,245,000	12,000	1,257,000
280 Park Avenue <sup>(1)</sup>	50.0	% Office/Retail	97.4	%	1,254,000	—	1,254,000
770 Broadway	100.0	% Office/Retail	100.0	%	1,160,000	—	1,160,000
Eleven Penn Plaza	100.0	% Office/Retail	99.2	%	1,152,000	—	1,152,000
90 Park Avenue	100.0	% Office/Retail	98.3	%	961,000	—	961,000
One Park Avenue <sup>(1)</sup>	55.0	% Office/Retail	99.1	%	939,000	—	939,000
888 Seventh Avenue (ground leased through 2067)	100.0	% Office/Retail	97.3	%	889,000	—	889,000
100 West 33rd Street	100.0	% Office	98.2	%	855,000	—	855,000
Moynihan Train Hall/Farley Building <sup>(1)</sup>	50.1	% Office/Retail	n/a		—	850,000	850,000
330 Madison Avenue <sup>(1)</sup>	25.0	% Office/Retail	98.1	%	846,000	—	846,000
330 West 34th Street (ground leased through 2149)	100.0	% Office/Retail	92.6	%	709,000	—	709,000
85 Tenth Avenue <sup>(1)</sup>	49.9	% Office/Retail	100.0	%	627,000	—	627,000
650 Madison Avenue <sup>(1)</sup>	20.1	% Office/Retail	91.1	%	593,000	—	593,000
350 Park Avenue	100.0	% Office/Retail	100.0	%	571,000	—	571,000
150 East 58th Street (ground leased through 2098)	100.0	% Office/Retail	94.3	%	542,000	—	542,000
7 West 34th Street <sup>(1)</sup>	53.0	% Office/Retail	98.8	%	479,000	—	479,000
33-00 Northern Boulevard (Center Building)	100.0	% Office	99.6	%	471,000	—	471,000
595 Madison Avenue	100.0	% Office/Retail	91.5	%	325,000	—	325,000
640 Fifth Avenue	100.0	% Office/Retail	91.8	%	314,000	—	314,000
50-70 W 93rd Street (326 units) <sup>(1)</sup>	49.9	% Residential	95.1	%	283,000	—	283,000
Manhattan Mall	100.0	% Retail	97.4	%	256,000	—	256,000
40 Fulton Street	100.0	% Office/Retail	88.1	%	251,000	—	251,000
4 Union Square South	100.0	% Retail	100.0	%	206,000	—	206,000
260 Eleventh Avenue (ground leased through 2114)	100.0	% Office	100.0	%	184,000	—	184,000
512 W 22nd Street <sup>(1)</sup>	55.0	% Office	n/a		—	173,000	173,000
	45.1	% Office/Retail	100.0	%	23,000	147,000	170,000

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61 Ninth Avenue (ground leased through 2115) <sup>(1)</sup>								
825 Seventh Avenue	51.2	%	Office <sup>(1)</sup> /Retail	100.0	%	169,000	—	169,000
1540 Broadway	100.0	%	Retail	100.0	%	160,000	—	160,000
608 Fifth Avenue (ground leased through 2033)	100.0	%	Office/Retail	99.9	%	137,000	—	137,000
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	98.1	%	106,000	—	106,000
57th Street (2 buildings) <sup>(1)</sup>	50.0	%	Office/Retail	87.9	%	103,000	—	103,000
689 Fifth Avenue	100.0	%	Office/Retail	91.7	%	98,000	—	98,000
478-486 Broadway (2 buildings) (10 units)	100.0	%	Retail/Residential	100.0	% <sup>(2)</sup>	85,000	—	85,000
150 West 34th Street	100.0	%	Retail	100.0	%	78,000	—	78,000
510 Fifth Avenue	100.0	%	Retail	100.0	%	66,000	—	66,000
655 Fifth Avenue	92.5	%	Retail	100.0	%	57,000	—	57,000
155 Spring Street	100.0	%	Retail	93.6	%	50,000	—	50,000
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	%	36,000	—	36,000
606 Broadway	50.0	%	Office/Retail	n/a		—	34,000	34,000
697-703 Fifth Avenue (St. Regis - retail)	74.3	%	Retail	100.0	%	26,000	—	26,000
715 Lexington Avenue	100.0	%	Retail	35.9	%	23,000	—	23,000

See notes on page 25.

## ITEM 2. PROPERTIES – CONTINUED

NEW YORK SEGMENT – CONTINUED Property	% Ownership	Type	% Occupancy	Square Feet		Under Development or Not Available for Lease	Total Property
				In Service			
1131 Third Avenue	100.0	% Retail	100.0	%	23,000	—	23,000
40 East 66th Street (5 units)	100.0	% Retail/Residential	84.1	% <sup>(2)</sup>	23,000	—	23,000
131-135 West 33rd Street	100.0	% Retail	100.0	%	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
484 Eighth Avenue	100.0	% Retail	n/a		—	16,000	16,000
334 Canal Street (4 units)	100.0	% Retail/Residential	73.3	% <sup>(2)</sup>	15,000	—	15,000
304 Canal Street (4 units)	100.0	% Retail/Residential	n/a		9,000	4,000	13,000
677-679 Madison Avenue (8 units)	100.0	% Retail/Residential	90.4	% <sup>(2)</sup>	13,000	—	13,000
431 Seventh Avenue	100.0	% Retail	100.0	%	10,000	—	10,000
138-142 West 32nd Street	100.0	% Retail	35.3	%	8,000	—	8,000
148 Spring Street	100.0	% Retail	100.0	%	8,000	—	8,000
150 Spring Street (1 unit)	100.0	% Retail/Residential	100.0	% <sup>(2)</sup>	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	n/a		—	6,000	6,000
968 Third Avenue <sup>(1)</sup>	50.0	% Retail	n/a		6,000	—	6,000
265 West 34th Street	100.0	% Retail	n/a		—	3,000	3,000
486 Eighth Avenue	100.0	% Retail	n/a		—	3,000	3,000
137 West 33rd Street	100.0	% Retail	100.0	%	3,000	—	3,000
339 Greenwich	100.0	% Retail	100.0	%	8,000	—	8,000
Other (34 units)	80.6	% Retail/Residential	85.8	% <sup>(2)</sup>	57,000	36,000	93,000
Hotel Pennsylvania	100.0	% Hotel	n/a		1,400,000	—	1,400,000
Alexander's, Inc.:							
731 Lexington Avenue <sup>(1)</sup>	32.4	% Office/Retail	99.9	%	1,063,000	—	1,063,000
Rego Park II, Queens <sup>(1)</sup>	32.4	% Retail	99.9	%	609,000	—	609,000
Rego Park I, Queens <sup>(1)</sup>	32.4	% Retail	100.0	%	343,000	—	343,000
The Alexander Apartment Tower, Queens (312 units) <sup>(1)</sup>	32.4	% Residential	94.6	%	255,000	—	255,000
Flushing, Queens <sup>(1)</sup>	32.4	% Retail	100.0	%	167,000	—	167,000
Paramus, New Jersey (30.3 acres ground leased through 2041) <sup>(1)</sup>	32.4	% Retail	100.0	%	—	—	—
Rego Park III, Queens (3.2 acres) <sup>(1)</sup>	32.4	% n/a	n/a		—	—	—
Total New York Segment			97.4	%	28,381,000	1,284,000	29,665,000
Our Ownership Interest			97.2	%	22,478,000	661,000	23,139,000

See notes on page 25.



## ITEM 2. PROPERTIES – CONTINUED

OTHER SEGMENT Property	% Ownership	Type	% Occupancy	Square Feet In Service	Under Development or Not Available for Lease	Total Property
theMART:						
theMART, Chicago	100.0	% Office/Retail/Showroom	98.6	% 3,670,000	—	3,670,000
Other (2 properties) <sup>(1)</sup>	50.0	% Retail	100.0	% 19,000	—	19,000
Total theMART			98.6	% 3,689,000	—	3,689,000
Our Ownership Interest			98.6	% 3,680,000	—	3,680,000
555 California Street:						
555 California Street	70.0	% Office	96.2	% 1,506,000	—	1,506,000
315 Montgomery Street	70.0	% Office/Retail	81.7	% 235,000	—	235,000
345 Montgomery Street	70.0	% Office/Retail	n/a	—	64,000	64,000
Total 555 California Street			94.2	% 1,741,000	64,000	1,805,000
Our Ownership Interest			94.2	% 1,219,000	45,000	1,264,000
Vornado Capital Partners Real Estate Fund ("Fund") <sup>(3)</sup> :						
Crowne Plaza Times Square, NY Lucida, 86th Street and Lexington Avenue, NY (ground leased through 2082)	75.3	% Office/Retail/Hotel	68.9	% 241,000	—	241,000
11 East 68th Street Retail, NY 501 Broadway, NY	100	% Retail/Residential	100.0	% <sup>(2)</sup> 155,000	—	155,000
1100 Lincoln Road, Miami, FL	100	% Retail	100.0	% 11,000	—	11,000
Total Real Estate Fund	100	% Retail	100.0	% 9,000	—	9,000
Our Ownership Interest			90.2	% 128,000	2,000	130,000
			83.8	% 544,000	2,000	546,000
Our Ownership Interest			80.2	% 155,000	1,000	156,000
Other:						
666 Fifth Avenue Office Condominium <sup>(1)</sup> Rosslyn Plaza <sup>(1)</sup>	49.5	% Office/Retail	n/a	—	1,448,000	1,448,000
Wayne Towne Center, Wayne (ground leased through 2064) Annapolis (ground leased through 2042)	46.2	% Office/Residential	65.9	% <sup>(2)</sup> 688,000	301,000	989,000
Fashion Centre Mall <sup>(1)</sup> Washington Tower <sup>(1)</sup>	100	% Retail	100.0	% 671,000	6,000	677,000
Total Other	100	% Retail	100.0	% 128,000	—	128,000
	7.5	% Retail	99.4	% 868,000	—	868,000
	7.5	% Office	100.0	% 170,000	—	170,000
Our Ownership Interest			93.2	% 2,525,000	1,755,000	4,280,000
Our Ownership Interest			93.6	% 1,188,000	862,000	2,050,000

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

## NEW YORK

As of December 31, 2017, our New York segment consisted of 28.4 million square feet in 88 properties. The 28.4 million square feet is comprised of 20.3 million square feet of office in 36 properties, 2.7 million square feet of retail in 71 properties, 2,018 units in twelve residential properties, the 1.4 million square foot Hotel Pennsylvania, and our 32.4% interest in 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 (4,970 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, 2017, the occupancy rate for our New York segment was 97.2%.

Occupancy and weighted average annual rent per square foot (in service):

Office:

As of December 31,	Vornado's Ownership Interest			
	Total Property Square Feet	Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2017	20,256,000	16,982,000	97.1 %	\$ 71.09
2016	20,227,000	16,962,000	96.3 %	68.90
2015	19,918,000	16,734,000	97.1 %	66.42
2014	18,785,000	15,730,925	97.7 %	65.31
2013	17,373,000	14,625,000	96.9 %	61.71

Retail:

As of December 31,	Vornado's Ownership Interest			
	Total Property Square Feet	Square Feet	Occupancy Rate	Weighted Average Annual Rent Per Square Foot
2017	2,720,000	2,471,000	96.9 %	\$ 217.17
2016	2,672,000	2,464,000	97.1 %	213.85
2015	2,596,000	2,396,000	96.1 %	202.72
2014	2,436,000	2,176,000	96.4 %	173.55
2013	2,303,000	2,103,225	97.5 %	162.27

Occupancy and average monthly rent per unit (in service):

Residential:

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As of December 31,	Vornado's Ownership Interest				Average Monthly Rent Per Unit
	Number of Units	Number of Units	Occupancy Rate		
2017	2,009	981	96.7	%	\$ 3,722
2016 <sup>(1)</sup>	2,004	977	95.7	%	3,576
2015	1,711	886	95.0	%	3,495
2014	1,678	855	95.2	%	3,146
2013	1,672	847	94.8	%	2,920

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(1) Includes The Alexander Apartment Tower (32.4% ownership) from the date of stabilization in the third quarter of 2016.



## NEW YORK – CONTINUED

Tenants accounting for 2% or more of revenues:

Tenant	Square Feet Leased	2017 Revenues	Percentage of New York Total Revenues	Percentage of Total Revenues
IPG and affiliates	924,000	\$58,826,000	3.3 %	2.8 %
Swatch Group USA	32,000	56,140,000	3.2 %	2.7 %
AXA Equitable Life Insurance	481,000	41,180,000	2.3 %	2.0 %
Macy's	646,000	41,142,000	2.3 %	2.0 %
Victoria's Secret	64,000	34,734,000	2.0 %	1.7 %

2017 rental revenue by tenants' industry:

Industry	Percentage
Office:	
Financial Services	13 %
Real Estate	7 %
Family Apparel	6 %
Communications	5 %
Advertising/Marketing	5 %
Legal Services	5 %
Technology	5 %
Insurance	4 %
Publishing	3 %
Government	2 %
Engineering, Architect & Surveying	2 %
Banking	2 %
Home Entertainment & Electronics	2 %
Health Services	1 %
Pharmaceutical	1 %
Other	8 %
	71 %
Retail:	
Women's Apparel	8 %
Family Apparel	7 %
Luxury Retail	5 %
Restaurants	2 %
Banking	1 %
Department Stores	1 %
Discount Stores	1 %
Other	4 %
	29 %
Total	100 %



## NEW YORK – CONTINUED

Lease expirations as of December 31, 2017, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York Square Feet	Weighted Average Annual Rent of Expiring Leases	
				Total	Per Square Foot
<b>Office:</b>					
Month to month	13	73,000	0.4%	\$3,086,000	\$42.27
2018	89	896,000	5.5%	66,949,000	74.72 <sup>(1)</sup>
2019	89	750,000	4.6%	51,029,000	68.04
2020	117	1,394,000	8.6%	96,261,000	69.05
2021	122	1,160,000	7.1%	85,881,000	74.04
2022	86	792,000	4.9%	48,215,000	60.88
2023	81	2,001,000 <sup>(2)</sup>	12.3%	152,874,000	76.40
2024	82	1,292,000	7.9%	101,263,000	78.38
2025	51	800,000	4.9%	58,916,000	73.65
2026	72	1,376,000	8.4%	101,555,000	73.80
2027	57	996,000	6.1%	68,674,000	68.95
<b>Retail:</b>					
Month to month	19	97,000	5.1%	\$3,461,000	\$35.68
2018	25	96,000	5.0%	28,157,000	293.30 <sup>(3)</sup>
2019	27	204,000	10.6%	35,085,000	171.99
2020	19	69,000	3.6%	10,388,000	150.55
2021	18	67,000	3.5%	11,613,000	173.33
2022	9	19,000	1.0%	4,913,000	258.58
2023	16	90,000	4.7%	38,199,000	424.43
2024	20	155,000	8.1%	63,852,000	411.95
2025	11	41,000	2.1%	17,777,000	433.59
2026	18	135,000	7.0%	42,626,000	315.75
2027	10	31,000	1.6%	21,204,000	684.00

(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 at 909 Third Avenue to the U.S. Post Office through 2038 (including three 5-year renewal options) for which the annual escalated rent is \$12.31 per square foot.

(3) Based on current market conditions, we expect to re-lease this space at weighted average rents between \$270 to \$290 per square foot.

## Alexander's

As of December 31, 2017, we own 32.4% of the outstanding common stock of Alexander's, which owns seven properties in the greater New York metropolitan area aggregating 2.4 million square feet, including 731 Lexington Avenue, the 1.3 million square foot Bloomberg L.P. headquarters building. Alexander's had \$1.24 billion of outstanding debt, net, at December 31, 2017, of which our pro rata share was \$401.8 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 at 33rd Street in the heart of the Penn Plaza district 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,				
	2017	2016	2015	2014	2013
Hotel Pennsylvania:					
Average occupancy rate	87.3	% 84.7	% 90.7	% 92.0	% 93.4
Average daily rate	\$139.09	\$134.38	\$147.46	\$162.01	\$158.01
Revenue per available room	\$121.46	\$113.84	\$133.69	\$149.04	\$147.63

## OTHER INVESTMENTS

### theMART

As of December 31, 2017, we own the 3.7 million square foot theMART in Chicago, whose largest tenant is Motorola Mobility at 609,000 square feet, the lease of which is guaranteed by Google. theMART is encumbered by a \$675,000,000 mortgage loan that bears interest at a fixed rate of 2.70% and matures in September 2021. As of December 31, 2017, theMART had an occupancy rate of 98.6% and a weighted average annual rent per square foot of \$42.15.

### 555 California Street

As of December 31, 2017, 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 \$569,215,000 mortgage loan that bears interest at a fixed rate of 5.10% and matures in September 2021. As of December 31, 2017, 555 California Street had an occupancy rate of 94.2% and a weighted average annual rent per square foot of \$73.40.

### Vornado Capital Partners Real Estate Fund (the "Fund") and Crowne Plaza Times Square Hotel Joint Venture (the "Crowne Plaza Joint Venture")

As of December 31, 2017, we own a 25.0% interest in the Fund which currently has five investments, one of which is the Crowne Plaza Times Square Hotel in which we also own an additional interest through a joint venture. We are the general partner and investment manager of the Fund. As of December 31, 2017, these five investments are carried on our consolidated balance sheet at an aggregate fair value of \$354,804,000, including the Crowne Plaza Joint Venture. As of December 31, 2017, our share of unfunded commitments was \$34,502,000.

## 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 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

## Vornado Realty Trust

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

Quarterly high and low sales prices of Vornado's common shares and dividends paid per common share for the years ended December 31, 2017 and 2016 were as follows:

Quarter	Year Ended December 31, 2017			Year Ended December 31, 2016		
	High	Low	Dividends	High	Low	Dividends
1st	\$111.72	\$98.51	\$ 0.71	\$99.97	\$78.91	\$ 0.63
2nd	103.35	91.18	0.71	100.13	90.13	0.63
3rd	97.25	72.77	(1) 0.60	(1) 108.69	97.18	0.63
4th	80.30	(1) 71.90	(1) 0.60	(1) 105.91	86.35	0.63

(1) Reflects the July 17, 2017 spin-off of JBG SMITH Properties ("JBGS") (NYSE: JBGS).

As of February 1, 2018, there were 993 holders of record of Vornado common shares.

## Vornado Realty L.P.

There is no established trading market for the Operating Partnership's Class A units or preferred units. The following table sets forth, for the periods indicated, the distributions declared on the Operating Partnership's Class A units:

Quarter	Declared Distributions Year ended December 31,	
	2017	2016
1st	\$0.71	\$0.63
2nd	0.71	0.63
3rd	0.60	(1) 0.63
4th	0.60	(1) 0.63

(1) Reflects the July 17, 2017 spin-off of JBG SMITH Properties ("JBGS") (NYSE: JBGS).

As of February 1, 2018, there were 984 Class A unitholders of record.

## Recent Sales of Unregistered Securities

During 2017, the Operating Partnership issued 1,213,237 Class A units in connection with equity awards issued pursuant to Vornado's omnibus share plan, including with respect to grants of restricted Vornado common shares and

restricted units of the Operating Partnership and upon conversion, surrender or exchange of the Operating Partnership's units or Vornado stock options, and consideration received included \$29,720,215 in cash proceeds. Such units were issued in reliance on an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

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

Recent Purchases of Equity Securities

None.

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Performance Graph

The following graph is a comparison of the five-year cumulative return of Vornado’s 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, 2012 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.

	2012	2013	2014	2015	2016	2017
Vornado Realty Trust	\$100	\$115	\$156	\$150	\$161	\$154
S&P 500 Index	100	132	151	153	171	208
The NAREIT All Equity Index	100	103	132	135	147	160



## Item 6. SELECTED FINANCIAL DATA

## Vornado Realty Trust

(Amounts in thousands, except per share amounts)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
<b>Operating Data:</b>					
<b>Revenues:</b>					
Property rentals	\$1,714,952	\$1,662,093	\$1,626,866	\$1,460,391	\$1,422,828
Tenant expense reimbursements	233,424	221,563	218,739	203,120	184,161
Cleveland Medical Mart development project	—	—	—	—	36,369
Fee and other income	135,750	120,086	139,890	128,657	132,340
Total revenues	2,084,126	2,003,742	1,985,495	1,792,168	1,775,698
<b>Expenses:</b>					
Operating	886,596	844,566	824,511	768,341	748,010
Depreciation and amortization	429,389	421,023	379,803	351,583	337,139
General and administrative	158,999	149,550	149,256	141,931	150,306
Cleveland Medical Mart development project	—	—	—	—	32,210
Acquisition and transaction related costs	1,776	9,451	12,511	18,435	24,857
Total expenses	1,476,760	1,424,590	1,366,081	1,280,290	1,292,522
Operating income	607,366	579,152	619,414	511,878	483,176
Income (loss) from partially owned entities	15,200	168,948	(9,947)	(58,484)	(336,292)
Income (loss) from real estate fund investments	3,240	(23,602)	74,081	163,034	102,898
Interest and other investment income (loss), net	37,793	29,548	27,240	38,569	(25,016)
Interest and debt expense	(345,654)	(330,240)	(309,298)	(337,360)	(323,505)
Net gains on disposition of wholly owned and partially owned assets	501	160,433	149,417	13,568	2,030
Income (loss) before income taxes	318,446	584,239	550,907	331,205	(96,709)
Income tax (expense) benefit	(41,090)	(7,229)	85,012	(9,039)	(5,314)
Income (loss) from continuing operations	277,356	577,010	635,919	322,166	(102,023)
(Loss) income from discontinued operations	(13,228)	404,912	223,511	686,860	666,763
Net income	264,128	981,922	859,430	1,009,026	564,740
Less net income attributable to noncontrolling interests in:					
Consolidated subsidiaries	(25,802)	(21,351)	(55,765)	(96,561)	(63,952)
Operating Partnership	(10,910)	(53,654)	(43,231)	(47,613)	(24,817)
Net income attributable to Vornado	227,416	906,917	760,434	864,852	475,971
Preferred share dividends	(65,399)	(75,903)	(80,578)	(81,464)	(82,807)
Preferred unit and share redemptions	—	(7,408)	—	—	(1,130)
Net income attributable to common shareholders	\$162,017	\$823,606	\$679,856	\$783,388	\$392,034

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Per Share Data:

Income (loss) from continuing operations, net - basic	\$0.92	\$2.35	\$2.49	\$0.73	\$(1.25 )
Income (loss) from continuing operations, net - diluted	0.91	2.34	2.48	0.72	(1.25 )
Net income per common share - basic	0.85	4.36	3.61	4.18	2.10
Net income per common share - diluted	0.85	4.34	3.59	4.15	2.09
Dividends per common share	2.62	(1) 2.52	2.52	(2) 2.92	2.92

Balance Sheet Data:

Total assets	\$17,397,934	\$20,814,847	\$21,143,293	\$21,157,980	\$20,018,210
Real estate, at cost	14,756,295	14,187,820	13,545,295	12,438,940	11,149,920
Accumulated depreciation and amortization	(2,885,283 )	(2,581,514 )	(2,356,728 )	(2,209,778 )	(1,958,132 )
Debt, net	9,729,487	9,446,670	9,095,670	7,557,877	6,830,994
Total equity	5,007,701	7,618,496	7,476,078	7,489,382	7,594,744

(1) Post spin-off of JBG SMITH Properties (NYSE: JBGS) on July 17, 2017.

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

## Item 6. SELECTED FINANCIAL DATA – CONTINUED

Vornado Realty Trust (Amounts in thousands)	Year Ended December 31,				
	2017	2016	2015	2014	2013
Other Data:					
Funds From Operations ("FFO") <sup>(1)</sup> :					
Net income attributable to common shareholders	\$162,017	\$823,606	\$679,856	\$783,388	\$392,034
FFO adjustments:					
Depreciation and amortization of real property	467,966	531,620	514,085	517,493	501,753
Net gains on sale of real estate	(3,489 )	(177,023 )	(289,117 )	(507,192 )	(411,593 )
Real estate impairment losses	—	160,700	256	26,518	37,170
Proportionate share of adjustments to equity in net income (loss) of partially owned entities to arrive at FFO:					
Depreciation and amortization of real property	137,000	154,795	143,960	117,766	157,270
Net gains on sale of real estate	(17,777 )	(2,853 )	(4,513 )	(11,580 )	(465 )
Real estate impairment losses	7,692	6,328	16,758	—	6,552
Income tax effect of above adjustments	—	—	—	(7,287 )	(26,703 )
	591,392	673,567	381,429	135,718	263,984
Noncontrolling interests' share of above adjustments	(36,728 )	(41,267 )	(22,342 )	(8,073 )	(15,089 )
FFO adjustments, net	554,664	632,300	359,087	127,645	248,895
FFO attributable to common shareholders	716,681	1,455,906	1,038,943	911,033	640,929
Convertible preferred share dividends	77	86	92	97	108
Earnings allocated to Out-Performance Plan units	1,047	1,591	—	—	—
FFO attributable to common shareholders plus assumed conversions <sup>(1)</sup>	\$717,805	\$1,457,583	\$1,039,035	\$911,130	\$641,037

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 flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

## Item 6. SELECTED FINANCIAL DATA – CONTINUED

Vornado Realty L.P. (Amounts in thousands)	Year Ended December 31,				
	2017	2016	2015	2014	2013
Operating Data:					
Revenues:					
Property rentals	\$1,714,952	\$1,662,093	\$1,626,866	\$1,460,391	\$1,422,828
Tenant expense reimbursements	233,424	221,563	218,739	203,120	184,161
Cleveland Medical Mart development project	—	—	—	—	36,369
Fee and other income	135,750	120,086	139,890	128,657	132,340
Total revenues	2,084,126	2,003,742	1,985,495	1,792,168	1,775,698
Expenses:					
Operating	886,596	844,566	824,511	768,341	748,010
Depreciation and amortization	429,389	421,023	379,803	351,583	337,139
General and administrative	158,999	149,550	149,256	141,931	150,306
Cleveland Medical Mart development project	—	—	—	—	32,210
Acquisition and transaction related costs	1,776	9,451	12,511	18,435	24,857
Total expenses	1,476,760	1,424,590	1,366,081	1,280,290	1,292,522
Operating income	607,366	579,152	619,414	511,878	483,176
Income (loss) from partially owned entities	15,200	168,948	(9,947 )	(58,484 )	(336,292 )
Income (loss) from real estate fund investments	3,240	(23,602 )	74,081	163,034	102,898
Interest and other investment income (loss), net	37,793	29,548	27,240	38,569	(25,016 )
Interest and debt expense	(345,654 )	(330,240 )	(309,298 )	(337,360 )	(323,505 )
Net gains on disposition of wholly owned and partially owned assets	501	160,433	149,417	13,568	2,030
Income (loss) before income taxes	318,446	584,239	550,907	331,205	(96,709 )
Income tax (expense) benefit	(41,090 )	(7,229 )	85,012	(9,039 )	(5,314 )
Income (loss) from continuing operations	277,356	577,010	635,919	322,166	(102,023 )
(Loss) income from discontinued operations	(13,228 )	404,912	223,511	686,860	666,763
Net income	264,128	981,922	859,430	1,009,026	564,740
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(25,802 )	(21,351 )	(55,765 )	(96,561 )	(63,952 )
Net income attributable to Vornado Realty L.P.	238,326	960,571	803,665	912,465	500,788
Preferred unit distributions	(65,593 )	(76,097 )	(80,736 )	(81,514 )	(83,965 )
Preferred unit redemptions	—	(7,408 )	—	—	(1,130 )
Net income attributable to Class A unitholders	\$172,733	\$877,066	\$722,929	\$830,951	\$415,693

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Per Unit Data:

Income (loss) from continuing operations, net - basic	\$0.91	\$2.34	\$2.49	\$0.71	\$(1.27 )
Income (loss) from continuing operations, net - diluted	0.90	2.32	2.46	0.70	(1.26 )
Net income per Class A unit - basic	0.84	4.36	3.61	4.17	2.09
Net income per Class A unit - diluted	0.83	4.32	3.57	4.14	2.08
Distributions per Class A unit	2.62	(1) 2.52	2.52	(2) 2.92	2.92

Balance Sheet Data:

Total assets	\$17,397,934	\$20,814,847	\$21,143,293	\$21,157,980	\$20,018,210
Real estate, at cost	14,756,295	14,187,820	13,545,295	12,438,940	11,149,920
Accumulated depreciation and amortization	(2,885,283 )	(2,581,514 )	(2,356,728 )	(2,209,778 )	(1,958,132 )
Debt, net	9,729,487	9,446,670	9,095,670	7,557,877	6,830,994
Total equity	5,007,701	7,618,496	7,476,078	7,489,382	7,594,744

(1) Post spin-off of JBG SMITH (NYSE: JBGS) on July 17, 2017.

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

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 93.5% of the common limited partnership interest in the Operating Partnership as of December 31, 2017. All references to the “Company,” “we,” “us” and “our” mean collectively Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

On July 17, 2017, we completed the spin-off of our Washington, DC segment comprised of (i) 37 office properties totaling over 11.1 million square feet, five multifamily properties with 3,133 units and five other assets totaling approximately 406,000 square feet and (ii) 18 future development assets totaling over 10.4 million square feet of estimated potential development density, and (iii) \$412.5 million of cash (\$275.0 million plus The Bartlett financing proceeds less transaction costs and other mortgage items) to JBG SMITH Properties (“JBGS”). On July 18, 2017, JBGS was combined with the management business and certain Washington, DC assets of The JBG Companies (“JBG”), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, is the Chairman of the Board of Trustees of JBGS. Mitchell Schear, former President of our Washington, DC business, is a member of the Board of Trustees of JBGS. We are providing transition services to JBGS initially including information technology, financial reporting and payroll services. The spin-off was effected through a tax-free distribution by Vornado to the holders of Vornado common shares of all of the common shares of JBGS at the rate of one JBGS common share for every two common shares of Vornado and the distribution by the Operating Partnership to the holders of its common units of all of the outstanding common units of JBG SMITH Properties LP (“JBGSLP”) at the rate of one JBGSLP common unit for every two common units of VRLP held of record. See JBGS’ Amendment No. 3 on Form 10 (File No. 1-37994) filed with the Securities and Exchange Commission on June 9, 2017 for additional information. Beginning in the third quarter of 2017, the historical financial results of our Washington, DC segment are reflected in our consolidated financial statements as discontinued operations for all periods presented.

We own and operate office and retail properties with a large concentration in the New York City metropolitan area. In addition, we have a 32.4% interest in Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX), 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 Vornado shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing Vornado’s performance to the FTSE NAREIT Office Index (“Office REIT”) and the MSCI US REIT Index (“MSCI”) for the following periods ended December 31, 2017:

	Total Return <sup>(1)</sup>	
	Vornado	Office REIT MSCI
Three-month	2.5 %	4.3 %
One-year	(4.3 )%	5.3 %
Three-year	(1.4 )%	19.5 %
Five-year	54.3 %	58.7 %