

VORNADO REALTY TRUST
Form 10-K
February 23, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended:December 31, 2010

OR

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

For the transition period **to**
from

Commission File Number: **1 11954**

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

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Maryland

(State or other jurisdiction of incorporation or organization)

22 1657560

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York

(Address of Principal Executive Offices)

10019

(Zip Code)

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

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Shares of beneficial interest,
\$.04 par value per share

New York Stock Exchange

Series A Convertible Preferred Shares
of beneficial interest, no par value

New York Stock Exchange

Cumulative Redeemable Preferred Shares of beneficial
interest, no par value:

8.5% Series B

New York Stock Exchange

8.5% Series C

New York Stock Exchange

7.0% Series E

New York Stock Exchange

6.75% Series F

New York Stock Exchange

6.625% Series G

New York Stock Exchange

6.75% Series H

New York Stock Exchange

6.625% Series I

New York Stock Exchange

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

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

YES 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.

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.

YES NO

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

Yes No

Indicate by check mark 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.

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

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

Accelerated Filer
 Smaller Reporting Company

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

YES NO

The aggregate market value of the voting and non-voting common shares held by non affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$11,920,063,000 at June 30, 2010.

As of December 31, 2010, there were 183,661,875 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 26, 2011.

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

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(1) These items are omitted in whole or in part because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 with the Securities and Exchange Commission not later than 120 days after December 31, 2010, 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 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,” “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 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

The Company

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”). Vornado is the sole general partner of, and owned approximately 93.2% of the common limited partnership interest in the Operating Partnership at December 31, 2010. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2010, we own:

Office Properties:

- (i) all or portions of 28 properties aggregating 17.4 million square feet in the New York City metropolitan area (primarily Manhattan);
- (ii) all or portions of 82 properties aggregating 21.1 million square feet in the Washington, DC / Northern Virginia area;
- (iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco’s financial district, known as the Bank of America Center;

Retail Properties:

- (iv) 161 properties aggregating 25.6 million square feet primarily in Manhattan, the northeast states, California and Puerto Rico;

Merchandise Mart Properties:

(v) 6 properties aggregating 6.9 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Toys “R” Us, Inc. (“Toys”):

(vi) a 32.7% interest in Toys which owns and/or operates 1,589 stores worldwide, including 857 stores in the United States and 732 stores internationally;

Other Investments:

(vii) 32.4% of the common stock of Alexander’s, Inc. (NYSE: ALX), which has seven properties aggregating 3.2 million square feet in the greater New York metropolitan area;

(viii) the Hotel Pennsylvania containing 1.4 million square feet in New York City;

(ix) a 9.9% economic interest in J.C. Penney Company, Inc. (NYSE: JCP), a major retailer that operates 1,108 department stores nationwide;

(x) a 26.2% equity interest in LNR Property Corporation, an industry leading servicer and special servicer of commercial mortgage loans and CMBS, and a diversified real estate, investment and finance company;

(xi) a 36.4% interest in our real estate investment fund in which we are the general partner and investment manager with aggregate equity commitments of \$550 million, of which we committed \$200 million; and

(xii) other real estate and investments, including marketable securities and mezzanine loans on real estate.

Objectives and Strategy

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

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

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

BUSINESS ENVIRONMENT

Substantially all businesses, including ours, were negatively affected by the 2008/2009 economic recession and illiquidity and volatility in the capital and financial markets. Although there are signs of an economic recovery and greater stability in the capital and financial markets, it is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or any other trends on our financial results.

ACQUISITIONS and investments

Other Investments:

Vornado Capital Partners, L.P. and Vornado Capital Partners Parallel, L.P. (the "Fund")

On July 6, 2010, we completed an initial closing of the Fund with aggregate equity commitments of \$550,000,000, of which we committed \$200,000,000. We expect to close on an additional \$250,000,000 of equity commitments in the first quarter of 2011. We are the general partner and investment manager of the Fund and it is our exclusive investment vehicle during the three-year investment period for all investments that fit within the Fund's investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) noncontrolling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund has a term of eight years. We consolidate the accounts of the Fund into our consolidated financial statements. In 2010, we incurred \$6,482,000 for organization costs of the Fund, net of the Fund's reimbursement to us, which are included in "general and administrative" expenses on our consolidated statement of income.

The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. As of December 31, 2010, the Fund received \$146,789,000 of capital from partners, including \$53,378,000 from us. During the second half of 2010, the Fund made four investments aggregating approximately \$145,000,000 and reimbursed us for \$1,500,000 of organization costs.

ACQUISITIONS and investments – continued

Investment in J.C. Penney Company, Inc. (“J.C. Penney”) (NYSE: JCP)

We own an economic interest in 23,400,000 J.C. Penney common shares, or 9.9% of J.C. Penney’s outstanding common shares. Below are the details of our investment.

We own 18,584,010 common shares at an average price of \$25.70 per share, or \$477,678,000 in the aggregate. These shares, which have an aggregate fair value of \$600,449,000 at December 31, 2010, are included in marketable equity securities on our consolidated balance sheet and are classified as “available for sale.” Of these shares, 15,500,000 were acquired through the exercise of a call option that originated on September 28, 2010 and settled on November 9, 2010. During the period in which the call option was outstanding and classified as a derivative instrument, we recognized \$112,537,000 of income from the mark-to-market of the underlying common shares, which is included in “interest and other investment income (loss), net” on our consolidated statement of income. During the period from November 10 through December 31, 2010, we recognized \$10,234,000 from the mark-to-market of the common shares classified as available-for-sale, which is included in “accumulated other comprehensive income” (a component of shareholders’ equity on our consolidated balance sheet).

We also own an economic interest in 4,815,990 common shares through a forward contract executed on October 7, 2010, at a weighted average strike price of \$28.65 per share, or \$137,989,000 in the aggregate. The contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 9, 2012. The counterparty may accelerate settlement, in whole or in part, upon one year’s notice to us. The strike price per share increases at an annual rate of LIBOR plus 80 basis points and decreases for dividends received on the shares. The contract is a derivative instrument that does not qualify for hedge accounting treatment. Mark-to-market adjustments on the underlying common shares are recognized in “interest and other investment income (loss), net” on our consolidated statement of income. During the period from October 7, 2010 through December 31, 2010, we recognized \$17,616,000 of income from the mark-to-market of this position, based on J.C. Penney’s closing share price of \$32.31 per share at December 31, 2010.

As of December 31, 2010, the aggregate economic net gain on our investment in J.C. Penney was \$140,387,000, based on J.C. Penney’s closing share price of \$32.31 per share and our weighted average cost of \$26.31 per share.

Investment in LNR Property Corporation (“LNR”)

On July 29, 2010, as a part of LNR’s recapitalization, we acquired a 26.2% equity interest in LNR for \$116,000,000 in cash and conversion into equity of our \$15,000,000 mezzanine loan (the then current carrying amount) made to LNR’s parent, Riley Holdco Corp. The recapitalization involved an infusion of a total of \$417,000,000 in new cash equity

Other Investments:

and the reduction of LNR's total debt to \$425,000,000 from \$1.3 billion, excluding liabilities related to the consolidated CMBS and CDO trusts described below. We account for our equity interest in LNR under the equity method on a one-quarter lag basis.

LNR consolidates certain commercial mortgage-backed securities ("CMBS") and Collateralized Debt Obligation ("CDO") trusts for which it is the primary beneficiary. The assets of these trusts (primarily commercial mortgage loans), which aggregate approximately \$142 billion as of September 30, 2010, are the sole source of repayment of the related liabilities, which are non-recourse to LNR and its equity holders, including us. Changes in the fair value of these assets each period are offset by changes in the fair value of the related liabilities through LNR's consolidated income statement.

510 Fifth Avenue

On October 8, 2010, we acquired 510 Fifth Avenue, a 59,000 square foot retail property located at 43rd Street and Fifth Avenue in New York, for \$57,000,000, comprised of \$24,700,000 in cash and \$32,300,000 of existing debt.

San Jose, California

On October 15, 2010, we acquired the 55% interest that we did not already own of a 646,000 square foot retail property located in San Jose, California, for \$97,000,000, consisting of \$27,000,000 in cash and \$70,000,000 of existing debt.

Atlantic City, New Jersey

On November 4, 2010, we acquired 11.3 acres of the land under a portion of the Borgata Hotel and Casino complex for \$83,000,000 in cash. The land is leased to the partnership that controls the Borgata Hotel and Casino complex through December 2070. In January 2011, we completed a 10-year \$60,000,000 financing of this land. The loan has a fixed interest rate of 5.14% and amortizes beginning in the third year, based on a 30-year schedule.

Dispositions

On October 20, 2010, we sold a 45% ownership interest in 1299 Pennsylvania Avenue (the Warner Building) and 1101 17th Street, for \$236,700,000, comprised of \$91,000,000 in cash and the assumption of existing mortgage debt. We retained the remaining 55% ownership interest and continue to manage and lease the properties. Based on the Warner Building's implied fair value of \$445,000,000, we recognized a net gain of \$54,000,000 in the fourth quarter of 2010. The gain on 1101 17th Street, based on an implied fair value of \$81,000,000, will be recognized when we monetize our investment.

On January 12, 2011, we sold 1140 Connecticut Avenue and contracted to sell 1227 25th Street, subject to customary closing conditions, for an aggregate price of \$127,000,000. We will retain net proceeds of approximately \$107,000,000, after repaying an existing mortgage and recognize a net gain of approximately \$44,000,000 in the first quarter of 2011.

In March 2010, we ceased making debt service payments on the mortgage loan secured by the High Point Complex in North Carolina as a result of insufficient cash flow and the loan went into default. In November 2010, the property was placed in receivership. While the receivership process is inherently lengthy, we anticipate that the property will be sold in the first half of 2011, at which time the assets and liabilities will be removed from our consolidated balance sheet and we will recognize a net gain of approximately \$80,000,000.

Financing Activities

On February 11, 2011, we completed a \$425,000,000 refinancing of Two Penn Plaza, a 1.6 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for the term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$139,000,000 after repaying the existing loan and closing costs.

On February 10, 2011, we completed a \$150,000,000 financing of 2121 Crystal Drive, a 506,000 square foot office building located in Crystal City, Arlington, Virginia. The 12-year fixed rate loan bears interest at 5.51% and amortizes based on a 30-year schedule beginning in third year. This property was previously unencumbered.

On January 10, 2011, we completed a \$75,000,000 financing of North Bergen (Tonnelle Avenue), a 410,000 square foot strip shopping center. The seven-year fixed rate loan bears interest rate at 4.59%, provides for interest only payments during the first five years of the term and amortizes based on a 25-year schedule. This property was previously unencumbered.

In December 2010, we acquired the mortgage loan secured by the Springfield Mall, located in Fairfax County, Virginia for \$115,000,000 in cash. The loan had an outstanding balance of \$171,500,000. In a separate transaction, we acquired our partner's interest in the partnership that owns the mall in exchange for \$25,000,000 in Operating Partnership units. These transactions resulted in a \$102,932,000 net gain on early extinguishment of debt.

In August 2010, we sold \$660,000,000 of 10-year mortgage notes in a single issuer securitization. The notes are comprised of a \$600,000,000 fixed rate component and a \$60,000,000 variable rate component and are cross-collateralized by 40 of our strip shopping centers. The \$600,000,000 fixed rate portion bears interest at an initial rate of 4.18% and a weighted average rate of 4.31% over the 10-year term and amortizes based on a 30-year schedule. The variable rate portion bears interest at LIBOR plus 1.36%, with a 1% floor (2.36% at December 31, 2010).

In March 2010, we completed a public offering of \$500,000,000 aggregate principal amount of 4.25% senior unsecured notes due April 1, 2015 and retained net proceeds of approximately \$496,000,000. The notes were sold at 99.834% of their face amount to yield 4.287%. The notes can be redeemed without penalty beginning January 1, 2015.

In 2010, through open market repurchases and tender offers, we purchased \$270,491,000 aggregate face amount (\$264,476,000 aggregate carrying amount) of our convertible senior debentures and \$17,000,000 aggregate face amount (\$16,981,000 aggregate carrying amount) of our senior unsecured notes for \$274,857,000 and \$17,382,000 in cash, respectively, resulting in a net loss of \$10,381,000 and \$401,000, respectively.

Development and Redevelopment Projects

We expended \$156,775,000 in 2010 to complete development projects.

On October 1, 2010, Arlington County adopted a new Sector Plan for Crystal City that provides for additional density and increased building heights which would permit us to grow our assets in Crystal City from 8.0 million square feet currently to as much as 11.5 million square feet.

During 2010, we entered into agreements with Cuyahoga County, Ohio (the "County") to develop and operate the Cleveland Medical Mart and Convention Center (the "Facility"), a 1,000,000 square foot showroom, trade show and conference center in Cleveland's central business district. The County will fund the development of the Facility, using proceeds from the issuance of general obligation bonds and other sources, up to the development budget of \$465,000,000 and maintain effective control of the property. During the 17-year development and operating period, we will receive net settled payments of approximately \$10,000,000 per year, which is net of our \$36,000,000 annual obligation to the County. Our obligation has been pledged by the County to the bondholders, but is payable by us only to the extent that we first receive at least an equal payment from the County. We engaged a contractor to construct the Facility pursuant to a guaranteed maximum price contract. Although we are ultimately responsible for cost overruns, the contractor is responsible for all costs incurred in excess of its contract and has provided a completion guaranty. Construction of the Facility is expected to be completed in 2013. Subsequent thereto, we are required to fund \$11,500,000, primarily for tenant improvements, are responsible for all operating expenses and are entitled to the net operating income, if any, of the Facility. The County may terminate the operating agreement five years from the completion of development and periodically thereafter, if we fail to achieve certain performance thresholds. We plan to account for these agreements using criteria set forth in ASC 605-25, *Multiple-Element Arrangements*, as we are providing development, marketing, leasing, and other property management related services over the 17-year term. We plan to recognize development fees using the percentage of completion method of accounting.

We are also evaluating other development and redevelopment opportunities for which final plans, budgeted costs and financing have yet to be determined. These projects include the Springfield Mall in Springfield, Virginia and the Hotel Pennsylvania and 220 Central Park South in Manhattan.

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

Segment Data

We operate in the following business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys “R” Us. Financial information related to these business segments for the years ended December 31, 2010, 2009 and 2008 is set forth in Note 22 – Segment Information to our consolidated financial statements in this Annual Report on Form 10-K. The Merchandise Mart Properties segment has trade show operations in Canada and Switzerland. The Toys segment has 732 locations internationally.

SEASONALITY

Our revenues and expenses are subject to seasonality during the year which impacts quarterly net earnings, cash flows and funds from operations, and therefore impacts comparisons of the current quarter to the previous quarter. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income, which we record on a one-quarter lag basis in our first quarter, accounts for more than 80% of its fiscal year net income. The New York and Washington, DC Office Properties and Merchandise Mart Properties segments have historically experienced higher utility costs in the first and third quarters of the year. The Merchandise Mart Properties segment has also experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail Properties segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income.

tenants ACCOUNTING FOR over 10% of revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2010, 2009 and 2008.

Certain Activities

We are not required to 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 the portfolio may be sold as circumstances warrant. Further, we have not adopted a policy that limits the amount or percentage of assets which could be invested in a specific property or property type. While we may seek the vote of our shareholders in connection with any particular material transaction, generally our activities are reviewed and may be modified from time to time by our Board of Trustees without the vote of shareholders.

Employees

As of December 31, 2010, we have approximately 4,780 employees, of which 317 are corporate staff. The New York Office Properties segment has 126 employees and an additional 2,680 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to our New York Office and Washington, DC Office properties. The Washington, DC Office Properties, Retail Properties and Merchandise Mart Properties segments have 400, 176 and 576 employees, respectively, and the Hotel Pennsylvania has 505 employees. The foregoing does not include employees of partially owned entities, including Toys or Alexander's, of which we own 32.7% and 32.4%, respectively.

principal executive offices

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

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners of us, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.vno.com) as soon as reasonably practicable after they are

electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies of these documents are also available directly from us free of charge. Our website also includes other financial information about us, including certain non-GAAP financial measures, none of which is a part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Material factors that may adversely affect our business, operations and financial condition are summarized below.

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

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

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

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

The rents 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 and/or occupancy levels decline, we generally would expect to have less cash available to pay indebtedness and for distribution to shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs generally do not decline when the related rents decline.

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

There are many factors that can affect the value of our debt and equity securities, including the state of the capital markets and the economy, which have recently negatively affected substantially all businesses, including ours. Demand for office and retail space may decline nationwide as it did in 2008 and 2009, due to bankruptcies, downsizing, layoffs and cost cutting. 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, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our debt and equity securities.

Real estate is a competitive business.

Our business segments – New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys – operate in a highly competitive environment. We have a large concentration of properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. We compete with a large number of property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, attractiveness of location, the quality of the property and the breadth and quality of services provided. Our success depends upon, among other factors, trends of the national, regional and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulation, legislation and population trends.

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

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

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

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

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks 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. 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 tanks 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. The environmental assessments did not, as of this date, reveal 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, discovery of additional sites, human exposure to the contamination or changes in clean-up or compliance requirements could result in significant costs to us.

Inflation or deflation may adversely affect our financial condition and results of operations.

Although neither inflation nor deflation has materially impacted our operations in the recent past, increased inflation could have a pronounced negative impact on our mortgages and interest rates and general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our percentage rents, where applicable. Conversely, deflation could lead to downward pressure on rents and other sources of income. In addition, we own residential properties which are leased to tenants with one-year lease terms. Because these are short-term leases, declines in market rents will impact our residential properties faster than if the leases were for longer terms.

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

We maintain general liability insurance with limits of \$300,000,000 per occurrence and all risk property and rental value insurance with limits of \$2.0 billion per occurrence, including coverage for terrorist acts, with sub-limits for certain perils such as floods. Our California properties have earthquake insurance with coverage of \$150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, up to a \$150,000,000 annual aggregate.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for acts of terrorism, including nuclear, biological, chemical and radiological (“NBCR”) acts, as defined by TRIPRA. 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. Our coverage for NBCR losses is up to \$2 billion per occurrence, for which PPIC is responsible for a deductible of \$3,200,000 and 15% of the balance of a covered loss and the Federal government is responsible for the remaining 85% of a covered loss. We are ultimately responsible for any loss borne 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 future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, senior unsecured notes, exchangeable senior debentures, convertible senior debentures 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.

Because we operate a hotel, we face the risks associated with the hospitality industry.

We own and operate the Hotel Pennsylvania in New York City. The following factors, among others, are common to the hotel industry and may reduce the revenues generated by the hotel, which would reduce cash available for distribution to our shareholders:

- our hotel competes for guests with other hotels, a number of which have greater marketing and financial resources;

- if there is an increase in operating costs resulting from inflation and other factors, we may not be able to offset such increase by increasing room rates;
- our hotel is subject to the fluctuating and seasonal demands of business travelers and tourism;
- our hotel is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism; and
- physical condition, which may require substantial additional capital.

Because of the ownership structure of the Hotel Pennsylvania, we face potential adverse effects from changes to the applicable tax laws.

Under the Internal Revenue Code, REITs like us are not allowed to operate hotels directly or indirectly. Accordingly, we lease the Hotel Pennsylvania to our taxable REIT subsidiary (“TRS”). While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the hotel at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to a TRS are modified, we may be forced to modify the structure for owning the hotel, and such changes may adversely affect the cash flows from the hotel. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from the hotel.

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. From time to time persons have asserted claims against us with respect to some of our properties under the ADA, but to date such claims have not resulted in any material expense or liability. If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to shareholders.

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

Our 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.

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

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

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

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

During 2010, approximately 74% of our EBITDA, excluding items that affect comparability, came from properties located in the New York City / New Jersey metropolitan areas and the Washington, DC / Northern Virginia area. We may continue to concentrate a significant portion of our future acquisitions in these areas or in other geographic real estate markets in the United States or abroad. Real estate markets are subject to economic downturns and we cannot predict how economic conditions will impact these markets in either the short or long term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

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

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

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

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

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 have grown rapidly since 1999 through acquisitions. We may not be able to maintain this rapid growth and our failure to do so could adversely affect our stock price.

We have experienced rapid growth since 1999, increasing our total assets from approximately \$5.5 billion at December 31, 1999 to approximately \$20.5 billion at December 31, 2010. We may not be able to maintain a similar rate of growth in the future or manage growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations as well as the amount of cash available for distributions to shareholders.

We may acquire or develop properties or acquire other real estate related companies and this may create risks.

We may acquire or develop properties or acquire other real estate related companies when we believe that an acquisition or development is consistent with our business strategy. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing newly developed or acquired properties at rents sufficient to cover costs of acquisition or development and operations. 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 and have devoted management time to a matter not consummated. Furthermore, acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware at the time of acquisition. Development of our existing properties presents similar risks.

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

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

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.

From time to time we make investments in companies over which we do not have sole control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. These investments include but are not limited to, Alexander's, Inc. ("Alexander's"), Toys "R" Us ("Toys"), Lexington Realty Trust ("Lexington"), J.C. Penney Company, Inc. ("J.C. Penney"), LNR Property Corporation ("LNR") and other equity and mezzanine investments. Although these businesses generally have a significant real estate component, some of them operate in businesses that are different from our primary lines of business including, without limitation, operating or managing toy stores and department stores. Consequently, investments in these businesses, among other risks, subjects us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses. From time to time we may make additional investments in or acquire other entities that may subject us to similar risks. Investments in entities over which we do not have sole control, including joint ventures, present additional risks such as having differing objectives than our partners or the entities in which we invest, or becoming involved in disputes, or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may adversely affect us.

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

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

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

Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro-rata share of Toys' net earnings on a one-quarter lag basis. For example, our financial results for the year ended December 31, 2010 include Toys' financial results for its first, second and third quarters ended October 30, 2010, as well as Toys' fourth quarter results of 2009. Because of the seasonality of Toys, our reported net income shows increased volatility. We may also, in the future and from time to time, invest in other businesses that may report financial results that are more volatile than our historical financial results.

We depend upon our anchor tenants to attract shoppers.

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

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

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset,

then under accounting principles generally accepted in the United States of America, we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

We invest in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments involve greater risk of loss than investments in senior mortgage loans.

We invest, and may in the future invest, in subordinated or mezzanine debt of certain entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. These investments involve greater risk of loss than investments in senior mortgage loans which are secured by real property. If a borrower defaults on debt to us or on debt senior to us, or declares bankruptcy, we may not be able to recover some or all of our investment. In addition, there may be significant delays and costs associated with the process of foreclosing on collateral securing or supporting these investments. The value of the assets securing or supporting our investments could deteriorate over time due to factors beyond our control, including acts or omissions by owners, changes in business, economic or market conditions, or foreclosure. Such deteriorations in value may result in the recognition of impairment losses and/or valuation allowances on our statements of income. As of December 31, 2010, our investments in mezzanine debt securities have an aggregate carrying amount of \$202,412,000, net of a \$73,216,000 valuation allowance.

We evaluate the collectability of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. There can be no assurance that our estimates of collectible amounts will not change over time or that they will be representative of the amounts we will actually collect, including amounts we would collect if we chose to sell these investments before their maturity. If we collect less than our estimates, we will record impairment losses which could be material.

We invest in marketable equity securities of companies that have significant real estate assets. 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 real estate companies or companies that have significant real estate assets, such as J.C. Penney. As of December 31, 2010, our marketable securities have an aggregate carrying amount of \$766,116,000. Significant declines in the value of these investments due to operating performance or economic or market conditions may result in the recognition of impairment losses which could be material.

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

We May Not Be Able to Obtain Capital to Make Investments.

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

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

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

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of Class A units of the Operating Partnership, including Vornado. Thus, Vornado's ability to pay cash dividends to its shareholders and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions to holders of its preferred units and then to holders of its Class A units, including Vornado. As of December 31, 2010, there were seven series of preferred units of the Operating Partnership not held by Vornado with a total liquidation value of \$316,165,000.

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

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

As of December 31, 2010, we had approximately \$13.8 billion of total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding \$37 billion for our pro rata share of LNR's liabilities related to its consolidated CMBS and CDO trusts, which are non-recourse to LNR and its equity holders, including us. Our ratio of total debt to total enterprise value was approximately 44%. When we say "enterprise value" in the preceding sentence, we mean market equity value of our common and preferred shares plus total debt outstanding, including our pro rata share of debt of partially owned entities, and excluding LNR's liabilities related to its consolidated CMBS and CDO trusts. In the future, we may incur additional debt to finance acquisitions or property developments and thus increase our ratio of total debt to total enterprise value. If our level of indebtedness increases, there may be an increased risk of a credit rating downgrade or a default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of existing variable rate debt and any new debt or other market rate security or instrument may increase. Furthermore, we may not be able to refinance existing indebtedness in sufficient amounts or on acceptable terms.

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 credit facilities, unsecured debt securities and other loans that we may obtain in the future contain, or 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. Under those circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

We rely on debt financing, including borrowings under our unsecured credit facilities, issuances of unsecured debt securities and debt secured by individual properties, to finance acquisitions and development activities and for working capital. If we are unable to obtain debt financing from these or other sources, or refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, can take possession of the property securing the defaulted loan.

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

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we may fail to remain qualified in this way. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends 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 tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualifying as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If we had to pay federal income tax, the amount of money available to distribute to shareholders and pay our indebtedness would be reduced for the year or years involved, and we would no longer be required to make distributions to shareholders. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions. Although we currently intend to operate in a manner designed to allow us to qualify as a REIT, future economic, market, legal, tax or other considerations may cause us to revoke the REIT election or fail to qualify as a REIT.

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

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

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

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

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

Our Amended and Restated Declaration of Trust sets limits on the ownership of our shares.

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

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

Vornado's Board of Trustees is divided into three classes of trustees. Trustees of each class are chosen for three-year staggered terms. Staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change

control of Vornado, even though a tender offer or change in control might be in the best interest of Vornado's shareholders.

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

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

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

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

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

Under the Maryland General Corporation Law, as amended, which we refer to as the “MGCL,” as applicable to REITs, certain “business combinations,” including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland REIT and any person who beneficially owns ten percent or more of the voting power of the trust’s shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of beneficial interest of the trust, which we refer to as an “interested shareholder,” or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of beneficial interest of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected or held by an affiliate or associate of the interested shareholder. These supermajority voting requirements do not apply if the trust’s common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares.

The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder.

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

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

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board

of Trustees. Accordingly, our shareholders do not control these policies.

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

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

As of December 31, 2010, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 7.0% of the common shares of Vornado and approximately 27.2% 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 Vornado, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's.

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

We currently manage and lease the real estate assets of Interstate Properties under a management agreement for which we receive an annual fee equal to 4% of base rent and percentage rent. The management agreement has a one-year term and is automatically renewable unless terminated by either of the parties on 60 days' notice at the end of the term. Because of the relationship among Vornado, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between us and Interstate Properties may not be comparable to those we could have negotiated with an unaffiliated third party.

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

As of December 31, 2010, we owned 32.4% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's 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 27.2% of the outstanding common stock of Alexander's as of December 31, 2010. Mr. Roth is the Chairman of the Board of Vornado, the managing general partner of Interstate, and the Chairman of the Board and Chief Executive Officer of Alexander's. Messrs. Wight and Mandelbaum are trustees of Vornado and also directors of Alexander's and general partners of Interstate. Michael D. Fascitelli is the President and Chief Executive Officer of Vornado and the President of Alexander's and Dr. Richard West is a trustee of Vornado and a director of Alexander's. In addition, Joseph Macnow, our Executive Vice President and Chief Financial Officer, holds the same position with Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

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. These agreements have a one-year term expiring in March of each year and are all automatically renewable. Because Vornado and Alexander's share common senior management and because certain of the trustees of Vornado constitute a majority of the directors of Alexander's, the terms of the foregoing agreements and any future agreements between us and Alexander's may not be comparable to those we could have negotiated with an unaffiliated third party.

For a description of Interstate Properties' ownership of Vornado and Alexander's, see "Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us" above.

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

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

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

- our financial condition and performance;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- 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;
- 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 real estate investment trusts;
- 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 interest in us;
- the extent of short-selling of our common shares and the shares of our competitors;
- fluctuations in the stock price and operating results of our competitors;
- general financial and economic market conditions and, in particular, developments related to market conditions for real estate investment trusts and other real estate related companies;

- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this document.

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

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

The interests of our current shareholders could be diluted if we issue additional equity securities. As of December 31, 2010, we had authorized but unissued, 66,338,125 common shares of beneficial interest, \$.04 par value and 77,659,991 preferred shares of beneficial interest, no par value; of which 39,203,325 common shares are reserved for issuance upon redemption of Class A Operating Partnership units, convertible securities and employee stock options and 7,200,000 preferred shares are reserved for issuance upon redemption of preferred Operating Partnership units. Any shares not reserved may be issued from time to time in public or private offerings or in connection with acquisitions. In addition, common and preferred shares reserved may be sold upon issuance in the public market after registration under the Securities Act or under Rule 144 under the Securities Act or other available exemptions from registration. We cannot predict the effect that future sales of our common and preferred shares or Operating Partnership Class A and preferred units will have on the market prices of our outstanding shares.

Increased market interest rates may hurt the value of our common and preferred shares.

We believe that investors consider the distribution rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common and preferred shares to decline.

Item 1b. unresolved staff comments

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

Item 2. Properties

We operate in five business segments: New York Office Properties, Washington, DC Office Properties, Retail Properties, Merchandise Mart Properties and Toys “R” Us. The following pages provide details of our real estate properties.

ITEM 2. PROPERTIES - Continued

Property	Ownership %	Occupancy %	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
NEW YORK OFFICE: New York City: Penn Plaza: One Penn Plaza (ground leased through 2098)	100.0 %	96.2 %	\$ 54.61	2,461,000	-	-	\$ -	BMG Columbia House, Buck Consultants, Cisco, Kmart, MWB Leasing, Parsons Brinkerhoff, United Health Care, United States Customs Department, URS Corporation Group Consulting
Two Penn Plaza	100.0 %	99.1 %	47.25	1,588,000	-	-	277,347	LMW Associates EMC, Forest Electric, IBI, Madison Square Garden, McGraw-Hill Co. Inc.
Eleven Penn Plaza	100.0 %	94.2 %	51.47	1,068,000	-	-	199,320	Macy's, Madison Square Garden, Rainbow Media Holdings
100 West 33rd Street	100.0 %	93.7 %	46.29	847,000	-	-	159,361	Bank of America Draft FCB
	100.0 %	99.2 %	34.53	635,000	-	-	-	

Financing Activities

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330 West
34th Street

(ground
leased
through
2148)

City of New
York, Interieurs
Inc.,

The Bank of New
York

Total Penn
Plaza

96.6 %

49.33

6,599,000

-

-

636,028

East Side:

909 Third
Avenue

100.0 %

92.5 %

57.26 ⁽²⁾ 1,327,000

-

-

207,045

(ground
leased
through
2063)

J.P. Morgan
Securities Inc.,
Citibank, Forest
Laboratories,
Geller &
Company,
Morrison Cohen
LLP, Robeco
USA Inc.,
United States Pos
Office,
The Procter &
Gamble
Distributing LLC

150 East
58th Street

100.0 %

94.2 %

60.35

536,000

-

-

-

Castle Harlan,
Tournesol Realty
LLC (Peter
Marino),
Various
showroom tenant

Total East
Side

92.9 %

58.15

1,863,000

-

-

207,045

**West
Side:**

888
Seventh
Avenue

100.0 %

95.6 %

78.13

858,000

-

-

318,554

(ground
leased
through
2067)

Kaplan
Management
LLC, New Line
Realty,
Soros Fund,
TPG-Axon
Capital,
Vornado
Executive

Financing Activities

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									Headquarters
1740 Broadway	100.0 %	99.3 %	60.21	596,000	-	-	-	-	Davis & Gilbert, Limited Brands, Dept. of Taxation of the State of N.Y.
57th Street	50.0 %	91.5 %	44.65	188,000	-	-	22,922		Various
825 Seventh Avenue	50.0 %	100.0 %	45.44	165,000	-	-	20,565		Young & Rubicam
Total West Side		96.8 %	65.75	1,807,000	-	-	362,041		
Park Avenue:									
350 Park Avenue	100.0 %	92.5 %	75.30	555,000	-	-	430,000		Tweedy Browne Company, MFA Financial Inc., M&T Bank, Ziff Brothers Investment Inc., Kissinger Associates, Inc.
Grand Central:									
90 Park Avenue	100.0 %	97.4 %	59.41	906,000	-	-	-		Alston & Bird, Amster, Rothstein & Ebenstein, Capital One N.A. First Manhattan Consulting, Sanofi-Synthelab Inc., STWB Inc.
330 Madison Avenue	25.0 %	100.0 %	54.09	802,000	-	181,000	150,000		Acordia Northeast Inc., Artio Global Management, Dean Witter Reynolds Inc., HSBC Bank AFS
Total Grand Central		98.6 %	56.91	1,708,000	-	181,000	150,000		

Financing Activities

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ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
NEW YORK OFFICE (Continued): Madison/Fifth:								
640 Fifth Avenue	100.0 %	97.1 %	\$ 75.76	323,000	-	-	\$ -	ROC Capital Management LP, Citibank N.A., Fidelity Investments, Hennes & Mauritz, Janus Capital Group Inc., GSL Enterprises Inc., Scout Capital Management, Legg Mason Investment Counsel
595 Madison Avenue	100.0 %	88.9 %	64.76	319,000	-	-	-	Beauvais Carpets, Coach, Levin Capital Strategies LP, Prada, Cosmetech Mably Int'l LLC.
689 Fifth Avenue	100.0 %	94.1 %	69.81	89,000	-	-	-	Elizabeth Arden, Red Door Salons,

								Zara, Yamaha Artist Services Inc.
Total Madison/Fifth		93.2 %	70.24	731,000	-	-	-	
United Nations:								
866 United Nations Plaza	100.0 %	94.7 %	54.36	358,000	-	-	44,978	Fross Zelnick, Mission of Japan, The United Nations, Mission of Finland
Midtown South:								
770 Broadway	100.0 %	99.8 %	52.14	1,071,000	-	-	353,000	AOL, J. Crew, Kmart, Structure Tone Nielsen Company (US Inc.
Rockefeller Center:								
1290 Avenue of the Americas	70.0 %	94.2 %	60.03	2,061,000	-	-	424,136	AXA Equitabl Life Insurance Bank of New York Mellon, Broadpoint Gleacher Securities Group, Bryan Cave LLP, Microsoft Corporation, Morrison & Foerster LLP, Warner Music Group, Cushman & Wakefield, Fitzpatrick, Cella, Harper & Scinto
Downtown:								
20 Broad Street	100.0 %	97.6 %	52.15	472,000	-	-	-	

Financing Activities

								New York Stock Exchange
(ground leased through 2081)								
40 Fulton Street	100.0 %	76.4 %	34.25	249,000	-	-	-	Graphnet Inc., Market News International Inc., Sapien Corp.
40-42 Thompson Street	100.0 %	100.0 %	46.81	29,000	-	-	-	Crown Management
Total Downtown		90.7 %	46.00	750,000	-	-	-	
Total New York City		95.8 %	55.52	17,503,000	-	181,000	2,607,228	
New Jersey								
Paramus	100.0 %	87.1 %	20.28	132,000	-	-	-	Vornado's Administrative Headquarters
Total New York City Office		95.7 %	\$ 55.51	17,635,000	-	181,000	\$ 2,607,228	
Vornado's Ownership Interest		95.6 %	\$ 55.45	16,239,000	-	45,000	\$ 2,347,771	

(1) Annualized Rent PSF excludes retail rent in office buildings, ground rent, storage rent and garages.

(2) Excludes US Post Office leased through 2038 (including five five-year renewal options for which the annual escalated rent is \$11.12 PSF).

ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
WASHINGTON, DC OFFICE: Crystal City: 2011-2451 Crystal Drive - 5 buildings	100.0 %	98.9 %	\$ 40.29	2,298,000	-	-	\$ 127,720	General Services Administration, Lockheed Martin, Conservation International, Boeing, Smithsonian Institution, Natl. Consumer Coop. Bank, Archstone Trust, Council on Foundations, Vornado / Charles E. Smith Headquarters, KBR, General Dynamics, Scitor Corp., Food Marketing Institute
S. Clark Street / 12th Street - 5 buildings	100.0 %	96.6 %	40.06	1,510,000	-	-	145,389	General Services Administration, SAIC, Inc., Boeing, L-3 Communications, The Int'l Justice Mission
1550-1750 Crystal Drive / 241-251 18th Street	100.0 %	96.1 %	40.46	1,482,000	-	-	124,883	General Services Administration,

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- 4 buildings								Alion Science & Technologies, Booz Allen, SAIC, Inc., Arete Associates, L-3 Communications, Battelle Memorial Institute
1800, 1851 and 1901 South Bell Street - 3 buildings	100.0 %	97.2 %	35.34	868,000	-	-	10,099	General Services Administration, Lockheed Martin
2100 / 2200 Crystal Drive - 2 buildings	100.0 %	100.0 %	31.82	529,000	-	-	-	General Services Administration, Public Broadcasting Service
223 23rd Street / 2221 South Clark Street - 2 buildings	100.0 %	51.7 %	39.01	309,000	-	147,000	-	General Services Administration
2001 Jefferson Davis Highway	100.0 %	77.4 %	36.21	162,000	-	-	-	National Crime Prevention, Institute for Psychology, Qinetiq North America
Crystal City Shops at 2100	100.0 %	58.9 %	33.29	81,000	-	-	-	Various
Crystal Drive Retail	100.0 %	88.5 %	44.46	57,000	-	-	-	Various
Total Crystal City	100.0 %	95.6 %	38.89	7,296,000	-	147,000	408,091	
Central Business District:								
Universal Buildings	100.0 %	94.9 %	45.13	615,000	-	-	103,049	Academy for Educational Development

Financing Activities

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1825-1875 Connecticut Avenue, NW - 2 buildings								
Warner Building - 1299 Pennsylvania Avenue, NW	55.0 %	99.0 %	67.68	604,000	-	-	292,700	Howrey LLP, Baker Botts, LLP, General Electric
409 3rd Street, NW	100.0 %	97.3 %	39.39	403,000	-	-	-	General Services Administration
2101 L Street, NW	100.0 %	91.0 %	57.12	380,000	-	-	150,000	Greenberg Traurig, LLP, US Green Building Council, American Insurance Association, RTKL Associates, Cassidy & Turley
1750 Pennsylvania Avenue, NW	100.0 %	97.0 %	46.16	257,000	-	-	45,132	General Services Administration, PA Consulting Group Holdings
1150 17th Street, NW	100.0 %	87.1 %	45.71	233,000	-	-	28,728	American Enterprise Institute
Bowen Building - 875 15th Street, NW	100.0 %	100.0 %	65.99	231,000	-	-	115,022	Paul, Hastings, Janofsky & Walker LLP, Millennium Challenge Corporation
1101 17th Street, NW	55.0 %	94.9 %	44.95	213,000	-	-	-	AFSME
1730 M Street, NW	100.0 %	88.9 %	43.05	203,000	-	-	14,853	General Services Administration

ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
WASHINGTON, DC OFFICE (Continued):								
1726 M Street, NW	100.0 %	75.3 %	\$ 39.32	90,000	-	-	\$ -	Aptima, Inc. Nelnet Corporation
Kaempfer Interests:								
401 M Street, SW	2.5 %	100.0 %	46.85	2,100,000	-	1,471,000	217,106	District of Columbia
1501 K Street, NW	5.0 %	98.2 %	57.93	379,000	-	-	100,250	Sidley Aus LLP, UBS
1399 New York Avenue, NW	2.5 %	94.8 %	88.31	123,000	-	-	39,087	Bloomberg
Total Central Business District		95.6 %	52.73	5,831,000	-	1,471,000	1,105,927	
I-395 Corridor:								
Skyline Place - 7 buildings	100.0 %	92.2 %	33.21	2,117,000	-	-	543,300	General Se Administra SAIC, Inc., Northrop Grumman, Resource Managemen Booz Allen Corporation Intellidyne.
One Skyline Tower	100.0 %	100.0 %	32.73	518,000	-	-	134,700	General Se Administra

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Total I-395 Corridor	100.0 %	93.7 %	33.11	2,635,000	-	-	678,000	
Rosslyn / Ballston:								
2200 / 2300 Clarendon Blvd (Courthouse Plaza) - 2 buildings	100.0 %	94.9 %	39.31	631,000	-	-	59,278	Arlington C General Se Administra AMC Thea
Rosslyn Plaza - Office - 4 buildings	46.0 %	86.2 %	32.72	725,000	-	-	56,680	General Se Administra
Total Rosslyn / Ballston		91.9 %	35.88	1,356,000	-	-	115,958	
Reston:								
Reston Executive - 3 buildings	100.0 %	75.1 %	31.71	493,000	-	-	93,000	SAIC, Inc., Quadramed
Commerce Executive - 3 buildings	100.0 %	98.3 %	28.96	397,000	-	-	-	L-3 Communic SAIC, Inc., BT North America
Total Reston		85.4 %	30.31	890,000	-	-	93,000	
Rockville/Bethesda:								
Democracy Plaza One	100.0 %	87.2 %	41.38	214,000	-	-	-	National In of Health
Tysons Corner:								
Fairfax Square - 3 buildings	20.0 %	85.4 %	37.39	523,000	-	-	71,764	EDS Inform Services, D Company, Womble C
Total Tysons Corner		85.4 %	37.39	523,000	-	-	71,764	
Pentagon City:								
Fashion Centre Mall	7.5 %	98.4 %	38.25	818,000	-	-	146,453	Macy's, Nordstrom
Washington Tower	7.5 %	100.0 %	45.80	170,000	-	-	40,000	The Rand Corporatio
Total Pentagon City		98.7 %	39.56	988,000	-	-	186,453	
Total Washington, DC office properties		94.2 %	\$ 40.68	19,733,000	-	1,618,000	\$ 2,659,193	

Financing Activities

Vornado's Ownership Interest	94.0 %	\$ 39.43	15,115,000	-	184,000	\$ 1,921,965
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ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
WASHINGTON, DC OFFICE (Continued): Other: For rent residential:								
Riverhouse (1,680 units)	100.0 %	95.2 %	\$ -	1,802,000	-	-	\$ 259,546	
West End 25 (283 units)	100.0 %	95.7 %	-	272,000	-	-	95,220	
220 20th Street (265 units)	100.0 %	96.0 %	-	272,000	-	-	83,573	
Rosslyn Plaza (196 units)	43.7 %	99.1 %	-	253,000	-	-	-	
Crystal City Hotel	100.0 %	100.0 %	-	266,000	-	-	-	
Warehouses	100.0 %	100.0 %	-	160,000	-	-	-	
Other - 3 buildings	100.0 %	100.0 %	-	11,000	-	2,000	-	
Total Other				3,036,000	-	2,000	438,339	
Total Washington, DC Properties		94.5 %	\$ 40.68	22,769,000	⁽²⁾ -	1,620,000	\$ 3,097,532	
Vornado's Ownership Interest		94.3 %	\$ 39.42	18,009,000	-	186,000	\$ 2,360,304	

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

(2) Excludes 24,000 square feet representing our 7.5% pro rata share of the Ritz Carlton building which is owned by the ground lessee on land leased by us.

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrances (in thousands)	Major Tenants
					In Service Owned by Company	Owned By Tenant			
RETAIL: STRIP SHOPPING CENTERS: New Jersey: Wayne Town Center, Wayne (ground leased through 2064)	100.0 %	100.0 %	\$ 0.41	717,000	-	227,000	490,000	\$ -	J.C. Penney
North Bergen (Tonnelles Avenue)	100.0 %	100.0 %	23.72	410,000	185,000	206,000	19,000	-	Wal-Mart, BJ's Wholesale Club
Totowa	100.0 %	100.0 %	18.59	317,000	178,000	139,000	-	26,171	(2) The Home Depot, Bath & Beyond, Marshalls
Garfield	100.0 %	100.0 %	25.54	302,000	20,000	145,000	137,000	-	Wal-Mart
Bricktown	100.0 %	98.7 %	17.03	279,000	276,000	3,000	-	33,755	(2) Kohl's, ShopRite, Marshalls
Union (Route 22 and Morris Avenue)	100.0 %	100.0 %	25.87	276,000	113,000	163,000	-	34,160	(2) Lowe's, "R" Us
Hackensack	100.0 %	95.9 %	21.16	275,000	209,000	66,000	-	42,845	(2) The Home Depot, Pathmark

Financing Activities

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Bergen Town Center - East, Paramus	100.0 %	-	-	272,000	-	-	272,000	-	Lowe's (under development by tenants)
East Hanover (240 Route 10 West)	100.0 %	98.6 %	17.91	268,000	262,000	6,000	-	30,107	(2) The Home Depot, Sporting Goods, Marshalls
Cherry Hill	100.0 %	97.5 %	15.79	263,000	51,000	212,000	-	14,649	(2) Wal-Mart Toys "R Us"
Jersey City	100.0 %	100.0 %	21.05	236,000	66,000	170,000	-	21,423	(2) Lowe's Richardson Son
East Brunswick (325 - 333 Route 18 South)	100.0 %	100.0 %	15.95	232,000	222,000	10,000	-	26,287	(2) Kohl's, Dick's Sporting Goods, Richardson, T.J. Max
Union (2445 Springfield Avenue)	100.0 %	100.0 %	17.85	232,000	232,000	-	-	30,108	(2) The Home Depot
Middletown	100.0 %	83.1 %	14.47	231,000	179,000	52,000	-	18,354	(2) Kohl's, & Shop
Woodbridge	100.0 %	100.0 %	18.30	227,000	87,000	140,000	-	21,828	(2) Wal-Mart Syms
North Plainfield (ground leased through 2060)	100.0 %	57.3 %	6.93	219,000	219,000	-	-	-	Kmart
Marlton	100.0 %	100.0 %	12.32	211,000	207,000	4,000	-	18,239	(2) Kohl's ShopRite PetSmart
Manalapan	100.0 %	97.8 %	15.30	208,000	206,000	2,000	-	22,234	(2) Best Buy Bed Bath Beyond

Financing Activities

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East Rutherford	100.0 %	97.9 %	31.36	197,000	42,000	155,000	-	14,359	(2)	Babies Us Lowe's
East Brunswick (339-341 Route 18 South)	100.0 %	100.0 %	-	196,000	33,000	163,000	-	12,449	(2)	Lowe's Fitness not comme
Bordentown	100.0 %	90.9 %	7.17	179,000	179,000	-	-	-		ShopRi
Morris Plains	100.0 %	100.0 %	19.50	177,000	176,000	1,000	-	22,581	(2)	Kohl's, ShopRi
Dover	100.0 %	93.9 %	11.25	173,000	167,000	6,000	-	13,896	(2)	ShopRi T.J. Ma
Delran	100.0 %	76.6 %	4.25	171,000	168,000	3,000	-	-		Sam's C
Lodi (Route 17 North)	100.0 %	100.0 %	10.60	171,000	171,000	-	-	11,985	(2)	Nationa Wholes Liquidat
Watchung	100.0 %	97.3 %	23.19	170,000	54,000	116,000	-	15,923	(2)	BJ's Wholes Club
Lawnside	100.0 %	100.0 %	12.82	145,000	142,000	3,000	-	11,291	(2)	The Ho Depot, PetSma
Hazlet	100.0 %	100.0 %	2.44	123,000	123,000	-	-	-		Stop &

ITEM 2. PROPERTIES - Continued

Property	%	%	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrances (in thousands)
					In Service Owned by Company	Owned By Tenant		
RETAIL (Continued):								
Kearny	100.0 %	100.0 %	\$ 14.24	104,000	32,000	72,000	-	\$ -
Turnersville	100.0 %	100.0 %	6.25	96,000	89,000	7,000	-	-
Lodi (Washington Street)	100.0 %	47.8 %	23.31	85,000	85,000	-	-	9,881
Carlstadt (ground leased through 2050)	100.0 %	90.7 %	22.22	78,000	78,000	-	-	7,442
East Hanover (200 Route 10 West)	100.0 %	86.9 %	22.57	76,000	76,000	-	-	10,306
North Bergen (Kennedy Boulevard)	100.0 %	100.0 %	29.78	62,000	6,000	56,000	-	5,385
South Plainfield (ground leased through 2039)	100.0 %	100.0 %	21.14	56,000	56,000	-	-	5,414
Englewood	100.0 %	100.0 %	30.73	41,000	41,000	-	-	12,222
Eatontown	100.0 %	100.0 %	26.14	30,000	30,000	-	-	-

Financing Activities

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(ground
leased
through 2056)

Albany (Menands)	100.0 %	74.0 %	9.00	140,000	140,000	-	-	-
New Hyde Park (ground and building leased through 2029)	100.0 %	100.0 %	18.73	101,000	101,000	-	-	-
North Syracuse (ground and building leased through 2014)	100.0 %	100.0 %	-	98,000	-	98,000	-	-
Inwood	100.0 %	97.8 %	20.65	96,000	96,000	-	-	-
Bronx (1750-1780 Gun Hill Road)	100.0 %	52.6 %	43.23	83,000	83,000	-	-	-

ITEM 2. PROPERTIES - Continued

Property	%	%	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrances (in thousands)
					In Service Owned by Company	Owned By Tenant		
RETAIL (Continued):								
West Babylon	100.0 %	85.7 %	\$ 11.82	79,000	79,000	-	-	\$ -
Queens	100.0 %	100.0 %	36.26	56,000	56,000	-	-	-
Commack (ground and building leased through 2021)	100.0 %	100.0 %	20.11	47,000	47,000	-	-	-
Dewitt (ground leased through 2041)	100.0 %	100.0 %	18.60	46,000	46,000	-	-	-
Freeport (240 West Sunrise Highway) (ground and building leased through 2040)	100.0 %	100.0 %	18.44	44,000	44,000	-	-	-
Oceanside	100.0 %	100.0 %	27.83	16,000	16,000	-	-	-
Total New York				3,222,000	2,616,000	606,000	-	91,597
Pennsylvania:								
Allentown	100.0 %	99.6 %	15.10	627,000	270,000	357,000	-	31,670 ⁽²⁾

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Philadelphia	100.0 %	78.1 %	12.52	430,000	430,000	-	-	-
Wilkes-Barre					(4)	(4)		
	100.0 %	83.3 %	13.26	329,000	204,000	125,000	-	20,727
Lancaster								(2)
	100.0 %	100.0 %	4.52	228,000	58,000	170,000	-	5,703
Bensalem								(2)
	100.0 %	98.9 %	11.15	185,000	177,000	8,000	-	15,720
Broomall								(2)
	100.0 %	100.0 %	10.73	169,000	147,000	22,000	-	11,291
Bethlehem								(2)
	100.0 %	87.1 %	5.82	167,000	164,000	3,000	-	5,906
Upper Moreland								
	100.0 %	100.0 %	2.00	122,000	122,000	-	-	-
York								(2)
	100.0 %	100.0 %	8.16	110,000	110,000	-	-	5,501
Levittown								
	100.0 %	100.0 %	6.25	105,000	105,000	-	-	-
Glenolden								(2)
	100.0 %	93.5 %	26.00	102,000	10,000	92,000	-	7,238
Wilkes-Barre (ground and building leased through 2040)								
	100.0 %	50.1 %	6.53	81,000	81,000	-	-	-

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Wyomissing (ground and building leased through 2065)	100.0 %	89.0 %	14.47	79,000	79,000	-	-	-
Springfield (ground and building leased through 2025)	100.0 %	100.0 %	19.00	41,000	41,000	-	-	-
Total Pennsylvania				2,775,000	1,998,000	777,000	-	103,756
California:								
San Jose				(4)		(4)		
	100.0 %	93.1 %	29.24	649,000	486,000	163,000	-	120,863
Beverly Connection, Los Angeles	100.0 %	75.3 %	36.17	306,000	306,000	-	-	100,000
Pasadena (ground leased through 2077)	100.0 %	62.1 %	30.45	133,000	133,000	-	-	-

ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrances (in thousands)
					In Service Owned by Company	Owned By Tenant		
RETAIL (Continued): San Francisco (2675 Geary Street) (ground and building leased through 2043)	100.0 %	100.0 %	\$ 45.76	55,000	55,000	-	-	\$ -
Redding	100.0 %	100.0 %	10.53	45,000	45,000	-	-	-
Signal Hill	100.0 %	100.0 %	21.89	45,000	45,000	-	-	-
Vallejo (ground leased through 2043)	100.0 %	100.0 %	15.92	45,000	45,000	-	-	-
Merced	100.0 %	100.0 %	13.27	31,000	31,000	-	-	-
San Francisco (3700 Geary Boulevard)	100.0 %	100.0 %	30.00	30,000	30,000	-	-	-
Walnut Creek (1149 South Main Street)	100.0 %	100.0 %	45.11	29,000	29,000	-	-	-
Total California				1,368,000	1,205,000	163,000	-	220,863
Maryland:								
Baltimore (Towson)	100.0 %	86.0 %	15.33	150,000	150,000	-	-	16,502

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Annapolis (ground and building leased through 2042)	100.0 %	100.0 %	8.99	128,000	128,000	-	-	-	
Glen Burnie	100.0 %	78.5 %	10.42	121,000	65,000	56,000	-	-	
Rockville	100.0 %	99.3 %	23.39	94,000	94,000	-	-	-	
Wheaton (ground leased through 2060)	100.0 %	100.0 %	13.58	66,000	66,000	-	-	-	
Total Maryland				559,000	503,000	56,000	-	16,502	
Massachusetts:									
Chicopee	100.0 %	100.0 %	-	224,000	-	224,000	-	8,772 ⁽²⁾	
Springfield	100.0 %	97.3 %	15.09	152,000	33,000	119,000	-	6,051 ⁽²⁾	
Milford (ground and building leased through 2019)	100.0 %	100.0 %	8.01	83,000	83,000	-	-	-	
Cambridge (ground and building leased through 2033)	100.0 %	100.0 %	19.84	48,000	48,000	-	-	-	
Dorchester	100.0 %	100.0 %	29.85	45,000	45,000	-	-	-	
Total Massachusetts				552,000	209,000	343,000	-	14,823	
Florida:									
Tampa (Hyde Park Village)	75.0 %	79.2 %	20.52	262,000	262,000	-	-	21,862	

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Tampa (1702 North Dale Mabry)	100.0 %	100.0 %	19.80	45,000	45,000	-	-	-
Miami (ground and building leased through 2034)	100.0 %	100.0 %	13.17	33,000	33,000	-	-	-
Total Florida				340,000	340,000	-	-	21,862

ITEM 2. PROPERTIES - Continued

	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrances (in thousands)	Major Tenants
					In Service Owned by Company	Owned By Tenant			
Connecticut:									
Newington	100.0 %	100.0 %	\$ 14.45	188,000	43,000	145,000	-	\$ 11,870 ⁽²⁾	Wal-Mart, Staples
Waterbury	100.0 %	100.0 %	14.99	148,000	143,000	5,000	-	14,765 ⁽²⁾	ShopRite
Total Connecticut				336,000	186,000	150,000	-	26,635	
Michigan:									
Roseville	100.0 %	100.0 %	5.31	119,000	119,000	-	-	-	J.C. Penney
Battle Creek	100.0 %	-	-	47,000	47,000	-	-	-	
Midland (ground leased through 2043)	100.0 %	83.6 %	8.38	31,000	31,000	-	-	-	PetSmart
Total Michigan				197,000	197,000	-	-	-	
Virginia:									
Norfolk (ground and building leased through 2069)	100.0 %	100.0 %	6.44	114,000	114,000	-	-	-	BJ's Wholesale Club
Tyson's Corner	100.0 %	100.0 %	35.57	38,000	38,000	-	-	-	Best Buy

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(ground and building leased through 2035)

Total Virginia 152,000 152,000 - - -

Illinois:

Lansing 100.0 % 100.0 % 10.00 47,000 47,000 - - - Formal

Arlington Heights 100.0 % 100.0 % 9.00 46,000 46,000 - - - RVI

(ground and building leased through 2043)

Chicago 100.0 % 100.0 % 10.94 41,000 41,000 - - - Best B
(ground and building leased through 2051)

Total Illinois 134,000 134,000 - - -

Texas:

San Antonio 100.0 % 100.0 % 9.06 43,000 43,000 - - - Best B
(ground and building leased through 2041)

Texarkana (ground leased through 2043) 100.0 % 100.0 % 4.39 31,000 31,000 - - - Home

Total Texas 74,000 74,000 - - -

Ohio:

Springdale 100.0 % - - 47,000 47,000 - - -
(ground and building leased through 2046)

Washington:

Bellingham 100.0 % 100.0 % - 46,000 46,000 - - - Savers not comm

Utah:

Ogden	100.0 %	-	-	46,000	46,000	-	-	-
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Tennessee:

Antioch	100.0 %	100.0 %	6.96	45,000	45,000	-	-	-	Best B
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South

Carolina:

Charleston (ground leased through 2063)	100.0 %	100.0 %	13.51	45,000	45,000	-	-	-	Best B
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ITEM 2. PROPERTIES - Continued

	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encu tho
					Owned by Company	Owned By Tenant		
Property RETAIL (Continued):								
Wisconsin:								
Fond Du Lac (ground leased through 2073)	100.0 %	100.0 %	\$ 7.12	43,000	43,000	-	-	\$
Washington, DC								
3040 M Street	100.0 %	100.0 %	46.36	42,000	42,000	-	-	
New Hampshire:								
Salem (ground leased through 2102)	100.0 %	100.0 %	-	37,000	-	37,000	-	
Kentucky:								
Owensboro (ground and building leased through 2046)	100.0 %	100.0 %	6.96	32,000	32,000	-	-	
Iowa:								
Dubuque (ground leased through 2043)	100.0 %	100.0 %	9.00	31,000	31,000	-	-	
CALIFORNIA SUPERMARKETS								
Colton (1904 North Rancho Avenue)	100.0 %	100.0 %	4.44	73,000	73,000	-	-	
Riverside (9155 Jurupa Road)	100.0 %	100.0 %	6.00	42,000	42,000	-	-	
	100.0 %	100.0 %	7.23	40,000	40,000	-	-	

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San Bernadino (1522 East Highland Avenue)									
Riverside (5571 Mission Boulevard)	100.0 %	100.0 %	4.97	39,000	39,000	-	-		
Mojave (ground leased through 2079)	100.0 %	100.0 %	6.55	34,000	34,000	-	-		
Corona (ground leased through 2079)	100.0 %	100.0 %	7.76	33,000	33,000	-	-		
Yucaipa	100.0 %	100.0 %	4.13	31,000	31,000	-	-		
Barstow	100.0 %	100.0 %	7.15	30,000	30,000	-	-		
Moreno Valley	100.0 %	-	-	30,000	30,000	-	-		
San Bernadino (648 West 4th Street)	100.0 %	100.0 %	6.74	30,000	30,000	-	-		
Desert Hot Springs	100.0 %	100.0 %	5.61	29,000	29,000	-	-		
Rialto	100.0 %	100.0 %	5.74	29,000	29,000	-	-		
Total California Supermarkets				440,000	440,000	-	-		
Total Strip Shopping Centers		92.1 %	\$ 15.71	18,112,000	12,935,000	4,259,000	918,000	\$ 9	
Vornado's Ownership Interest		92.1 %	\$ 15.68	17,784,000	12,870,000	3,996,000	918,000	\$ 9	

REGIONAL MALLS:

Green Acres Mall, Valley Stream, NY			(5)						
(10% ground and building leased)	100.0 %	91.2 %	\$ 45.15	1,827,000	1,748,000	79,000	-	\$ 3	

through 2039)

Monmouth Mall,
Eatontown, NJ

			(5)	(4)	(4)		
50.0 %	87.1 %	36.84	1,461,000	742,000	719,000	-	1

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrance (in thousands)
					Owned by Company	Owned By Tenant		
RETAIL (Continued): Springfield Mall, Springfield, VA	97.5 %	100.0 %	\$ 24.09 (5)	1,408,000 (4)	532,000	390,000 (4)	486,000	\$
Broadway Mall, Hicksville, NY	100.0 %	87.5 %	34.18 (5)	1,142,000 (4)	766,000	376,000 (4)	-	90,200
Bergen Town Center - West, Paramus, NJ	100.0 %	99.0 %	45.52 (5)	930,000	853,000	13,000	64,000	279,000
Montehiedra, Puerto Rico	100.0 %	91.9 %	41.16 (5)	540,000	540,000	-	-	120,000
	100.0 %	89.1 %	55.74 (5)	495,000 (4)	356,000	139,000 (4)	-	57,700

Financing Activities

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Las Catalinas,
Puerto Rico

**Total Regional
Malls**

91.9 % \$ 39.37 7,803,000 5,537,000 1,716,000 550,000 \$ 1,046,4

**Vornado's
Ownership
Interest**

92.2 % \$ 39.73 6,018,000 5,153,000 327,000 538,000 \$ 964,2

**MANHATTAN
STREET
RETAIL**

Manhattan Mall

100.0 % 97.5 % \$ 85.90 243,000 243,000 - - \$ 72,6

4 Union Square
South

100.0 % 100.0 % 55.07 203,000 203,000 - - 75,00

1540 Broadway

100.0 % 100.0 % 115.03 160,000 160,000 - -

478-486
Broadway

100.0 % 100.0 % 98.57 85,000 85,000 - -

25 West 14th
Street

100.0 % 100.0 % 58.67 62,000 62,000 - -

510 5th Avenue

100.0 % 66.0 % 53.00 59,000 59,000 - - 32,1

155 Spring
Street

100.0 % 100.0 % 88.92 46,000 46,000 - -

435 Seventh
Avenue

100.0 % 100.0 % 165.32 43,000 43,000 - - 51,8

Financing Activities

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692 Broadway	100.0 %	43.3 %	43.33	35,000	35,000	-	-	
1135 Third Avenue	100.0 %	100.0 %	98.43	25,000	25,000	-	-	
715 Lexington (ground leased through 2041)	100.0 %	100.0 %	155.56	23,000	23,000	-	-	
7 West 34th Street	100.0 %	100.0 %	197.53	21,000	21,000	-	-	
828-850 Madison Avenue	100.0 %	100.0 %	332.12	18,000	18,000	-	-	80,000
484 Eighth Avenue	100.0 %	100.0 %	87.27	14,000	14,000	-	-	
40 East 66th Street	100.0 %	100.0 %	387.85	12,000	12,000	-	-	
431 Seventh Avenue	100.0 %	75.0 %	49.38	10,000	10,000	-	-	
387 West Broadway	100.0 %	100.0 %	135.54	9,000	9,000	-	-	
677-679 Madison Avenue	100.0 %	100.0 %	346.23	8,000	8,000	-	-	
148 Spring Street	100.0 %	100.0 %	87.17	7,000	7,000	-	-	

ITEM 2. PROPERTIES - Continued

	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrance (in thousands)
					In Service Owned by Company	Owned By Tenant		
Property RETAIL (Continued):								
150 Spring Street	100.0 %	100.0 %	\$ 113.30	7,000	7,000	-	-	\$ -
488 8th Avenue	100.0 %	100.0 %	60.85	6,000	6,000	-	-	-
968 Third Avenue	50.0 %	100.0 %	175.81	6,000	6,000	-	-	-
386 West Broadway	100.0 %	-	-	4,000	4,000	-	-	4,197
825 Seventh Avenue	100.0 %	100.0 %	181.55	4,000	4,000	-	-	-
Total Manhattan Street Retail		95.3 %	\$ 100.18	1,110,000	1,110,000	-	-	\$ 315,869
Vornado's Ownership Interest		95.3 %	\$ 99.95	1,107,000	1,107,000	-	-	\$ 315,869
Total Retail Space		92.3 %		27,025,000	19,582,000	5,975,000	1,468,000	\$ 2,359,268
Vornado's Ownership Interest		92.3 %		24,909,000	19,130,000	4,323,000	1,456,000	\$ 2,271,566

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

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- (2) These encumbrances are cross-collateralized under a blanket mortgage in the amount of \$657,138 as of December 31, 2010.
- (3) The leases for these former Bradlees locations are guaranteed by Stop and Shop (70% as to Totowa).
- (4) Includes square footage of anchors who own the land and building.
- (5) Annualized Base Rent shown is for mall tenants only.

ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized		Total Property	Square Feet Owned By Tenant	Out of Service Under Development	Encumbrances (in thousands)	Major Tenants
			Rent PSF (1)	Total					
MERCHANDISE MART: Illinois:									
Merchandise Mart, Chicago	100.0 %	93.7 %	\$ 30.16	3,492,000	-	-	\$ 550,000	American Intercontinental University (AIU), Baker, Knapp & Tubbs, Royal Bank of Canada, CCC Information Services, Ogilvy Group (WPP), Chicago Teachers Union, Office of the Special Deputy Receiver, Publicis Groupe, Bankers Life & Casualty, Holly Hunt Ltd., Merchandise Mart Headquarters, Steelcase, Chicago School of Professional Psychology	
350 West Mart Center, Chicago	100.0 %	89.2 %	25.31	1,242,000	-	-	-	21st Century Telecom/RCN,	

								Ameritech, Chicago Sun-Times, Comcast, Fiserv Solutions, Ogilvy Group (WPP), Illinois Institute of Art, Ronin Capital, Upshot, Getco Holdings, TCS Education Systems
Other	50.0 %	93.9 %	33.77	19,000	-	-	24,530	
Total Illinois		92.5 %	28.99	4,753,000	-	-	574,530	
California								
L.A. Mart	100.0 %	87.9 %	21.30	784,000	-	-	-	Penstan Investments, County of L.A. - Dept of Children & Family Services
Massachusetts								
Boston Design Center (ground leased through 2060)	100.0 %	96.8 %	29.23	553,000	-	-	68,538	Boston Brewing/Fitch Puma, Robert Allen
New York 7 West 34th Street	100.0 %	94.6 %	39.03	419,000	-	-	-	Kurt Adler
Washington, DC								
Washington Design Center	100.0 %	93.1 %	37.68	393,000	-	-	43,447	General Services Administration
Total Merchandise Mart		92.5 %	\$29.33	6,902,000	-	-	\$ 686,515	
Vornado's Ownership Interest		92.5 %	\$29.33	6,893,000	-	-	\$ 674,250	

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

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ITEM 2. PROPERTIES - Continued

Property	% Ownership	% Occupancy	Annualized Rent PSF (1)	Total Property	Square Feet		Encumbrances (in thousands)	Major Tenants
					Owned By Tenant	Out of Service Under Development		
555 CALIFORNIA STREET:								
555 California Street	70.0 %	91.7 %	\$ 56.35	1,503,000	-	-	\$ 640,911	(2) Bank of America, N.A., Dodge & Cox, Goldman Sachs & Co., Jones Day, Kirkland & Ellis LLP, Morgan Stanley & Co. Inc., McKinsey & Company Inc., UBS Financial Services
315 Montgomery Street	70.0 %	100.0 %	40.97	228,000	-	-	-	Bank of America, N.A.
345 Montgomery Street	70.0 %	100.0 %	98.25	64,000	-	-	-	Bank of America, N.A.
		93.0 %	\$ 55.97	1,795,000	-	-	\$ 640,911	

**Total 555
California
Street**

**Vornado's
Ownership
Interest**

93.0 % \$ 55.97 1,257,000 - - \$ 448,169

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

(2) Cross-collateralized by 555 California Street and 315 and 345 Montgomery Street.

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ITEM 2. PROPERTIES - Continued

Property	Ownership	Occupancy	Annualized		Square Feet		Encumbrances (in thousands)	Major Tenants
			Rent PSF (1)	Total Property	Owned By Tenant	Out of Service Under Development		
WAREHOUSES: NEW JERSEY								
East Hanover - Five Buildings	100.0 %	62.6 %	\$ 5.61	942,000	-	-	\$ 24,358	Five Star Group Inc., Foremost Groups Inc., Fidelity Paper & Supply Inc., Givaudan Flavors Corp., Gardner Industries
Edison	100.0 %	-	-	272,000	-	-	-	
Total Warehouses		48.6 %	\$ 5.61	1,214,000	-	-	\$ 24,358	
Vornado's Ownership Interest		48.6 %	\$ 5.61	1,214,000	-	-	\$ 24,358	

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

ITEM 2. PROPERTIES - Continued

Property	Ownership %	Occupancy %	Annualized Rent PSF (1)	Total Property	Square Feet		Out of Service Under Development	Encumbrance (in thousands)
					In Service Owned by Company	Owned By Tenant		
ALEXANDER'S INC.:								
New York:								
731 Lexington Avenue, Manhattan Office	32.4 %	100.0 %	\$ 82.14	885,000	885,000	-	-	\$ 351,751
Retail								
	32.4 %	100.0 %	161.23	174,000	174,000	-	-	320,000
				1,059,000	1,059,000	-	-	671,751
Kings Plaza Regional Shopping Center, Brooklyn (24.3 acres)	32.4 %	93.6 %	41.86	1,096,000	757,000	339,000	(2)	151,214
Rego Park I, Queens (4.8 acres)	32.4 %	85.4 %	32.28	343,000	343,000	-	-	78,246

Rego Park II (adjacent to Rego Park I), Queens (6.6 acres) (89.4% of total square feet is in service)	32.4 %	100.0 %	38.01	615,000	550,000	-	65,000	277,200
Flushing, Queens ⁽³⁾ (1.0 acre)	32.4 %	100.0 %	14.99	167,000	167,000	-	-	-
New Jersey:								
Paramus, New Jersey (30.3 acres ground leased to IKEA through 2041)	32.4 %	100.0 %	-	-	-	-	-	68,000
Property to be Developed:								
Rego Park III (adjacent to Rego Park II), Queens, NY (3.4 acres)	32.4 %	-	-	-	-	-	-	-
Total Alexander's		96.5 %	\$ 57.97	3,280,000	2,876,000	339,000	65,000	\$ 1,246,411
Vornado's Ownership Interest		96.5 %	\$ 57.97	1,063,000	932,000	110,000	21,000	\$ 403,837

(1) Annualized Rent PSF excludes ground rent, storage rent and garages.

(2) Owned by Macy's, Inc.

(3) Leased by Alexander's through January 2037.

New York Office Properties

As of December 31, 2010, our portfolio consisted of 28 office properties in Manhattan aggregating 17.4 million square feet, of which we own 16.2 million square feet, which is comprised of 15.2 million square feet of office space, 821,000 square feet of retail space and 183,000 square feet of showroom space. In addition, we own 1,107,000 square feet of retail space in New York City that is not part of our office buildings and is included in our Retail Properties segment. The New York Office Properties segment also includes 6 garages totaling 368,000 square feet (1,739 spaces) which are managed by, or leased to, third parties. The garage space is excluded from the statistics provided in this section.

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent per Square Foot
2010	16,194,000	95.6 %	\$ 55.45
2009	16,173,000	95.5 %	55.00
2008	16,108,000	96.7 %	53.08
2007	15,994,000	97.6 %	49.34
2006	13,692,000	97.5 %	46.33

2010 New York Office Properties rental revenue by tenants' industry:

Industry	Percentage
Finance	16 %
Retail	15 %
Legal Services	9 %
Banking	7 %
Communications	5 %
Insurance	5 %
Technology	5 %
Publishing	4 %
Government	4 %
Real Estate	4 %
Advertising	3 %
Pharmaceutical	3 %
Not-for-Profit	2 %
Engineering	2 %

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Service Contractors	1 %
Health Services	1 %
Other	14 %
	100 %

New York Office Properties lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at 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 tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

NEW YORK OFFICE PROPERTIES – CONTINUED

Tenants accounting for 2% or more of 2010 New York Office Properties total revenues:

Tenant	Square Feet Leased	2010 Revenues	Percentage of New York Office Properties Revenues	Percentage of Total Company Revenues
Macy's, Inc.	537,000	\$ 29,166,000	2.6 %	1.0 %
McGraw-Hill Companies, Inc.	480,000	22,859,000	2.1 %	0.8 %
Limited Brands	368,000	22,219,000	2.0 %	0.8 %

2010 New York Office Properties Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
One Penn Plaza	346,000	\$ 48.31
90 Park Avenue	152,000	55.75
40 Fulton Street	123,000	31.84
866 United Nations Plaza	113,000	49.67
909 Third Avenue	80,000	47.69
Two Penn Plaza	69,000	47.54
595 Madison Ave	62,000	59.34
640 Fifth Avenue	49,000	53.03
Manhattan Mall	47,000	38.17
Eleven Penn Plaza	46,000	44.10
350 Park Avenue	45,000	103.77
150 East 58th Street	37,000	51.82
20 Broad Street	36,000	31.32

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57th Street	22,000	41.46
330 Madison Avenue	21,000	65.17
888 Seventh Avenue	16,000	61.09
1290 Avenue of Americas	9,000	50.00
689 Fifth Avenue	4,000	58.00
Total	1,277,000	49.81

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

In addition to the office space noted above, during 2010 we leased 23,000 square feet of retail space contained in office buildings at an average initial rent of \$111.19, a 42.6% increase over the prior escalated rent per square foot.

NEW YORK OFFICE PROPERTIES – CONTINUED

Lease expirations as of December 31, 2010, assuming none of the tenants exercise renewal options:

Office Space:	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York Office Properties	Annual Escalated	
Square Feet			Rent of Expiring Leases Total	Per Square Foot	
Office Space:					
Month to month	57	72,000	0.4 %	\$ 2,967,000	\$ 41.21
2011	93	1,047,000	6.3 %	57,452,000	54.87
2012	98	1,807,000	10.9 %	96,304,000	53.29
2013	72	940,000 ⁽¹⁾	5.6 %	47,646,000	50.69
2014	89	812,000	4.9 %	46,838,000	57.68
2015	104	2,120,000	12.7 %	121,246,000	57.19
2016	62	1,043,000	6.3 %	56,721,000	54.38
2017	41	894,000	5.4 %	50,585,000	56.58
2018	35	778,000	4.7 %	50,115,000	64.42
2019	31	649,000	3.9 %	38,404,000	59.17
2020	28	1,287,000	7.7 %	68,742,000	53.41
Retail Space: (contained in office buildings)					
Month to month	3	2,000	- %	\$ 205,000	\$ 102.50
2011	7	48,000	0.3 %	2,349,000	49.75
2012	6	23,000	0.1 %	4,507,000	195.96
2013	17	52,000	0.3 %	8,284,000	159.31
2014	10	77,000	0.5 %	19,335,000	251.10
2015	12	39,000	0.2 %	7,930,000	203.33
2016	4	319,000	1.9 %	17,950,000	56.27
2017	1	4,000	- %	412,000	103.00
2018	8	128,000	0.8 %	13,360,000	104.38
2019	7	33,000	0.2 %	8,344,000	252.85
2020	6	21,000	0.1 %	2,548,000	121.33

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including five 5-year renewal options) for which the annual escalated rent is \$11.12 per square foot.

Washington, DC Office Properties

As of December 31, 2010, our portfolio consisted of 82 properties aggregating 21.1 million square feet, of which we own 17.8 million square feet, which is comprised of 74 office buildings, 7 residential properties, a hotel property and 20.8 acres of undeveloped land. In addition, the Washington, DC Office Properties segment includes 57 garages totaling approximately 9.4 million square feet (31,419 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2010, 32% percent of the space in our Washington, DC Office Properties segment was leased to various agencies of the U.S. Government.

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent per Square Foot
2010	17,823,000	94.3 %	\$ 39.42
2009	17,646,000	93.3 %	38.37
2008	16,981,000	94.1 %	37.03
2007	16,715,000	94.0 %	34.47
2006	15,181,000	92.7 %	32.08

2010 Washington, DC Office Properties rental revenue by tenants' industry:

Industry	Percentage
U.S. Government	37 %
Government Contractors	24 %
Legal Services	7 %
Membership Organizations	6 %
Real Estate	3 %
Manufacturing	3 %
Computer and Data Processing	3 %
Business Services	2 %

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Television Broadcasting	1 %
Health Services	1 %
Communication	1 %
Education	1 %
Other	11 %
	100 %

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

WASHINGTON, DC OFFICE PROPERTIES – CONTINUED

Tenants accounting for 2% or more of Washington, DC Office Properties total revenues:

Tenant	Square Feet Leased	2010 Revenues	Percentage of Washington, DC Office Properties Revenues	Percentage of Total Company Revenues
U.S. Government	6,277,000	\$ 191,804,000	28.9 %	6.9 %
Howrey LLP	327,000	17,013,000	2.6 %	0.6 %
Academy for Educational Development	368,000	16,824,000	2.5 %	0.6 %
Boeing	378,000	15,978,000	2.4 %	0.6 %
SAIC, Inc.	433,000	14,711,000	2.2 %	0.5 %

2010 Washington, DC Office Properties Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
Skyline Place / One Skyline Tower	368,000	\$ 36.70
2011-2451 Crystal Drive	230,000	41.30
1550-1750 Crystal Drive / 241-251 18th Street	154,000	41.45
S. Clark Street / 12th Street	147,000	41.93
1800, 1851 and 1901 South Bell Street	135,000	37.73
Reston Executive	120,000	29.62
1750 Pennsylvania Avenue, NW	100,000	44.02
Commerce Executive	97,000	28.98
Partially Owned Entities	55,000	34.09
2001 Jefferson Davis Highway and 223 23rd Street / 2221 South Clark Street	55,000	36.01
Universal Buildings (1825-1875 Connecticut Avenue, NW)	44,000	43.93
1101 17th Street, NW	42,000	42.98
	38,000	40.24

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2200 / 2300 Clarendon Blvd (Courthouse Plaza)		
1150 17th Street, NW	29,000	43.06
1140 Connecticut Avenue, NW	25,000	42.20
1730 M Street, NW	22,000	42.18
1726 M Street, NW	19,000	39.68
409 3rd Steet, NW	8,000	39.32
1227 25th Street, NW	5,000	41.50
Democracy Plaza One	4,000	34.90
	1,697,000	38.41

(1) Most leases (excluding US Government leases) include periodic step-ups in rent which are not reflected in the initial rent per square foot leased.

WASHINGTON, DC OFFICE PROPERTIES – CONTINUED

Lease expirations as of December 31, 2010, assuming none of the tenants exercise renewal options:

Year Month to month	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, DC Office Properties Square Feet	Annual Escalated	
				Total	Rent of Expiring Leases Per Square Foot
	94	586,000	4.2 %	\$ 20,825,000	\$ 35.51
2011	317	1,918,000	13.6 %	69,924,000	36.45
2012	264	2,894,000	20.5 %	112,206,000	38.78
2013	168	929,000	6.6 %	35,997,000	38.75
2014	139	1,396,000	9.9 %	51,900,000	37.18
2015	130	1,417,000	10.1 %	54,178,000	38.24
2016	71	1,026,000	7.3 %	38,878,000	37.90
2017	45	392,000	2.8 %	13,988,000	35.71
2018	47	840,000	6.0 %	38,887,000	46.30
2019	43	1,029,000	7.3 %	40,503,000	39.35
2020	58	928,000	6.6 %	43,239,000	46.57

Base Realignment and Closure (“BRAC”)

The lease expiration table above includes 2,395,000 square feet occupied by the Department of Defense subject to the BRAC statute. Of this amount, 348,000 square feet at 1851 South Bell Street will be taken out of service for redevelopment and approximately 286,000 square feet is expected to be relet for approximately 10 years. The remaining space is scheduled to expire as follows:

Year	Annual Escalated Rent of Expiring Leases		Square Feet of Expiring Leases		
	Per Square Foot	Total	Crystal City	Skyline	Rosslyn

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2011	\$ 28.41	446,000	-	446,000	-
2012	39.96	821,000	653,000	158,000	10,000
2013	35.96	140,000	-	-	140,000
2014	32.82	329,000	128,000	201,000	-
2015	40.21	25,000	20,000	5,000	-
		1,761,000	801,000	810,000	150,000

RETAIL PROPERTIES

As of December 31, 2010, our portfolio consisted of 161 retail properties, of which 130 are strip shopping centers located primarily in the Northeast, Mid-Atlantic and California; 7 are regional malls located in New York, New Jersey, Virginia and San Juan, Puerto Rico; and 24 are retail properties located in Manhattan (“Manhattan Street Retail”). Our strip shopping centers and malls are generally located on major highways in mature, densely populated areas, and therefore attract consumers from a regional, rather than a neighborhood market place.

Strip Shopping Centers

Our strip shopping centers contain an aggregate of 17.2 million square feet, of which we own 16.9 million square feet. These properties are substantially (approximately 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price and location.

Regional Malls

The Green Acres Mall in Valley Stream, Long Island, New York contains 1.8 million square feet, and is anchored by Macy’s, Sears, Wal-Mart, Kohl’s, J.C. Penney, Best Buy and BJ’s Wholesale Club.

The Monmouth Mall in Eatontown, New Jersey, in which we own a 50% interest, contains 1.5 million square feet and is anchored by Macy’s, Lord & Taylor and J.C. Penney, two of which own their stores aggregating 457,000 square feet.

The Springfield Mall in Springfield, Virginia, contains 1.4 million square feet and is anchored by Macy’s, J.C. Penney and Target, two of which own their stores aggregating 390,000 square feet. We continue to evaluate plans to renovate and reposition the mall.

The Bergen Town Center in Paramus, New Jersey contains 930,000 square feet and is anchored by Century 21, Whole Foods and Target.

The Broadway Mall in Hicksville, Long Island, New York contains 1.1 million square feet and is anchored by Macy's, Ikea, National Amusements and Target, which owns its store containing 141,000 square feet.

The Montehiedra Mall in San Juan, Puerto Rico contains 540,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 495,000 square feet and is anchored by Kmart and Sears, which owns its 139,000 square foot store.

Manhattan Street Retail

Manhattan Street Retail is comprised of 24 properties containing 1.1 million square feet. In addition, we own 821,000 square feet of retail space in certain of our New York office buildings, which is part of our New York Office Properties segment. Our Manhattan Street Retail properties include (i) properties in the Penn Plaza district, such as the Manhattan Mall which contains 243,000 square feet, anchored by JC Penney; (ii) 4 Union Square which contains 203,000 square feet, anchored by Whole Foods Market, Filenes Basement and DSW; (iii) 1540 Broadway in Times Square which contains 160,000 square feet, anchored by Forever 21 and Disney, (iv) 510 Fifth Avenue which contains 59,000 square feet, anchored by Joe Fresh; and (v) properties on Madison Avenue and in So-Ho occupied by retailers including H&M, Top Shop, Madewell, GAP, Gucci, Chloe and Cartier.

RETAIL PROPERTIES – CONTINUED

Occupancy and average annual net rent per square foot:

As of December 31, 2010, the aggregate occupancy rate for the entire Retail Properties segment of 25.6 million square feet was 92.3%. Details of our ownership interest in the strip shopping centers, regional malls and Manhattan Street retail for the past five years are provided below.

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Net Rent per Square Foot
2010	16,866,000	92.1 %	\$ 15.68
2009	16,107,000	91.5 %	15.30
2008	15,755,000	91.9 %	14.52
2007	15,463,000	94.1 %	14.12
2006	12,933,000	92.9 %	13.48

Regional Malls:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Net Rent Per Square Foot	
			Mall Tenants	Mall and Anchor Tenants
2010	5,480,000	92.2 %	\$ 39.73	\$ 21.47
2009	5,439,000	91.1 %	39.56	20.67
2008	5,232,000	93.0 %	37.59	20.38
2007	5,528,000	96.1 %	34.94	19.11
2006	5,640,000	93.4 %	32.64	18.12

For the years ending December 31, 2010 and 2009, mall sales per square foot, including partially owned malls, were \$461.00 and \$466.00, respectively.

Manhattan Street Retail:

As of December	Rentable	Occupancy	Average Annual
31,	Square Feet	Rate	Net Rent per
			per Square Foot
2010	1,107,000	95.3 %	\$ 99.95
2009	1,007,000	95.3 %	96.37
2008	874,000	90.4 %	97.18
2007	943,000	86.8 %	89.86
2006	691,000	83.6 %	83.53

RETAIL PROPERTIES – CONTINUED

2010 Retail Properties rental revenue by type of retailer

Industry	Percentage
Discount Stores	14 %
Women's Apparel	11 %
Family Apparel	10 %
Supermarkets	9 %
Home Improvement	6 %
Restaurants	6 %
Department Stores	5 %
Home Entertainment and Electronics	5 %
Personal Services	4 %
Banking and Other	
Business Services	3 %
Home Furnishings	3 %
Jewelry	2 %
Membership Warehouse	
Clubs	2 %
Other	20 %
	100 %

Retail Properties lease terms generally range from five years or less in some instances for smaller tenants to as long as 25 years for major tenants. Leases generally provide for reimbursements of real estate taxes, insurance and common area maintenance charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), and percentage rents based on tenant sales volume. Percentage rents accounted for less than 1% of the Retail Properties total revenues during 2010.

Tenants accounting for 2% or more of 2010 Retail Properties total revenues:

Tenant	Square Feet Leased	2010 Revenues	Percentage of Retail Properties Revenues	Percentage of Total Company Revenues
The Home Depot, Inc	1,135,000	\$ 20,037,000	3.3 %	0.7 %
Wal-Mart/Sam's Club	1,754,000	19,640,000	3.2 %	0.7 %

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Forever 21	149,000	15,712,000	2.6 %	0.6 %
Best Buy Co. Inc.	664,000	15,538,000	2.6 %	0.6 %
J.C. Penney	787,000	14,885,000	2.4 %	0.5 %
Stop & Shop Companies, Inc. (Stop & Shop)	729,000	14,853,000	2.4 %	0.5 %

RETAIL PROPERTIES – CONTINUED

Lease expirations as of December 31, 2010, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Properties Square Feet	Annual Net Rent of Expiring Leases	
				Total	Per Square Foot
Strip Shopping Centers:					
Month to month	24	81,000	0.4 %	\$ 1,404,000	\$ 17.37
2011	58	690,000	3.2 %	6,608,000	9.58
2012	65	1,148,000	5.4 %	14,601,000	12.72
2013	108	1,899,000	8.9 %	24,600,000	12.96
2014	102	1,445,000	6.8 %	20,248,000	14.01
2015	68	699,000	3.3 %	14,801,000	21.17
2016	52	807,000	3.8 %	11,688,000	14.48
2017	36	340,000	1.6 %	4,937,000	14.53
2018	54	1,008,000	4.7 %	17,316,000	17.18
2019	43	911,000	4.3 %	16,828,000	18.46
2020	35	849,000	4.0 %	11,108,000	13.08
Regional Malls:					
Month to month	65	155,000	0.7 %	\$ 4,141,000	\$ 26.80
2011	62	206,000	1.0 %	6,963,000	33.96
2012	47	225,000	1.1 %	5,560,000	24.71
2013	55	270,000	1.3 %	7,530,000	27.86
2014	42	335,000	1.6 %	6,391,000	19.05
2015	45	234,000	1.1 %	7,395,000	31.60
2016	36	394,000	1.8 %	4,801,000	12.19
2017	34	439,000	2.1 %	6,372,000	14.53
2018	40	91,000	0.4 %	4,723,000	52.03
2019	37	164,000	0.8 %	5,769,000	35.22
2020	32	140,000	0.7 %	5,044,000	36.13
Manhattan Street Retail:					
Month to month	4	4,000	- %	\$ 184,000	\$ 41.15
2011	12	101,000	0.5 %	6,679,000	66.48

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2012	8	36,000	0.2 %	2,074,000	57.18
2013	7	32,000	0.1 %	4,601,000	145.42
2014	7	28,000	0.1 %	4,034,000	142.99
2015	6	23,000	0.1 %	2,519,000	110.76
2016	7	19,000	0.1 %	3,513,000	185.72
2017	4	10,000	- %	1,447,000	152.21
2018	15	123,000	0.6 %	19,822,000	160.62
2019	11	62,000	0.3 %	9,998,000	161.75
2020	7	67,000	0.3 %	5,315,000	79.61

RETAIL PROPERTIES – CONTINUED*2010 Retail Properties Leasing Activity:*

Location	Square Feet	Average Initial Rent Per Square Foot (1)
Strip Shopping Centers:		
Marlton, NJ	104,000	\$ 9.11
Bordentown, NJ	57,000	6.50
Bergen Town Center - East, Paramus, NJ	54,000	42.60
Amherst, NY	50,000	12.19
Lansing, IL	47,000	10.00
Bellingham, WA	46,000	4.73
Broomall, PA	41,000	14.12
Chicago, IL	41,000	12.03
Huntington, NY	37,000	19.73
East Brunswick (339-341 Route 18 South), NJ	33,000	20.00
3040 M Street, Washington, DC	32,000	29.13
Newington, CT	27,000	20.29
Tampa (Hyde Park Village), FL	25,000	25.57
Redding, CA	22,000	17.50
Commack, NY	19,000	18.47
Bronx (1750-1780 Gun Hill Road), NY	19,000	20.00
Glen Burnie, MD	18,000	13.25
Poughkeepsie, NY	17,000	16.95
Queens, NY	15,000	25.00
Bricktown, NJ	14,000	20.70
Staten Island, NY	10,000	24.11
Other	142,000	36.95
	870,000	19.85
Regional Malls:		
Bergen Town Center - West, Paramus, NJ	126,000	34.85
Green Acres Mall, Valley Stream, NY	59,000	34.73
Springfield Mall, Springfield, VA	35,000	17.82
Monmouth Mall, Eatontown, NJ	28,000	25.92
Broadway Mall, Hicksville, NY	28,000	37.20

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Las Catalinas Mall, Puerto Rico	22,000	57.65
Montehiedra, Puerto Rico	18,000	35.34
	316,000	33.98
Manhattan Street Retail:		
692 Broadway, New York, NY	15,000	43.33
Other	8,000	95.86
	23,000	62.04
	1,209,000	24.36

-
- (1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

MERCHANDISE MART PROPERTIES

As of December 31, 2010, we own 6 Merchandise Mart Properties containing an aggregate of 6.9 million square feet. The Merchandise Mart Properties segment also contains 6 garages totaling 908,000 square feet (2,965 spaces). The garage space is excluded from the statistics provided in this section.

Square feet by location and use as of December 31, 2010:

(Amounts in thousands)

				Showroom	Temporary Trade Show	
	Total	Office	Total	Permanent		Retail
Chicago, Illinois:						
Merchandise Mart	3,492	1,033	2,392	1,810	582	67
350 West Mart						
Center	1,242	1,159	83	83	-	-
Other	10	-	-	-	-	10
Total Chicago, Illinois	4,744	2,192	2,475	1,893	582	77
Los Angeles, California:						
L.A. Mart	784	170	614	560	54	-
Boston, Massachusetts:						
Boston Design Center	553	126	423	423	-	4
New York, New York:						
7 West 34th Street	419	10	409	362	47	-
Washington, DC:						
Washington Design Center	393	110	283	283	-	-
Total Merchandise Mart Properties	6,893	2,608	4,204	3,521	683	81
Occupancy rate	92.5%	91.5%	93.2%			91.0%

In March 2010, we ceased making debt service payments on the mortgage loan secured by the High Point Complex in North Carolina as a result of insufficient cash flow and the loan went into default. In November 2010, the property

was placed in receivership. While the receivership process is inherently lengthy, we anticipate that the property will be sold in the first half of 2011, at which time the assets and liabilities will be removed from our consolidated balance sheet and we will recognize a net gain of approximately \$80,000,000. Accordingly, we have reclassified the results of operations of the property to “(loss) income from discontinued operations,” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all periods presented in the accompanying consolidated financial statements.

MERCHANDISE MART PROPERTIES – CONTINUED*Office Space**Occupancy and average annual escalated rent per square foot:*

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2010	2,608,000	91.5 %	\$ 25.31
2009	2,432,000	88.8 %	23.86
2008	2,393,000	96.4 %	25.18
2007	2,724,000	97.1 %	26.86
2006	2,702,000	97.4 %	25.64

2010 Merchandise Mart Properties office rental revenues by tenants' industry:

Industry	Percentage
Advertising and Marketing	17 %
Education	13 %
Telecommunications	12 %
Government	11 %
Financial Services	8 %
Banking	7 %
Business Services	6 %
Publications	6 %
Insurance	5 %
Information Research	5 %
Other	10 %
	100 %

Office lease terms generally range from three to seven years for smaller tenants to as long as 15 years for major tenants. 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 and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises.

Office tenants accounting for 2% or more of Merchandise Mart Properties' 2010 total revenues

Tenant	Square Feet Leased	2010 Revenues	Percentage of Merchandise Mart Properties Revenues	Percentage of Total Company Revenues
Ogilvy Group (WPP)	270,000	\$ 7,537,000	3.1 %	0.3 %
Ameritech (AT&T)	171,000	4,924,000	2.0 %	0.2 %

MERCHANDISE MART PROPERTIES– CONTINUED

2010 leasing activity – Merchandise Mart Properties office space:

	Square Feet	Average Initial Rent Per Square Foot (1)
350 West Mart Center	193,000	\$ 27.64
L.A. Mart	142,000	31.98
Merchandise Mart	29,000	23.87
Total	364,000	29.04

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

Lease expirations for Merchandise Mart Properties office space as of December 31, 2010, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Properties Office Square Feet	Annual Escalated Rent of Expiring Leases Per Square Foot	
				Total	Foot
2011	18	69,000	3.0 %	\$ 1,961,000	\$ 28.35
2012	10	107,000	4.7 %	3,164,000	29.58
2013	18	80,000	3.5 %	3,163,000	39.51
2014	5	106,000	4.6 %	3,132,000	29.51
2015	12	189,000	8.3 %	5,735,000	30.33
2016	5	138,000	6.0 %	3,678,000	26.70
2017	4	76,000	3.3 %	1,594,000	21.05
2018	10	287,000	12.6 %	8,517,000	29.64
2019	4	8,000	0.4 %	334,000	40.73
2020	6	310,000	13.5 %	9,106,000	29.41

MERCHANDISE MART PROPERTIES – CONTINUED**Showroom Space**

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for hosting trade shows for the [contract furniture, casual furniture,] gift, carpet, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gift trade shows, including the contract furniture industry's largest trade show, NeoCon, which attracts over 50,000 attendees each June and is hosted at the Merchandise Mart building in Chicago.

Occupancy and average escalated rent per square foot:

As of December 31,	Rentable		Average Annual Escalated Rent
	Square Feet	Occupancy Rate	Per Square Foot
2010	4,204,000	93.2 %	\$ 31.43
2009	4,351,000	89.4 %	31.56
2008	4,377,000	93.3 %	30.84
2007	4,385,000	89.3 %	30.43
2006	4,388,000	91.5 %	29.25

2010 Merchandise Mart Properties showroom rental revenues by tenants' industry:

Industry	Percentage
Residential Design	34 %
Contract Furnishing	22 %
Gift	22 %
Casual Furniture	8 %
Apparel	6 %
Building Products	5 %
Art	3 %
	100 %

2010 Leasing Activity – Merchandise Mart Properties showroom space:

	Square Feet	Average Initial Rent Per Square Foot (1)
Merchandise Mart	297,000	\$ 38.83
L.A. Mart	105,000	21.95
7 West 34th Street	89,000	41.09
Boston Design Center	81,000	39.07
Washington Design Center	24,000	38.20
350 West Mart Center	14,000	29.18
Total	610,000	36.03

(1) Most leases include periodic step-ups in rent which are not reflected in the initial rent per square foot leased.

MERCHANDISE MART PROPERTIES– CONTINUED

Lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2010, assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Properties' Showroom	Annual Escalated Rent of Expiring Leases	
			Square Feet	Total	Per Square Foot
2011	125	390,000	9.2 %	\$ 12,655,000	\$ 32.45
2012	116	300,000	7.1 %	10,635,000	35.47
2013	154	454,000	10.7 %	16,163,000	35.58
2014	111	381,000	9.0 %	14,249,000	37.43
2015	95	288,000	6.8 %	10,719,000	37.20
2016	45	198,000	4.7 %	6,751,000	34.12
2017	48	356,000	8.4 %	12,521,000	35.19
2018	36	260,000	6.1 %	9,082,000	34.97
2019	21	109,000	2.6 %	3,994,000	36.62
2020	26	120,000	2.8 %	4,589,000	38.19

Retail Space

The Merchandise Mart Properties segment also contains approximately 91,000 square feet of retail space, of which we own 81,000 square feet that was 91.0% occupied at December 31, 2010.

TOYS “R” US, INC. (“TOYS”)

As of December 31, 2010 we own a 32.7% interest in Toys, a worldwide specialty retailer of toys and baby products, which has a significant real estate component. Toys had \$5.9 billion of outstanding debt at October 30, 2010, of which our pro rata share was \$1.9 billion, none of which is recourse to us.

The following table sets forth the total number of stores operated by Toys as of December 31, 2010:

	Total	Owned	Building Owned on Leased Ground	Leased
Domestic	857	297	229	331
International	522	79	26	417
Subtotal	1,379	376	255	748
Franchised stores	210			
Total	1,589			

OTHER INVESTMENTS**555 California Street Complex**

As of December 31, 2010, we own a 70% controlling interest in a three-building complex containing 1.8 million square feet, known as The Bank of America building, located at California and Montgomery Streets in San Francisco's financial district ("555 California Street"), which we acquired in 2007.

Occupancy and average annual rent per square foot as of December 31, 2010:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2010	1,795,000	93.0 %	\$ 55.97
2009	1,794,000	94.8 %	57.25
2008	1,789,000	94.0 %	57.98
2007	1,789,000	95.0 %	59.84

2010 rental revenue by tenants' industry:

Industry	Percentage
Banking	42 %
Finance	41 %
Legal Services	13 %
Retail	1 %
Others	3 %
	100 %

Lease terms generally range from five to seven years for smaller tenants to as long as 15 years for major tenants, and may provide for extension options at 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. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

Tenants accounting for 2% or more of 555 California Street's revenues:

Tenant	Square Feet Leased	2010 Revenues	Percentage of 555 California Street Complex's Revenues	Percentage of Total Company Revenues
Bank of America	659,000	\$ 36,673,000	34.7 %	1.3 %
UBS Financial Services	107,000	7,007,000	6.6 %	0.3 %
Morgan Stanley & Company, Inc.	89,000	6,289,000	5.9 %	0.2 %
Kirkland & Ellis LLP	125,000	6,217,000	5.9 %	0.2 %
Goldman, Sachs & Co.	82,000	4,229,000	4.0 %	0.2 %
McKinsey & Company Inc.	54,000	4,171,000	3.9 %	0.2 %
Dodge & Cox	62,000	3,935,000	3.7 %	0.1 %
Jones Day	81,000	3,467,000	3.3 %	0.1 %

2010 leasing activity:

During 2010 we leased 202,000 square feet at a weighted average rent initial rent of \$54.81 per square foot.

OTHER INVESTMENTS – CONTINUED

Alexander’s, Inc. (“Alexander’s”)

As of December 31, 2010, we own 32.4% of the outstanding common stock of Alexander’s, which has seven properties in the greater New York metropolitan area. Alexander’s had \$1.2 billion of outstanding debt at December 31, 2010, of which our pro rata share was \$404 million, none of which is recourse to us.

Lexington Realty Trust (“Lexington”)

As of December 31, 2010, we own 12.8% of the outstanding common shares of Lexington, which has interests in 229 properties, encompassing approximately 43.0 million square feet across 42 states, generally net-leased to major corporations. Lexington had approximately \$1.9 billion of outstanding debt at September 30, 2010, of which our pro rata share was \$265 million, none of which is recourse to us.

Vornado Capital Partners, L.P. and Vornado Capital Partners Parallel, L.P. (the “Fund”)

On July 6, 2010, we completed an initial closing of the Fund with aggregate equity commitments of \$550,000,000, of which we committed \$200,000,000. We expect to close on an additional \$250,000,000 of equity commitments in the first quarter of 2011. We are the general partner and investment manager of the Fund and it is our exclusive investment vehicle during the three-year investment period for all investments that fit within the Fund’s investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) noncontrolling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund has a term of eight years.

OTHER INVESTMENTS – CONTINUED**Hotel Pennsylvania**

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Rental information:					
Hotel:					
Average occupancy rate	83.2 %	71.5 %	84.1 %	84.4 %	82.1 %
Average daily rate	\$ 143.28	\$ 133.20	\$ 171.32	\$ 154.78	\$ 133.33
Revenue per available room	\$ 119.23	\$ 95.18	\$ 144.01	\$ 130.70	\$ 109.53
Commercial:					
Office space:					
Average occupancy rate	33.4 %	30.4 %	30.4 %	57.0 %	41.2 %
Annual rent per square foot	\$ 7.52	\$ 20.54	\$ 18.78	\$ 22.23	\$ 16.42
Retail space:					
Average occupancy rate	62.3 %	70.7 %	69.5 %	73.3 %	79.9 %
Annual rent per square foot	\$ 31.42	\$ 35.05	\$ 41.75	\$ 33.63	\$ 27.54

Warehouse/Industrial Properties

As of December 31, 2010, we own 6 warehouse/industrial properties in New Jersey containing approximately 1.2 million square feet. Average lease terms range from three to five years. The following table sets forth the occupancy rate and average annual rent per square foot at the end of each of the past five years.

December 31,	Occupancy Rate	Average Annual Rent Per Square Foot
2010	48.6 %	\$ 5.61
2009	69.4 %	5.40
2008	100.0 %	4.70
2007	100.0 %	4.70
2006	96.9 %	4.17

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, including the matters referred to below, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming that we had no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York State Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York State Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. Discovery is complete and a trial was held in November 2010, with closing arguments expected in March 2011. We intend to continue to vigorously pursue our claims against Stop & Shop.

In July 2005, we acquired H Street Building Corporation ("H Street") which has a subsidiary that owns, among other things, a 50% tenancy in common interest in land located in Arlington County, Virginia, known as "Pentagon Row," leased to two tenants, Street Retail, Inc. and Post Apartment Homes, L.P. In April 2007, H Street acquired the remaining 50% interest in that fee. On September 25, 2008, both tenants filed suit against us and the former owners claiming the right of first offer to purchase the fee interest, damages in excess of \$75,000,000 and punitive damages. In April 2010, the Trial Court entered judgment in favor of the tenants, that we sell the land to the tenants for a net sales price of \$14,992,000, representing the Trial Court's allocation of our purchase price for H Street. The request for damages and punitive damages was denied. As a result of the Trial Court's decision, we recorded a \$10,056,000 loss accrual in the first quarter of 2010. We filed a motion to appeal the Trial Court's decision, which the appeals court refused to hear. Accordingly, in the fourth quarter of 2010, we sold the property to the tenants for \$14,992,000 in cash (our reduced carrying amount).

PART II**Item 5. Market for Registrant’s Common Equity, Related STOCKholder Matters and issuer purchases of equity securities**

Vornado’s common shares are traded on the New York Stock Exchange under the symbol “VNO.”

Quarterly high and low sales prices of the common shares and dividends paid per share for the years ended December 31, 2010 and 2009 were as follows:

Quarter	Year Ended December 31, 2010			Year Ended December 31, 2009		
	High	Low	Dividends	High	Low	Dividends
1st	\$ 78.40	\$ 61.25	\$ 0.65	\$ 62.33	\$ 27.01	\$ 0.95
2nd	86.79	70.06	0.65	54.00	32.00	0.95
3rd	89.06	68.59	0.65	70.23	39.65	0.65
4th	91.67	78.06	0.65	73.96	56.54	0.65

On January 12, 2011, we increased our quarterly common dividend to \$0.69 per common share (an indicated annual rate of \$2.76 per common share). On February 1, 2011, there were 1,277 holders of record of our common shares.

Recent Sales of Unregistered Securities

During the fourth quarter of 2010, we issued 19,074 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units, in private placements in earlier periods, in exchange for

their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

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

Recent Purchases of Equity Securities

We did not repurchase any of our equity securities during the fourth quarter of 2010 ..

Performance Graph

The following graph is a comparison of the five-year cumulative return of our common shares, the Standard & Poor's 500 Index (the "S&P 500 Index") and the National Association of Real Estate Investment Trusts' ("NAREIT") All Equity Index (excluding health care real estate investment trusts), a peer group index. The graph assumes that \$100 was invested on December 31, 2005 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.

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	2005	2006	2007	2008	2009	2010
Vornado Realty Trust	100	151	113	81	100	124
S&P 500 Index	100	116	122	77	97	112
The NAREIT All Equity Index	100	135	114	71	91	116

**ITEM 6.
SELECTED
FINANCIAL DATA**

(in thousands, except per share amounts)	Year Ended December 31,				
	2010	2009	2008	2007	2006
Operating Data:					
Revenues:					
Property rentals	\$ 2,271,357	\$ 2,182,194	\$ 2,160,073	\$ 1,923,622	\$ 1,494,314
Tenant expense reimbursements	360,448	357,186	353,602	319,847	258,641
Fee and other income	147,922	157,312	126,816	109,663	103,312
Total revenues	2,779,727	2,696,692	2,640,491	2,353,132	1,856,267
Expenses:					
Operating	1,099,478	1,067,229	1,048,537	932,865	722,405
Depreciation and amortization	530,704	531,637	529,134	433,030	311,230
General and administrative	214,225	231,010	193,969	188,777	179,751
Impairment losses and acquisition costs	129,458	75,963	81,447	10,375	-
Total expenses	1,973,865	1,905,839	1,853,087	1,565,047	1,213,386
Operating income	805,862	790,853	787,404	788,085	642,881
Income (loss) applicable to Toys "R" Us	71,624	92,300	2,380	(14,337)	(47,520)
Income (loss) from partially owned entities	22,438	(19,910)	(159,207)	82,480	45,825
(Loss) from Real Estate Fund	(303)	-	-	-	-
Interest and other investment income (loss), net	235,315	(116,350)	(2,747)	226,242	255,242
Interest and debt expense	(560,270)	(617,994)	(619,531)	(583,281)	(379,753)
Net gain (loss) on early extinguishment of debt	94,789	(25,915)	9,820	-	-
Net gain on dispositions of wholly owned and partially					

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owned assets	81,432	5,641	7,757	39,493	76,073
Income before income taxes	750,887	108,625	25,876	538,682	592,748
Income tax (expense) benefit	(22,476)	(20,642)	204,644	(9,057)	(345)
Income from continuing operations	728,411	87,983	230,520	529,625	592,403
(Loss) income from discontinued operations	(20,380)	40,467	180,925	78,208	40,953
Net income	708,031	128,450	411,445	607,833	633,356
Net (income) loss attributable to noncontrolling interests					
in consolidated subsidiaries	(4,920)	2,839	3,263	3,494	1,363
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,228)	(25,120)	(55,411)	(69,788)	(79,937)
Net income attributable to Vornado	647,883	106,169	359,297	541,539	554,782
Preferred share dividends	(55,534)	(57,076)	(57,091)	(57,177)	(57,511)
Discount on preferred share redemptions	4,382	-	-	-	-
Net income attributable to common shareholders	\$ 596,731	\$ 49,093	\$ 302,206	\$ 484,362	\$ 497,271
Income from continuing operations, net - basic	3.38	0.07	0.89	2.71	3.20
Income from continuing operations, net - diluted	3.35	0.07	0.87	2.60	3.04
Net income per common share - basic	3.27	0.28	1.96	3.18	3.49
Net income per common share - diluted	3.24	0.28	1.91	3.05	3.31
	2.60	3.20 ⁽¹⁾	3.65	3.45	3.79

Dividends per
common share

Balance Sheet Data:

Total assets	20,517,471	20,185,472	21,418,048	22,478,717	17,954,384
Real estate, at cost	17,674,922	17,574,245	17,432,906	16,622,740	11,216,340
Accumulated depreciation	(2,763,997)	(2,441,344)	(2,117,643)	(1,765,443)	(1,409,317)
Debt	10,893,639	10,685,703	12,180,835	11,461,067	8,164,062
Total equity	6,830,405	6,649,406	6,214,652	6,011,240	5,006,596

(1) Paid in a combination of cash
and Vornado common shares.

(Amounts in thousands)	Year Ended December 31,				
	2010	2009	2008	2007	2006
Other Data:					
Funds From Operations ("FFO") ⁽¹⁾ :					
Net income attributable to Vornado	\$ 647,883	\$ 106,169	\$ 359,297	\$ 541,539	\$ 554,782
Depreciation and amortization of real property	505,806	508,572	509,367	451,313	337,730
Net gain on sales of real estate	(57,248)	(45,282)	(57,523)	(60,811)	(33,769)
Proportionate share of adjustments to equity in net income of Toys to arrive at FFO:					
Depreciation and amortization of real property	70,174	65,358	66,435	85,244	60,445
Net gain on sales of real estate	-	(164)	(719)	(3,012)	(2,178)
Income tax effect of above adjustments	(24,561)	(22,819)	(23,223)	(28,781)	(21,038)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:					
Depreciation and amortization of real property	78,151	75,200	49,513	48,770	45,184
Net gain on sales of real estate	(5,784)	(1,188)	(8,759)	(12,451)	(10,988)
Noncontrolling interests' share of above adjustments	(39,565)	(45,344)	(49,683)	(46,664)	(39,809)
FFO	1,174,856	640,502	844,705	975,147	890,359
Preferred share dividends	(55,534)	(57,076)	(57,091)	(57,177)	(57,511)
Discount on preferred share redemptions	4,382	-	-	-	-
FFO attributable to common shareholders	1,123,704	583,426	787,614	917,970	832,848
Interest on 3.875% exchangeable senior debentures	25,917	-	25,261	24,958	24,671
Convertible preferred share dividends	160	170	189	277	631
FFO attributable to common shareholders					
plus assumed conversions ⁽¹⁾	\$ 1,149,781	\$ 583,596	\$ 813,064	\$ 943,205	\$ 858,150

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

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

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Overview

Vornado Realty Trust (“Vornado”) is a fully integrated real estate investment trust (“REIT”) and conducts its business through, and substantially all of its interests in properties are held by, Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”). Vornado is the sole general partner of, and owned approximately 93.2% of the common limited partnership interest in the Operating Partnership at December 31, 2010. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

We own and operate office, retail and showroom properties (our “core” operations) with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, DC / Northern Virginia area. In addition, we have a 32.7% interest in Toys “R” Us, Inc. (“Toys”) which has a significant real estate component, a 32.4% interest in Alexander’s, Inc. (NYSE: ALX) (“Alexander’s”), which has seven properties in the greater New York metropolitan area, as well as interests in other real estate and related investments.

Our business objective is to maximize shareholder value, which we measure by the total return provided to our shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index (“RMS”) and the SNL REIT Index (“SNL”) for the following periods ended December 31, 2010:

	Total Return⁽¹⁾		
	Vornado	RMS	SNL
One-year	23.2%	28.5%	28.9%
Three-year	5.3%	2.5%	5.4%
Five-year	15.1%	13.5%	17.6%
Ten-year	255.7%	174.9%	191.1%

(1) Past performance is not necessarily indicative of how we will perform in the future.

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

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;

- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Developing and redeveloping existing properties to increase returns and maximize value ; and
- Investing in operating companies that have a significant real estate component.

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

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, 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 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 and population trends. See “Risk Factors” in Item 1A for additional information regarding these factors.

Substantially all businesses, including ours, were negatively affected by the 2008/2009 economic recession and illiquidity and volatility in the capital and financial markets. Although there are signs of an economic recovery and greater stability in the capital and financial markets, it is not possible for us to predict whether these trends will continue in the future or quantify the impact of these or any other trends on our financial results.

Overview - continuedYear Ended December 31, 2010 Financial Results Summary

Net income attributable to common shareholders for the year ended December 31, 2010 was \$596,731,000, or \$3.24 per diluted share, compared to \$49,093,000, or \$0.28 per diluted share, for the year ended December 31, 2009. Net income for the years ended December 31, 2010 and 2009 include \$63,032,000 and \$46,634,000, respectively, for our share of net gains on sale of real estate. In addition, the years ended December 31, 2010 and 2009 include certain items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the year ended December 31, 2010 by \$175,844,000, or \$0.95 per diluted share, and decreased net income attributable to common shareholders for the year ended December 31, 2009 by \$235,965,000, or \$1.36 per diluted share.

Funds from operations attributable to common shareholders plus assumed conversions (“FFO”) for the year ended December 31, 2010 was \$1,149,781,000, or \$6.05 per diluted share, compared to \$583,596,000, or \$3.36 per diluted share, for the prior year. FFO for the years ended December 31, 2010 and 2009 includes certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO for the year ended December 31, 2010 by \$127,722,000, or \$0.67 per diluted share, and decreased FFO for the year ended December 31, 2009 by \$265,007,000, or \$1.53 per diluted share.

(Amounts in thousands)	For the Year Ended December 31,	
	2010	2009
Items that affect comparability (income) expense:		
(Income) from the mark-to-market of derivative positions in marketable equity securities	\$ (130,153)	\$ -
Net (gain) loss on early extinguishment of debt	(92,150)	25,915
Non-cash asset write-downs:		
Real estate - development related	94,513	80,834
Other real estate assets	33,000	6,989
Partially owned entities	11,481	36,941
Marketable equity securities	-	3,361
Non-cash mezzanine loans receivable loss accrual (reversal)	(53,100)	190,738
Litigation loss accrual and acquisitions costs	17,001	-
Default interest and fees accrued on three loans in special servicing	15,079	-
Net (gain) resulting from Lexington's stock issuance	(13,710)	-
Discount on redemption of preferred units and shares	(11,354)	-
Real Estate Fund organization costs	6,482	-
Our share of partially owned entities:		

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Toys - purchase accounting adjustments and litigation settlement income	-	(24,146)
Alexander's - income tax benefit and stock appreciation rights	(641)	(24,773)
Income from terminated sale of land	-	(27,089)
Write-off of unamortized costs from the voluntary surrender of equity awards	-	32,588
FFO attributable to discontinued operations	(11,086)	(21,240)
Other, net	(2,492)	8,063
	(137,130)	288,181
Noncontrolling interests' share of above adjustments	9,408	(23,174)
Items that affect comparability, net (income) expense	\$ (127,722)	\$ 265,007

The percentage increase (decrease) in GAAP basis and cash basis same store Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of our operating segments for the year ended December 31, 2010 over the year ended December 31, 2009 is summarized below.

	New York	Washington, DC		Merchandise
Same Store EBITDA:	Office	Office	Retail	Mart
December 31, 2010 vs. December 31, 2009				
GAAP basis	1.7%	5.2%	8.6%	(3.3%)
Cash Basis	2.3%	10.0%	9.6%	(2.3%)

Overview - continuedQuarter Ended December 31, 2010 Financial Results Summary

Net income attributable to common shareholders for the quarter ended December 31, 2010 was \$243,414,000, or \$1.31 per diluted share, compared to a net loss of \$151,192,000, or \$0.84 per diluted share, for the quarter ended December 31, 2009. Net income for the quarter ended December 31, 2010 and net loss for the quarter ended December 31, 2009 include \$62,718,000 and \$2,632,000, respectively, of net gains on sale of real estate. In addition, the quarters ended December 31, 2010 and 2009 include certain other items that affect comparability which are listed in the table below. The aggregate of net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarter ended December 31, 2010 by \$169,634,000, or \$0.89 and increased net loss attributable to common shareholders for the quarter ended December 31, 2009 by \$184,253,000, or \$1.02 per diluted share.

FFO for the quarter ended December 31, 2010 was \$335,759,000, or \$1.76 per diluted share, compared to \$20,000, or \$0.00 per diluted share, for the prior year's quarter. FFO for the quarter ended December 31, 2010 and 2009 include certain items that affect comparability which are listed in the table below. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO for the quarter ended December 31, 2010 by \$111,589,000, or \$0.59 per diluted share and decreased FFO for the quarter ended December 31, 2009 by \$186,105,000, or \$1.02 per diluted share.

(Amounts in thousands)	For the Three Months Ended December 31,	
	2010	2009
Items that affect comparability (income) expense:		
(Income) from the mark-to-market of derivative positions in marketable equity securities	\$ (97,904)	\$ -
Net (gain) loss on early extinguishment of debt	(93,946)	52,911
Non-cash asset write-downs:		
Real estate - development related	94,513	80,834
Other real estate assets	28,000	6,989
Partially owned entities	11,481	17,820
Marketable equity securities	-	3,361
Non-cash mezzanine loans receivable loss accrual (reversal)	(60,000)	68,000
Net (gain) resulting from Lexington's stock issuance	(7,712)	-
Acquisition costs	4,094	-
Income from terminated sale of land	-	(27,089)
FFO attributable to discontinued operations	(1,124)	(3,625)
Other, net	3,174	2,204

	(119,424)	201,405
Noncontrolling interests' share of above adjustments	7,835	(15,300)
Items that affect comparability, net (income) expense	\$ (111,589)	\$ 186,105

The percentage increase in GAAP basis and cash basis same store EBITDA of our operating segments for the quarter ended December 31, 2010 over the quarter ended December 31, 2009 and the trailing quarter ended September 30, 2010 are summarized below.

	New York	Washington, DC		Merchandise
Same Store EBITDA:	Office	Office	Retail	Mart
December 31, 2010 vs. December 31, 2009				
GAAP basis	0.1%	5.4%	5.8%	(4.2%)
Cash Basis	(0.9%)	10.0%	5.6%	(6.1%)
December 31, 2010 vs. September 30, 2010				
GAAP basis	(0.8%)	(0.9%)	2.3%	11.1% ⁽¹⁾
Cash Basis	(3.1%)	(0.9%)	4.9%	7.9% ⁽¹⁾

(1) Primarily from the timing of trade shows.

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

Overview – continued

2010 Acquisitions and Investments

Vornado Capital Partners, L.P. and Vornado Capital Partners Parallel, L.P. (the “Fund”)

On July 6, 2010, we completed an initial closing of the Fund with aggregate equity commitments of \$550,000,000, of which we committed \$200,000,000. We expect to close on an additional \$250,000,000 of equity commitments in the first quarter of 2011. We are the general partner and investment manager of the Fund and it is our exclusive investment vehicle during the three-year investment period for all investments that fit within the Fund’s investment parameters, including debt, equity and other interests in real estate, and excluding (i) investments in vacant land and ground-up development; (ii) investments acquired by merger or primarily for our securities or properties; (iii) properties which can be combined with or relate to our existing properties; (iv) securities of commercial mortgage loan servicers and investments derived from any such investments; (v) noncontrolling interests in equity and debt securities; and (vi) investments located outside of North America. The Fund has a term of eight years. We consolidate the accounts of the Fund into our consolidated financial statements. In 2010, we incurred \$6,482,000 for organization costs of the Fund, net of the Fund’s reimbursement to us, which are included in “general and administrative” expenses on our consolidated statement of income.

The Fund is accounted for under the AICPA Investment Company Guide and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. As of December 31, 2010, the Fund received \$146,789,000 of capital from partners, including \$53,378,000 from us. During the second half of 2010, the Fund made four investments aggregating approximately \$145,000,000 and reimbursed us for \$1,500,000 of organization costs.

Investment in J.C. Penney Company, Inc. (“J.C. Penney”) (NYSE: JCP)

We own an economic interest in 23,400,000 J.C. Penney common shares, or 9.9% of J.C. Penney’s outstanding common shares. Below are the details of our investment.

We own 18,584,010 common shares at an average price of \$25.70 per share, or \$477,678,000 in the aggregate. These shares, which have an aggregate fair value of \$600,449,000 at December 31, 2010, are included in marketable equity securities on our consolidated balance sheet and are classified as “available for sale.” Of these shares, 15,500,000 were

acquired through the exercise of a call option that originated on September 28, 2010 and settled on November 9, 2010. During the period in which the call option was outstanding and classified as a derivative instrument, we recognized \$112,537,000 of income from the mark-to-market of the underlying common shares, which is included in “interest and other investment income (loss), net” on our consolidated statement of income. During the period from November 10 through December 31, 2010, we recognized \$10,234,000 from the mark-to-market of the common shares classified as available-for-sale, which is included in “accumulated other comprehensive income” (a component of shareholders’ equity on our consolidated balance sheet).

We also own an economic interest in 4,815,990 common shares through a forward contract executed on October 7, 2010, at a weighted average strike price of \$28.65 per share, or \$137,989,000 in the aggregate. The contract may be settled, at our election, in cash or common shares, in whole or in part, at any time prior to October 9, 2012. The counterparty may accelerate settlement, in whole or in part, upon one year’s notice to us. The strike price per share increases at an annual rate of LIBOR plus 80 basis points and decreases for dividends received on the shares. The contract is a derivative instrument that does not qualify for hedge accounting treatment. Mark-to-market adjustments on the underlying common shares are recognized in “interest and other investment income (loss), net” on our consolidated statement of income. During the period from October 7, 2010 through December 31, 2010, we recognized \$17,616,000 of income from the mark-to-market of this position, based on J.C. Penney’s closing share price of \$32.31 at December 31, 2010.

As of December 31, 2010, the aggregate economic net gain on our investment in J.C. Penney was \$140,387,000, based on J.C. Penney’s closing share price of \$32.31 per share and our weighted average cost of \$26.31 per share.

Overview – continued

2010 Acquisitions and Investments – continued

Investment in LNR Property Corporation (“LNR”)

On July 29, 2010, as a part of LNR’s recapitalization, we acquired a 26.2% equity interest in LNR for \$116,000,000 in cash and conversion into equity of our \$15,000,000 mezzanine loan (the then current carrying amount) made to LNR’s parent, Riley Holdco Corp. The recapitalization involved an infusion of a total of \$417,000,000 in new cash equity and the reduction of LNR’s total debt to \$425,000,000 from \$1.3 billion, excluding liabilities related to the consolidated CMBS and CDO trusts described below. We account for our equity interest in LNR under the equity method on a one-quarter lag basis.

LNR consolidates certain commercial mortgage-backed securities (“CMBS”) and Collateralized Debt Obligation (“CDO”) trusts for which it is the primary beneficiary. The assets of these trusts (primarily commercial mortgage loans), which aggregate approximately \$142 billion as of September 30, 2010, are the sole source of repayment of the related liabilities, which are non-recourse to LNR and its equity holders, including us. Changes in the fair value of these assets each period are offset by changes in the fair value of the related liabilities through LNR’s consolidated income statement.

510 Fifth Avenue

On October 8, 2010, we acquired 510 Fifth Avenue, a 59,000 square foot retail property located at 43rd Street and Fifth Avenue in New York, for \$57,000,000, comprised of \$24,700,000 in cash and \$32,300,000 of existing debt. We consolidate the accounts of this property into our consolidated financial statements from the date of the acquisition.

San Jose, California

On October 15, 2010, we acquired the 55% interest that we did not already own of a 646,000 square foot retail property located in San Jose, California, for \$97,000,000, consisting of \$27,000,000 in cash and \$70,000,000 of existing debt. We consolidate the accounts of the property into our consolidated financial statements from the date of this acquisition.

Atlantic City, New Jersey

On November 4, 2010, we acquired 11.3 acres of the land under a portion of the Borgata Hotel and Casino complex for \$83,000,000 in cash. The land is leased to the partnership that controls the Borgata Hotel and Casino complex through December 2070. In January 2011, we completed a 10-year \$60,000,000 financing of this land. The loan has a fixed interest rate of 5.14% and amortizes beginning in the third year, based on a 30-year schedule.

Overview – continued

2010 Dispositions

On October 20, 2010, we sold a 45% ownership interest in 1299 Pennsylvania Avenue (the Warner Building) and 1101 17th Street, for \$236,700,000, comprised of \$91,000,000 in cash and the assumption of existing mortgage debt. We retained the remaining 55% ownership interest and continue to manage and lease the properties. Based on the Warner Building's implied fair value of \$445,000,000, we recognized a net gain of \$54,000,000 in the fourth quarter of 2010. The gain on 1101 17th Street, based on an implied fair value of \$81,000,000, will be recognized when we monetize our investment. We share control over major decisions with our joint venture partner. Accordingly, these properties are accounted for under the equity method from the date of the sale.

On January 12, 2011, we sold 1140 Connecticut Avenue and contracted to sell 1227 25th Street, subject to customary closing conditions, for an aggregate price of \$127,000,000. We will retain net proceeds of approximately \$107,000,000, after repaying an existing mortgage and recognize a net gain of approximately \$44,000,000 in the first quarter of 2011.

In March 2010, we ceased making debt service payments on the mortgage loan secured by the High Point Complex in North Carolina as a result of insufficient cash flow and the loan went into default. In November 2010, the property was placed in receivership. While the receivership process is inherently lengthy, we anticipate that the property will be sold in the first half of 2011, at which time the assets and liabilities will be removed from our consolidated balance sheet and we will recognize a net gain of approximately \$80,000,000. Accordingly, we have reclassified the results of operations of the property to “(loss) income from discontinued operations,” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all periods presented in the accompanying consolidated financial statements.

2010 Financing Activities

On February 11, 2011, we completed a \$425,000,000 refinancing of Two Penn Plaza, a 1.6 million square foot Manhattan office building. The seven-year loan bears interest at LIBOR plus 2.00%, which was swapped for the term of the loan to a fixed rate of 5.13%. The loan amortizes based on a 30-year schedule beginning in the fourth year. We retained net proceeds of approximately \$139,000,000 after repaying the existing loan and closing costs.

On February 10, 2011, we completed a \$150,000,000 financing of 2121 Crystal Drive, a 506,000 square foot office building located in Crystal City, Arlington, Virginia. The 12-year fixed rate loan bears interest at 5.51% and amortizes based on a 30-year schedule beginning in third year. This property was previously unencumbered.

On January 10, 2011, we completed a \$75,000,000 financing of North Bergen (Tonnelle Avenue), a 410,000 square foot strip shopping center. The seven-year fixed rate loan bears interest rate at 4.59%, provides for interest only payments during the first five years of the term and amortizes based on a 25-year schedule. This property was previously unencumbered.

In December 2010, we acquired the mortgage loan secured by the Springfield Mall, located in Fairfax County, Virginia for \$115,000,000 in cash. The loan had an outstanding balance of \$171,500,000. In a separate transaction, we acquired our partner's interest in the partnership that owns the mall in exchange for \$25,000,000 in Operating Partnership units. These transactions resulted in a \$102,932,000 net gain on early extinguishment of debt.

In August 2010, we sold \$660,000,000 of 10-year mortgage notes in a single issuer securitization. The notes are comprised of a \$600,000,000 fixed rate component and a \$60,000,000 variable rate component and are cross-collateralized by 40 of our strip shopping centers. The \$600,000,000 fixed rate portion bears interest at an initial rate of 4.18% and a weighted average rate of 4.31% over the 10-year term and amortizes based on a 30-year schedule. The variable rate portion bears interest at LIBOR plus 1.36%, with a 1% floor (2.36% at December 31, 2010).

In March 2010, we completed a public offering of \$500,000,000 aggregate principal amount of 4.25% senior unsecured notes due April 1, 2015 and retained net proceeds of approximately \$496,000,000. The notes were sold at 99.834% of their face amount to yield 4.287%. The notes can be redeemed without penalty beginning January 1, 2015.

In 2010, through open market repurchases and tender offers, we purchased \$270,491,000 aggregate face amount (\$264,476,000 aggregate carrying amount) of our convertible senior debentures and \$17,000,000 aggregate face amount (\$16,981,000 aggregate carrying amount) of our senior unsecured notes for \$274,857,000 and \$17,382,000 in cash, respectively, resulting in a net loss of \$10,381,000 and \$401,000, respectively.

Overview - continued**Leasing Activity**

The leasing activity presented below is based on leases signed during the period and is not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Tenant improvements and leasing commissions presented below are based on square feet leased during the period.

(Square feet in thousands) As of December 31, 2010:	New York Office	Washington, DC Office	Retail ⁽³⁾	Merchandise Mart Office Showroom	
Square feet (in service)	16,194	17,823	23,453	2,608	4,204
Number of properties	28	82	161	6	6
Occupancy rate	95.6%	94.3% ⁽²⁾	92.3%	91.5%	93.2%

Leasing Activity:**Quarter Ended December 31,
2010:**

Total square feet leased	243	408	187	35	117
Initial rent ⁽¹⁾	\$ 55.70	\$ 38.77	\$ 25.86	\$ 27.92	\$ 37.32
Weighted average lease term (years)	6.7	4.1	6.9	11.8	4.6
Relet space (included above):					
Square feet	193	352	44	22	117
Initial rent - cash basis ⁽¹⁾	\$ 50.15	\$ 38.83	\$ 30.44	\$ 27.85	\$ 37.32
Prior escalated rent - cash basis	\$ 50.81	\$ 39.52	\$ 26.99	\$ 34.82	\$ 38.62
Percentage (decrease) increase:				(20.0%)	
Cash basis	(1.3%)	(1.7%)	12.8%		(3.4%)
GAAP basis	4.3%	5.7%	19.7%	8.4%	3.2%
Tenant improvements and leasing commissions:					
Per square foot	\$ 41.49	\$ 16.74	\$ 10.17	\$ 70.17	\$ 3.97
Per square foot per annum:	\$ 6.19	\$ 4.08	\$ 1.47	\$ 5.95	\$ 0.86
	11.1%	10.5%	5.7%	21.3%	2.6%

Percentage of
initial rent**Year Ended December 31,
2010:**

Total square feet leased	1,277	1,697	1,209	364	610
Initial rent ⁽¹⁾	\$ 49.81	\$ 38.41	\$ 24.36	\$ 29.04	\$ 36.03
Weighted average lease term (years)	7.5	4.4	8.5	13.4	4.1
Relet space (included above):					
Square feet	1,061	1,385	392	87	610
Initial rent - cash basis ⁽¹⁾	\$ 49.65	\$ 38.51	\$ 18.09	\$ 26.49	\$ 36.03
Prior escalated rent - cash basis	\$ 51.91	\$ 36.71	\$ 16.76	\$ 27.32	\$ 36.80
Percentage (decrease) increase:					
Cash basis	(4.4%)	4.9%	7.9%	(3.0%)	(2.1%)
GAAP basis	(1.9%)	10.0%	13.4%	14.9%	4.0%
Tenant improvements and leasing commissions:					
Per square foot	\$ 50.29	\$ 12.85	\$ 11.98	\$ 88.22	\$ 4.11
Per square foot per annum:	\$ 6.70	\$ 2.92	\$ 1.41	\$ 6.58	\$ 1.00
Percentage of initial rent	13.5%	7.6%	5.8%	22.7%	3.9%

See notes on the following table

Overview - continued

(Square feet in thousands) As of December 31, 2009:	New York Office	Washington, DC Office	Retail ⁽³⁾	Merchandise Mart Office Showroom	
Square feet (in service)	16,173	17,646	22,553	2,432	4,351
Number of properties	28	82	162	6	6
Occupancy rate	95.5%	93.3%(2)	91.6%	88.8%	89.4%

**Leasing Activity:
Year Ended December 31,
2009:**

Total square feet leased	1,448	3,158	1,139	203	754
Initial rent ⁽¹⁾	\$ 52.25	\$ 40.26	\$ 23.28	\$ 34.76	\$ 37.04
Weighted average lease term (years)	8.8	4.3	9.7	7.1	4.2
Relet space (included above):					
Square feet	1,304	2,849	472	203	754
Initial rent - cash basis ⁽¹⁾	\$ 52.42	\$ 40.13	\$ 17.99	\$ 34.76	\$ 37.04
Prior escalated rent - cash basis	\$ 52.16	\$ 34.56	\$ 16.67	\$ 33.75	\$ 37.29
Percentage (decrease) increase:					
Cash basis	0.5%	16.1%	7.9%	3.0%	(0.7%)
GAAP basis	4.7%	18.9%	16.4%	18.0%	8.2%
Tenant improvements and leasing commissions:					
Per square foot	\$ 48.48	\$ 9.03	\$ 8.00	\$ 34.30	\$ 3.15
Per square foot per annum:	\$ 5.51	\$ 2.10	\$ 0.82	\$ 4.83	\$ 0.75
Percentage of initial rent	10.5%	5.2%	3.5%	13.9%	2.7%

(1) Most leases include periodic step-ups in rent which are not reflected in the initial rent per square foot leased.

(2) Excluding residential and other properties, occupancy rates for the office properties were as follows.

December 31,	
2010	94.0%
	94.7%

December 31,
2009

- Mall sales per square foot, including partially owned malls, for the trailing twelve months ended December 31,
- (3) 2010 and 2009 were \$461 and \$466, respectively.

Recently Issued Accounting Literature

In the fourth quarter of 2010, the Financial Accounting Standards Board (“FASB”) issued an update to the guidance contained in Accounting Standards Codification (“ASC”) 310, *Receivables*. The new guidance requires companies to provide more information about the credit quality of their financing receivables in the disclosures to financial statements including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. The adoption of this accounting guidance did not have a significant impact on our consolidated financial statements.

On January 21, 2010, the FASB issued an update to ASC 820, Fair Value Measurements and Disclosures, adding new requirements for disclosures about transfers into and out of Levels 1 and 2 fair value measurements and additional disclosures about the activity within Level 3 fair value measurements. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

In June 2009, the FASB issued an update to ASC 810, Consolidation, which modifies the existing quantitative guidance used in determining the primary beneficiary of a variable interest entity (“VIE”) by requiring entities to qualitatively assess whether an enterprise is a primary beneficiary, based on whether the entity has (i) power over the significant activities of the VIE, and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The adoption of this guidance on January 1, 2010 did not have a material effect on our consolidated financial statements.

Critical Accounting Policies

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

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2010 and 2009, the carrying amounts of real estate, net of accumulated depreciation, were \$14.9 billion and \$15.1 billion, respectively. Maintenance and repairs are expensed as incurred. Depreciation requires an estimate by management of

the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated. As real estate is undergoing development activities, all property operating expenses, including interest expense, are capitalized to the cost of real property to the extent we believe such costs are recoverable through the value of the property.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below-market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known trends and market/economic conditions.

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

Critical Accounting Policies – continued

Identified Intangibles

As of December 31, 2010 and 2009, the carrying amounts of identified intangible assets (including acquired above-market leases, tenant relationships and acquired in-place leases) were \$348,745,000 and \$439,549,000, respectively. The carrying amounts of identified intangible liabilities, a component of “deferred credit” on our consolidated balance sheets, were \$528,905,000 and \$606,390,000, respectively. Identified intangibles are recorded at their estimated fair value, separate and apart from goodwill. Identified intangibles that are determined to have finite lives are amortized over the period in which they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of the identified intangible over its estimated fair value. If intangible assets are impaired or estimated useful lives change, the impact to our consolidated financial statements could be material.

Mezzanine Loans Receivable

As of December 31, 2010 and 2009, the carrying amounts of mezzanine loans receivable were \$202,412,000 and \$203,286,000, respectively, net of valuation allowances of \$73,216,000 and \$190,738,000, respectively. We invest in mezzanine loans of entities that have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discount or premium over the life of the related receivable utilizing the effective interest method or straight-line method, if the result is not materially different. We evaluate the collectability of both interest and principal of each of our loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. If our estimates of the collectability of both interest and principal or the fair value of our loans change based on market conditions or otherwise, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements.

Partially Owned Entities

As of December 31, 2010 and 2009, the carrying amounts of investments in partially owned entities, including Alexander's and Toys "R" Us, were \$1.4 billion and \$1.2 billion, respectively. In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we have the power over significant activities of the entity and the obligation to absorb losses or receive benefits that could potentially be significant to the entity. We account for investments on the equity method when the requirements for consolidation are not met and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

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

Critical Accounting Policies – continued

Allowance For Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts (\$62,979,000 and \$46,708,000 as of December 31, 2010 and 2009) for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents (\$7,323,000 and \$4,672,000 as of December 31, 2010 and 2009, respectively). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to our consolidated financial statements.

Revenue Recognition

We have the following revenue sources and revenue recognition policies:

- **Base Rent** — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- **Percentage Rent** — income arising from retail tenant leases that is contingent upon tenant sales exceeding defined thresholds. These rents are recognized only after the contingency has been removed (i.e., when tenant sales thresholds have been achieved).
- **Hotel Revenue** — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been rendered.

- Trade Shows Revenue — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- Management, Leasing and Other Fees — income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

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

Income Taxes

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

Net Income and EBITDA by Segment for the Years Ended December 31, 2010, 2009 and 2008.

(Amounts in thousands)

	For the Year Ended December 31, 2010						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽³⁾
Property rentals	\$ 2,129,284	\$ 775,142	\$ 566,041	\$ 398,489	\$ 219,882	\$ -	\$ 169,730
Straight-line rent adjustments	75,871	34,212	5,849	29,079	2,756	-	3,975
Amortization of acquired below-market leases, net	66,202	36,081	2,326	22,213	(75)	-	5,657
Total rentals	2,271,357	845,435	574,216	449,781	222,563	-	179,362
Tenant expense reimbursements	360,448	137,624	51,963	145,905	13,998	-	10,958
Fee and other income:							
Tenant cleaning fees	58,053	88,664	-	-	-	-	(30,611)
Management and leasing fees	20,117	6,192	15,934	1,029	156	-	(3,194)
Lease termination fees	14,826	4,270	1,148	7,641	467	-	1,300
Other	54,926	22,283	21,427	4,172	3,904	-	3,140
Total revenues	2,779,727	1,104,468	664,688	608,528	241,088	-	160,955
Operating expenses	1,099,478	470,177	213,935	224,340	125,863	-	65,163
Depreciation and amortization	530,704	176,931	142,720	110,416	46,155	-	54,482
General and administrative	214,225	18,621	25,464	29,610	26,953	-	113,577
Impairment losses and	129,458	-	-	72,500	20,000	-	36,958

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acquisition costs							
Total expenses	1,973,865	665,729	382,119	436,866	218,971	-	270,180
Operating income (loss)	805,862	438,739	282,569	171,662	22,117	-	(109,225)
Income applicable to Toys	71,624	-	-	-	-	71,624	-
Income (loss) from partially owned entities	22,438	(6,354)	(564)	9,401	(179)	-	20,134
(Loss) from Real Estate Fund	(303)	-	-	-	-	-	(303)
Interest and other investment income, net	235,315	608	157	180	47	-	234,323
Interest and debt expense	(560,270)	(132,279)	(130,540)	(85,281)	(37,932)	-	(174,238)
Net gain (loss) on early extinguishment of debt	94,789	-	-	105,571	-	-	(10,782)
Net gain on disposition of wholly owned and partially owned assets	81,432	-	54,742	-	765	-	25,925
Income (loss) before income taxes	750,887	300,714	206,364	201,533	(15,182)	71,624	(14,166)
Income tax expense	(22,476)	(2,167)	(1,816)	(37)	(173)	-	(18,283)
Income (loss) from continuing operations	728,411	298,547	204,548	201,496	(15,355)	71,624	(32,449)
(Loss) from discontinued operations	(20,380)	-	(4,481)	(2,637)	(13,262)	-	-
Net income (loss)	708,031	298,547	200,067	198,859	(28,617)	71,624	(32,449)
Net (income) loss attributable to							

noncontrolling interests in consolidated subsidiaries	(4,920)	(9,559)	-	(778)	-	-	5,417
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,228)	-	-	-	-	-	(55,228)
Net income (loss) attributable to Vornado	647,883	288,988	200,067	198,081	(28,617)	71,624	(82,260)
Interest and debt expense ⁽²⁾	828,082	126,209	136,174	92,653	61,379	177,272	234,395
Depreciation and amortization ⁽²⁾	729,426	170,505	159,283	114,335	51,064	131,284	102,955
Income tax (benefit) expense ⁽²⁾	(23,036)	2,167	2,027	37	232	(45,418)	17,919
EBITDA ⁽¹⁾	\$ 2,182,355	\$ 587,869	\$ 497,551	\$ 405,106	\$ 84,058	\$ 334,762	\$ 273,009

See notes on page 80.

Net Income and EBITDA by Segment for the Years Ended December 31, 2010, 2009 and 2008 - continued

(Amounts in thousands)

	For the Year Ended December 31, 2009						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽³⁾
Property rentals	\$ 2,021,072	\$ 758,557	\$ 526,683	\$ 362,689	\$ 213,911	\$ -	\$ 159,232
Straight-line rent adjustments	89,168	36,805	22,683	27,104	2,107	-	469
Amortization of acquired below-market leases, net	71,954	40,129	3,452	22,993	89	-	5,291
Total rentals	2,182,194	835,491	552,818	412,786	216,107	-	164,992
Tenant expense reimbursements	357,186	136,541	60,620	134,670	15,517	-	9,838
Fee and other income:							
Tenant cleaning fees	53,824	75,549	-	-	-	-	(21,725)
Management and leasing fees	11,456	4,211	8,183	1,731	88	-	(2,757)
Lease termination fees	4,888	1,840	2,224	464	221	-	139
Other	87,144	18,868	47,745	2,619	9,458	-	8,454
Total revenues	2,696,692	1,072,500	671,590	552,270	241,391	-	158,941
Operating expenses	1,067,229	452,370	220,333	204,224	125,602	-	64,700
Depreciation and amortization	531,637	173,923	142,415	101,353	51,064	-	62,882
General and administrative	231,010	22,820	26,205	30,339	31,017	-	120,629

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Impairment losses and acquisition costs	75,963	-	24,875	11,789	-	-	39,299
Total expenses	1,905,839	649,113	413,828	347,705	207,683	-	287,510
Operating income (loss)	790,853	423,387	257,762	204,565	33,708	-	(128,569)
Income applicable to Toys	92,300	-	-	-	-	92,300	-
(Loss) income from partially owned entities	(19,910)	5,817	4,850	4,728	151	-	(35,456)
Interest and other investment (loss) income, net	(116,350)	876	786	69	95	-	(118,176)
Interest and debt expense	(617,994)	(133,647)	(128,039)	(89,070)	(38,009)	-	(229,229)
Net (loss) gain on early extinguishment of debt	(25,915)	-	-	769	-	-	(26,684)
Net gain on disposition of wholly owned and partially owned assets	5,641	-	-	-	-	-	5,641
Income (loss) before income taxes	108,625	296,433	135,359	121,061	(4,055)	92,300	(532,473)
Income tax expense	(20,642)	(1,332)	(1,482)	(319)	(2,140)	-	(15,369)
Income (loss) from continuing operations	87,983	295,101	133,877	120,742	(6,195)	92,300	(547,842)
Income (loss) from discontinued operations	40,467	-	52,308	(6,791)	(5,050)	-	-
Net income (loss)	128,450	295,101	186,185	113,951	(11,245)	92,300	(547,842)
Net loss (income)							

attributable to noncontrolling interests in consolidated subsidiaries	2,839	(9,098)	-	915	-	-	11,022
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(25,120)	-	-	-	-	-	(25,120)
Net income (loss) attributable to Vornado	106,169	286,003	186,185	114,866	(11,245)	92,300	(561,940)
Interest and debt expense ⁽²⁾	826,827	126,968	132,610	95,990	52,862	127,390	291,007
Depreciation and amortization ⁽²⁾	728,815	168,517	152,747	105,903	56,702	132,227	112,719
Income tax expense (benefit) ⁽²⁾	10,193	1,332	1,590	319	2,208	(13,185)	17,929
EBITDA ⁽¹⁾	\$ 1,672,004	\$ 582,820	\$ 473,132	\$ 317,078	\$ 100,527	\$ 338,732	\$ (140,285)

See notes on page 80.

Net Income and EBITDA by Segment for the Years Ended December 31, 2010, 2009 and 2008 - continued

(Amounts in thousands)

	For the Year Ended December 31, 2008						
	Total	New York Office	Washington, DC Office	Retail	Merchandise Mart	Toys	Other ⁽³⁾
Property rentals	\$ 1,975,838	\$ 722,445	\$ 497,735	\$ 342,714	\$ 215,854	\$ -	\$ 197,090
Straight-line rent adjustments	88,703	42,766	15,720	20,384	8,516	-	1,317
Amortization of acquired below-market leases, net	95,532	60,355	3,998	26,546	161	-	4,472
Total rentals	2,160,073	825,566	517,453	389,644	224,531	-	202,879
Tenant expense reimbursements	353,602	135,788	57,793	127,903	18,055	-	14,063
Fee and other income:							
Tenant cleaning fees	56,416	71,833	-	-	-	-	(15,417)
Management and leasing fees	13,397	6,411	8,940	1,673	349	-	(3,976)
Lease termination fees	8,465	3,088	2,635	2,281	461	-	-
Other	48,538	15,699	22,350	2,543	6,811	-	1,135
Total revenues	2,640,491	1,058,385	609,171	524,044	250,207	-	198,684
Operating expenses	1,048,537	439,012	211,687	198,802	127,437	-	71,599
Depreciation and amortization	529,134	190,925	135,351	90,974	46,823	-	65,061
General and administrative	193,969	20,217	26,522	29,836	29,252	-	88,142
	81,447	-	-	595	-	-	80,852

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Impairment losses and acquisition costs							305,654
Total expenses	1,853,087	650,154	373,560	320,207	203,512	-	(106,970)
Operating income (loss)	787,404	408,231	235,611	203,837	46,695	-	
Income applicable to Toys	2,380	-	-	-	-	2,380	-
(Loss) income from partially owned entities	(159,207)	6,082	6,173	10,371	1,106	-	(182,939)
Interest and other investment (loss) income, net	(2,747)	2,288	2,108	464	329	-	(7,936)
Interest and debt expense	(619,531)	(139,146)	(125,141)	(85,895)	(38,214)	-	(231,135)
Net gain on early extinguishment of debt	9,820	-	-	-	-	-	9,820
Net gain on disposition of wholly owned and partially owned assets	7,757	-	-	-	-	-	7,757
Income (loss) before income taxes	25,876	277,455	118,751	128,777	9,916	2,380	(511,403)
Income tax benefit (expense)	204,644	-	221,080	(82)	(1,206)	-	(15,148)
Income (loss) from continuing operations	230,520	277,455	339,831	128,695	8,710	2,380	(526,551)
Income from discontinued operations	180,925	-	64,849	3,001	1,163	-	111,912
Net income (loss)	411,445	277,455	404,680	131,696	9,873	2,380	(414,639)

Net loss (income) attributable to noncontrolling interests in consolidated subsidiaries	3,263	(4,762)	-	157	(125)	-	7,993
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(55,411)	-	-	-	-	-	(55,411)
Net income (loss) attributable to							(462,057)
Vornado	359,297	272,693	404,680	131,853	9,748	2,380	
Interest and debt expense ⁽²⁾	821,940	132,406	130,310	102,600	53,072	147,812	255,740
Depreciation and amortization ⁽²⁾	710,526	181,699	143,989	98,238	52,357	136,634	97,609
Income tax (benefit) expense ⁽²⁾	(142,415)	-	(220,965)	82	1,260	59,652	17,556
EBITDA ⁽¹⁾	\$ 1,749,348	\$ 586,798	\$ 458,014	\$ 332,773	\$ 116,437	\$ 346,478	\$ (91,152)

See notes on the following page.

Net Income and EBITDA by Segment for the Years Ended December 31, 2010, 2009 and 2008 - continued**Notes to preceding tabular information:**

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

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

(3) The components of Other EBITDA are summarized below. The totals for each of the columns below agree to the total EBITDA for the "other" column in the preceding EBITDA by segment reconciliations.

(Amounts in thousands)

	For the Year Ended December 31,		
	2010	2009	2008
Alexander's	\$ 57,425	\$ 81,703	\$ 64,683
Lexington Realty Trust ("Lexington")	55,304	50,024	35,150
555 California Street	46,782	44,757	48,316
Hotel Pennsylvania	23,763	15,108	42,269
LNR (acquired in July 2010)	6,116	-	-
Industrial warehouses	2,528	4,737	5,264
Other investments	31,587	6,981	6,321
	223,505	203,310	202,003
Corporate general and administrative expenses ⁽¹⁾	(90,343)	(79,843)	(91,967)
Investment income and other, net ⁽¹⁾	65,499	78,593	109,519
Net income attributable to noncontrolling interests in the Operating Partnership,			
including unit distributions	(55,228)	(25,120)	(55,411)
Income (loss) from the mark-to-market of derivative positions in marketable equity securities	130,153	-	(33,740)
Net (loss) gain on early extinguishment of debt	(10,782)	(26,684)	-
Real Estate Fund organization costs	(5,937)	-	-
	53,100	(190,738)	10,300

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Non-cash mezzanine loans receivable loss (accrual)
reversal

Non-cash asset write-downs:

Investment in Lexington	-	(19,121)	(107,882)
Marketable equity securities	-	(3,361)	(76,352)
Real estate - primarily development projects:			
Wholly owned entities (including acquisition costs)	(36,958)	(39,299)	(80,852)
Partially owned entities	-	(17,820)	(96,037)
Write-off of unamortized costs from the voluntary surrender of equity awards	-	(20,202)	-
Discontinued operations of Americold (including a \$112,690 net gain on sale)	-	-	129,267
	\$ 273,009	\$ (140,285)	\$ (91,152)

(1) The amounts in these captions (for this table only) exclude the mark-to-market of our deferred compensation plan assets and offsetting liability.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below-market leases, net of above-market leases and fee income, were \$2,779,727,000 for the year ended December 31, 2010, compared to \$2,696,692,000 in the prior year, an increase of \$83,035,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

		New York	Washington, DC	Merchandise		
Increase (decrease) due to:	Total	Office	Office	Retail	Mart	Other
Property rentals:						
Acquisitions and other	\$ (1,713)	\$ -	\$ (6,890)	\$ 4,161	\$ 2,064	\$ (1,048)
Development/redevelopment	12,716	-	10,316	2,400	-	-
Amortization of acquired below-market leases, net	(5,752)	(4,048)	(1,126)	(780)	(164)	366
Hotel Pennsylvania	15,622	-	-	-	-	15,622 ⁽¹⁾
Trade shows	5,044	-	-	-	5,044	-
Leasing activity (see page 72)	63,246	13,992	19,098	31,214	(488)	(570)
	89,163	9,944	21,398	36,995	6,456	14,370
Tenant expense reimbursements:						
	1,079	-	(3,236)	4,564	-	(249)

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Acquisitions/development						
Operations	2,183	1,083	(5,421)	6,671	(1,519)	1,369
	3,262	1,083	(8,657)	11,235	(1,519)	1,120
Fee and other income:						
Lease cancellation fee income	9,938	2,430	(1,076)	7,177	246	1,161
Management and leasing fees	8,661	1,981	7,751 ⁽²⁾	(702)	68	(437)
BMS cleaning fees	4,229	13,115	-	-	-	(8,886) ⁽³⁾
Other	(32,218)	3,415	(26,318) ⁽⁴⁾	1,553	(5,554) ⁽⁵⁾	(5,314) ⁽⁶⁾
	(9,390)	20,941	(19,643)	8,028	(5,240)	(13,476)
Total increase (decrease) in revenues	\$ 83,035	\$ 31,968	\$ (6,902)	\$ 56,258	\$ (303)	\$ 2,014

(1) Primarily from higher REVPAR.

(2) Primarily from leasing fees in connection with our management of a development project.

(3) Primarily from the elimination of inter-company fees from operating segments upon consolidation. See note (3) on page 82.

(4) Primarily from income in the prior year resulting from a forfeited non-refundable purchase deposit. See note (5) on page 87.

(5) Primarily from income in the prior year resulting from the surrender and build-out of tenant space.

(6) Primarily from \$5,402 of income in the prior year resulting from the termination of a lease with a partially owned entity.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009 - continuedExpenses

Our expenses, which consist primarily of operating, depreciation and amortization and general and administrative expenses, were \$1,973,865,000 for the year ended December 31, 2010, compared to \$1,905,839,000 in the prior year, an increase of \$68,026,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

Increase (decrease) due to:	Total	New York	Washington, DC	Merchandise		
		Office	Office	Retail	Mart	Other
Operating:						
Acquisitions and other	\$ (6,291)	\$ (4,688)	\$ (3,890)	\$ 1,213	\$ 1,770	\$ (696)
Development/redevelopment	3,425	-	2,941	484	-	-
Hotel activity	11,041	-	-	-	-	11,041
Trade shows activity						