VORNADO REALTY TRUST
Form 10-Q
April 29, 2019

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2019-01-01 2019-03-31 0000899689 vno:LexingtonRealtyTrustMember 2018-01-01 2018-03-31 0000899689 vno:OtherMember 2018-01-01 2018-03-31 0000899689 vno:FarleyOfficeandRetailBuildingMember 2019-03-31 0000899689 vno:FarleyOfficeandRetailBuildingMember 2019-03-31 0000899689 srt:RetailSiteMember vno:FarleyOfficeandRetailBuildingMember 2019-03-31 0000899689 vno:OfficeSpaceMember vno:FarleyOfficeandRetailBuildingMember 2019-03-31 0000899689 vno:EarthquakeCaliforniaPropertiesMember 2019-01-01 2019-03-31 0000899689 vno:PpicMember vno:NbcrMember 2019-03-31 0000899689 vno:AllRiskAndRentalValueMember 2019-03-31 0000899689 us-gaap:GeneralLiabilityMember 2019-03-31 0000899689 vno:NbcrMember 2019-01-01 2019-03-31 0000899689 vno:MoynihanOfficeBuildingMember us-gaap:CorporateJointVentureMember 2019-03-31 0000899689 vno:TerrorismActsMember 2019-01-01 2019-03-31 0000899689 vno:EarthquakeCaliforniaPropertiesMember 2019-03-31 0000899689 vno:PpicMember vno:NbcrMember 2019-01-01 2019-03-31 0000899689 vno:NbcrMember 2019-03-31 0000899689 vno:TerrorismActsMember 2019-03-31 iso4217:USD iso4217:USD xbrli:shares xbrli:shares xbrli:pure utreg:sqft vno:investment vno:credit_facility vno:unit vno:segment

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: **March 31, 2019**

Or

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

For the transition period from: to

Commission File Number: 001-11954 (Vornado Realty Trust)

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

Vornado Realty Trust
Vornado Realty L.P.

(Exact name of registrants as specified in its charter)

Vornado Realty Trust	**Maryland**	**22-1657560**
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
Vornado Realty L.P.	**Delaware**	**13-3925979**
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York 10019
(Address of principal executive offices) (Zip Code)

(212) 894-7000
(Registrants’ telephone number, including area code)

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

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

Vornado Realty Trust: Yes No Vornado Realty L.P.: Yes No

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

Vornado Realty Trust: Yes No Vornado Realty L.P.: Yes No

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

Vornado Realty Trust:

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company
	Emerging Growth Company

Vornado Realty L.P.:

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company
	Emerging Growth Company

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

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

As of March 31, 2019, 190,761,498 of Vornado Realty Trust’s common shares of beneficial interest are outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2019 of Vornado Realty Trust and Vornado Realty L.P. Unless stated otherwise or the context otherwise requires, references to “Vornado” refer to Vornado Realty Trust, a Maryland real estate investment trust (“REIT”), and references to the “Operating Partnership” refer to Vornado Realty L.P., a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean collectively Vornado, the Operating Partnership and those subsidiaries consolidated by Vornado.

The Operating Partnership is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. Vornado is the sole general partner and also a 93.4% limited partner of the Operating Partnership. As the sole general partner of the Operating Partnership, Vornado has exclusive control of the Operating Partnership’s day-to-day management.

Under the limited partnership agreement of the Operating Partnership, unitholders may present their Class A units for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Class A units may be tendered for redemption to the Operating Partnership for cash; Vornado, at its option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. Vornado generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having the Operating Partnership pay cash. With each such exchange or redemption, Vornado’s percentage ownership in the Operating Partnership will increase. In addition, whenever Vornado issues common shares other than to acquire Class A units of the Operating Partnership, Vornado must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to Vornado an equivalent number of Class A units of the Operating Partnership. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of Vornado and the Operating Partnership into this single report provides the following benefits:

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

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

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

- Item 1. Financial Statements (unaudited), which includes the following specific disclosures for Vornado Realty Trust and Vornado Realty L.P.:
- Note 12. Redeemable Noncontrolling Interests/Redeemable Partnership Units
- Note 13. Shareholders' Equity/Partners' Capital
- Note 19. Income (Loss) Per Share/Income (Loss) Per Class A Unit
- Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of Vornado and the Operating Partnership in order to establish that the requisite certifications have been made and that Vornado and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except unit, share, and per share amounts)	**March 31, 2019**	**December 31, 2018**
ASSETS		
Real estate, at cost:		
Land	$ 2,608,770	$ 3,306,280
Buildings and improvements	7,821,301	10,110,992
Development costs and construction in progress	1,961,512	2,266,491
Moynihan Train Hall development expenditures	550,996	445,693
Leasehold improvements and equipment	115,756	108,427
Total	13,058,335	16,237,883
Less accumulated depreciation and amortization	(2,845,120)	(3,180,175)
Real estate, net	10,213,215	13,057,708
Assets held for sale	3,027,058	—
Right-of-use assets	457,662	—
Cash and cash equivalents	307,047	570,916
Restricted cash	593,759	145,989
Marketable securities	39,866	152,198
Tenant and other receivables, net of allowance for doubtful accounts of $4,154 as of December 31, 2018	73,404	73,322
Investments in partially owned entities	730,264	858,113
Real estate fund investments	322,858	318,758
220 Central Park South condominium units ready for sale	229,567	99,627
Receivable arising from the straight-lining of rents, net of allowance of $1,644 as of December 31, 2018	766,634	935,131
Deferred leasing costs, net of accumulated amortization of $180,953 and $207,529	345,241	400,313
Identified intangible assets, net of accumulated amortization of $97,749 and $172,114	34,161	136,781
Other assets	497,219	431,938
	$ 17,637,955	$ 17,180,794
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable, net	$ 6,519,189	$ 8,167,798
Senior unsecured notes, net	845,261	844,002
Unsecured term loan, net	745,076	744,821
Unsecured revolving credit facilities	530,000	80,000
Liabilities related to assets held for sale	1,097,350	—
Lease liabilities	484,173	—
Moynihan Train Hall obligation	550,996	445,693
Accounts payable and accrued expenses	442,496	430,976
Deferred revenue	71,328	167,730
Deferred compensation plan	101,922	96,523
Other liabilities	292,187	311,806
Total liabilities	11,679,978	11,289,349
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,789,891 and 12,544,477 units outstanding	862,550	778,134
Series D cumulative redeemable preferred units - 141,401 and 177,101 units outstanding	4,535	5,428
Total redeemable noncontrolling interests	867,085	783,562

Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 36,797,580 and 36,798,580 shares	891,263	891,294
Common shares of beneficial interest: $0.04 par value per share; authorized 250,000,000 shares; issued and outstanding 190,761,498 and 190,535,499 shares	7,609	7,600
Additional capital	7,676,770	7,725,857
Earnings less than distributions	(4,120,265)	(4,167,184)
Accumulated other comprehensive (loss) income	(11,385)	7,664
Total shareholders' equity	4,443,992	4,465,231
Noncontrolling interests in consolidated subsidiaries	646,900	642,652
Total equity	5,090,892	5,107,883
	$ 17,637,955	$ 17,180,794

See notes to consolidated financial statements (unaudited).

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands, except per share amounts)	For the Three Months Ended March 31, 2019	2018
REVENUES:		
Rental revenues	$499,877	$500,420
Fee and other income	34,791	36,017
Total revenues	534,668	536,437
EXPENSES:		
Operating	(246,895)	(237,602)
Depreciation and amortization	(116,709)	(108,686)
General and administrative	(58,020)	(42,533)
(Expense) benefit from deferred compensation plan liability	(5,433)	404
Transaction related costs and other	(149)	(13,156)
Total expenses	(427,206)	(401,573)
Income (loss) from partially owned entities	7,320	(9,904)
Loss from real estate fund investments	(167)	(8,807)
Interest and other investment income (loss), net	5,045	(24,384)
Income (loss) from deferred compensation plan assets	5,433	(404)
Interest and debt expense	(102,463)	(88,166)
Net gains on disposition of wholly owned and partially owned assets	220,294	—
Income before income taxes	242,924	3,199
Income tax expense	(29,743)	(2,554)
Income from continuing operations	213,181	645
Loss from discontinued operations	(137)	(363)
Net income	213,044	282
Less net (income) loss attributable to noncontrolling interests in:		
Consolidated subsidiaries	(6,820)	8,274
Operating Partnership	(12,202)	1,124
Net income attributable to Vornado	194,022	9,680
Preferred share dividends	(12,534)	(13,035)
Preferred share issuance costs	—	(14,486)
NET INCOME (LOSS) attributable to common shareholders	$181,488	$(17,841)
INCOME (LOSS) PER COMMON SHARE – BASIC:		
Net income (loss) per common share	$0.95	$(0.09)
Weighted average shares outstanding	190,689	190,081
INCOME (LOSS) PER COMMON SHARE – DILUTED:		
Net income (loss) per common share	$0.95	$(0.09)
Weighted average shares outstanding	190,996	190,081

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2019	**2018**
Net income	$ 213,044	$ 282
Other comprehensive (loss) income:		
(Reduction) increase in value of interest rate swaps	(17,029)	10,258
Amount reclassified from accumulated other comprehensive loss relating to a nonconsolidated subsidiary	(2,311)	—
Other comprehensive (loss) income of nonconsolidated subsidiaries	(985)	346
Comprehensive income	192,719	10,886
Less comprehensive (income) loss attributable to noncontrolling interests	(17,746)	8,744
Comprehensive income attributable to Vornado	$ 174,973	$ 19,630

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2018	36,800	$ 891,294	190,535	$ 7,600	$ 7,725,857	$ (4,167,184)	$ 7,664	$ 642,652	$ 5,107,883
Net income attributable to Vornado	—	—	—	—	—	194,022	—	—	194,022
Net income attributable to noncontrolling interests in consolidated subsidiaries	—	—	—	—	—	—	—	6,820	6,820
Dividends on common shares	—	—	—	—	—	(125,876)	—	—	(125,876)
Dividends on preferred shares	—	—	—	—	—	(12,534)	—	—	(12,534)
Common shares issued:									
Upon redemption of Class A units, at redemption value	—	—	48	2	3,179	—	—	—	3,181
Under employees' share option plan	—	—	162	7	1,164	(8,692)	—	—	(7,521)
Under dividend reinvestment plan	—	—	5	—	340	—	—	—	340
Contributions:									
Real estate fund investments	—	—	—	—	—	—	—	3,384	3,384
Other	—	—	—	—	—	—	—	1,810	1,810
Distributions:									
Real estate fund investments	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	(7,764)	(7,764)
Conversion of Series A preferred shares to common shares	(1)	(31)	2	—	31	—	—	—	—
Deferred compensation shares and options	—	—	9	—	297	—	—	—	297
Amount reclassified related to a nonconsolidated subsidiary	—	—	—	—	—	—	(2,311)	—	(2,311)
Other comprehensive loss of nonconsolidated subsidiaries	—	—	—	—	—	—	(985)	—	(985)
Reduction in value of interest rate swaps	—	—	—	—	—	—	(17,029)	—	(17,029)
Unearned 2016 Out-Performance Plan awards acceleration	—	—	—	—	11,720	—	—	—	11,720
Adjustments to carry redeemable Class A units at redemption value	—	—	—	—	(65,818)	—	—	—	(65,818)
Redeemable noncontrolling interests' share of above adjustments	—	—	—	—	—	—	1,276	—	1,276
Other	(1)	—	—	—	—	(1)	—	(2)	(3)
Balance, March 31, 2019	36,798	$ 891,263	190,761	$ 7,609	$ 7,676,770	$ (4,120,265)	$ (11,385)	$ 646,900	$ 5,090,892

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2017	36,800	$891,988	189,984	$7,577	$7,492,658	$(4,183,253)	$128,682	$670,049	$5,007,701
Cumulative effect of accounting change	—	—	—	—	—	122,893	(108,374)	—	14,519
Net income attributable to Vornado	—	—	—	—	—	9,680	—	—	9,680
Net loss attributable to noncontrolling interests in consolidated subsidiaries	—	—	—	—	—	—	—	(8,274)	(8,274)
Dividends on common shares	—	—	—	—	—	(119,764)	—	—	(119,764)
Dividends on preferred shares	—	—	—	—	—	(13,035)	—	—	(13,035)
Preferred share issuance costs	—	—	—	—	—	(14,486)	—	—	(14,486)
Common shares issued:									
Upon redemption of Class A units, at redemption value	—	—	118	5	8,387	—	—	—	8,392
Under employees' share option plan	—	—	55	2	3,432	—	—	—	3,434
Under dividend reinvestment plan	—	—	5	—	335	—	—	—	335
Contributions	—	—	—	—	—	—	—	8,370	8,370
Distributions:									
Real estate fund investments	—	—	—	—	—	—	—	(1,910)	(1,910)
Other	—	—	—	—	—	—	—	(3,450)	(3,450)
Preferred share issuance	—	(663)	—	—	—	—	—	—	(663)
Deferred compensation shares and options	—	—	7	—	298	(121)	—	—	177
Other comprehensive income of nonconsolidated subsidiaries	—	—	—	—	—	—	346	—	346
Increase in value of interest rate swaps	—	—	—	—	—	—	10,258	—	10,258
Unearned 2015 Out-Performance Plan awards acceleration	—	—	—	—	9,046	—	—	—	9,046
Adjustments to carry redeemable Class A units at redemption value	—	—	—	—	114,856	—	—	—	114,856
Redeemable noncontrolling interests' share of above adjustments	—	—	—	—	—	—	(654)	—	(654)
Other	—	—	—	—	1	(2)	—	1	—
Balance, March 31, 2018	36,800	$891,325	190,169	$7,584	$7,629,013	$(4,198,088)	$30,258	$664,786	$5,024,878

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Cash Flows from Operating Activities:		
Net income	$213,044	$ 282
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on disposition of wholly owned and partially owned assets	(220,294)	—
Depreciation and amortization (including amortization of deferred financing costs)	123,135	115,337
Stock-based compensation expense	31,654	13,669
Distributions of income from partially owned entities	14,316	20,559
Equity in net (income) loss of partially owned entities	(7,320)	9,904
Amortization of below-market leases, net	(6,525)	(10,581)
Straight-lining of rents	1,140	(7,430)
(Increase) decrease in fair value of marketable securities	(461)	32,986
Net realized and unrealized (gain) loss on real estate fund investments	(100)	911
Return of capital from real estate fund investments	—	14,966
Other non-cash adjustments	1,639	1,067
Changes in operating assets and liabilities:		
Real estate fund investments	(4,000)	(2,950)
Tenant and other receivables, net	(835)	(5,702)
Prepaid assets	(82,862)	77,053
Other assets	(6,044)	(15,151)
Accounts payable and accrued expenses	10,426	19,835
Other liabilities	(2,795)	663
Net cash provided by operating activities	64,118	265,418
Cash Flows from Investing Activities:		
Proceeds from sale of condominium units at 220 Central Park South	425,484	—
Proceeds from sales of marketable securities	167,755	—
Development costs and construction in progress	(143,302)	(86,808)
Moynihan Train Hall expenditures	(123,533)	—
Proceeds from sale of real estate and related investment	108,512	—
Additions to real estate	(55,759)	(54,284)
Distributions of capital from partially owned entities	24,851	2,086
Investments in partially owned entities	(918)	(7,519)
Proceeds from repayments of loans receivable	204	—
Acquisitions of real estate and other	—	(44,095)
Net cash provided by (used in) investing activities	403,294	(190,620)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Cash Flows from Financing Activities:		
Repayments of borrowings	$(686,555)	$(144,822)
Proceeds from borrowings	456,741	185,701
Dividends paid on common shares	(125,876)	(119,764)
Moynihan Train Hall reimbursement from Empire State Development	123,533	—
Distributions to noncontrolling interests	(16,252)	(13,266)
Dividends paid on preferred shares	(12,534)	(16,628)
Debt issuance costs	(10,860)	(3,300)
Repurchase of shares related to stock compensation agreements and related tax withholdings and other	(8,692)	(784)
Contributions from noncontrolling interests	5,194	8,370
Proceeds received from exercise of employee share options and other	1,511	3,769
Redemption of preferred shares	(893)	(470,000)
Debt prepayment and extinguishment costs	—	(818)
Net cash used in financing activities	(274,683)	(571,542)
Net increase (decrease) in cash and cash equivalents and restricted cash	192,729	(496,744)
Cash and cash equivalents and restricted cash at beginning of period	716,905	1,914,812
Cash and cash equivalents and restricted cash at end of period	$909,634	$1,418,068
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	$570,916	$1,817,655
Restricted cash at beginning of period	145,989	97,157
Cash and cash equivalents and restricted cash at beginning of period	$716,905	$1,914,812
Cash and cash equivalents at end of period	$307,047	$1,327,384
Restricted cash at end of period	593,759	90,684
Restricted cash included in "assets held for sale" at end of period	8,828	—
Cash and cash equivalents and restricted cash at end of period	$909,634	$1,418,068
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest, excluding capitalized interest of $21,371 and $13,272	$85,796	$84,566
Cash payments for income taxes	$8,741	$1,646
Non-Cash Investing and Financing Activities:		
Reclassification of assets and related liabilities held for sale:		
Assets held for sale	$3,027,058	$—
Liabilities related to assets held for sale	1,097,350	—
Lease liabilities arising from the recognition of right-of-use assets	526,866	—
Reclassification of condominium units from "development costs and construction in progress" to "220 Central Park South condominium units ready for sale"	395,893	—
Accrued capital expenditures included in accounts payable and accrued expenses	77,115	51,431
Adjustments to carry redeemable Class A units at redemption value	(65,818)	114,856
Write-off of fully depreciated assets	(58,309)	(15,707)
	54,962	—

Amounts related to our investment in Pennsylvania Real Estate Investment Trust reclassified from "investments in partially owned entities" and "accumulated other comprehensive income" to "marketable securities" upon conversion of operating partnership units to common shares

See notes to consolidated financial statements (unaudited).

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VORNADO REALTY L.P.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except unit amounts)	March 31, 2019	December 31, 2018
ASSETS		
Real estate, at cost:		
Land	$ 2,608,770	$ 3,306,280
Buildings and improvements	7,821,301	10,110,992
Development costs and construction in progress	1,961,512	2,266,491
Moynihan Train Hall development expenditures	550,996	445,693
Leasehold improvements and equipment	115,756	108,427
Total	13,058,335	16,237,883
Less accumulated depreciation and amortization	(2,845,120)	(3,180,175)
Real estate, net	10,213,215	13,057,708
Assets held for sale	3,027,058	—
Right-of-use assets	457,662	—
Cash and cash equivalents	307,047	570,916
Restricted cash	593,759	145,989
Marketable securities	39,866	152,198
Tenant and other receivables, net of allowance for doubtful accounts of $4,154 as of December 31, 2018	73,404	73,322
Investments in partially owned entities	730,264	858,113
Real estate fund investments	322,858	318,758
220 Central Park South condominium units ready for sale	229,567	99,627
Receivable arising from the straight-lining of rents, net of allowance of $1,644 as of December 31, 2018	766,634	935,131
Deferred leasing costs, net of accumulated amortization of $180,953 and $207,529	345,241	400,313
Identified intangible assets, net of accumulated amortization of $97,749 and $172,114	34,161	136,781
Other assets	497,219	431,938
	$ 17,637,955	$ 17,180,794
LIABILITIES, REDEEMABLE PARTNERSHIP UNITS AND EQUITY		
Mortgages payable, net	$ 6,519,189	$ 8,167,798
Senior unsecured notes, net	845,261	844,002
Unsecured term loan, net	745,076	744,821
Unsecured revolving credit facilities	530,000	80,000
Liabilities related to assets held for sale	1,097,350	—
Lease liabilities	484,173	—
Moynihan Train Hall obligation	550,996	445,693
Accounts payable and accrued expenses	442,496	430,976
Deferred revenue	71,328	167,730
Deferred compensation plan	101,922	96,523
Other liabilities	292,187	311,806
Total liabilities	11,679,978	11,289,349
Commitments and contingencies		
Redeemable partnership units:		
Class A units - 12,789,891 and 12,544,477 units outstanding	862,550	778,134
Series D cumulative redeemable preferred units - 141,401 and 177,101 units outstanding	4,535	5,428
Total redeemable partnership units	867,085	783,562
Partners' equity:		

Partners' capital	8,575,642	8,624,751
Earnings less than distributions	(4,120,265)	(4,167,184)
Accumulated other comprehensive (loss) income	(11,385)	7,664
Total partners' equity	4,443,992	4,465,231
Noncontrolling interests in consolidated subsidiaries	646,900	642,652
Total equity	5,090,892	5,107,883
	$ 17,637,955	$ 17,180,794

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands, except per unit amounts)	For the Three Months Ended March 31, 2019	2018
REVENUES:		
Rental revenues	$499,877	$500,420
Fee and other income	34,791	36,017
Total revenues	534,668	536,437
EXPENSES:		
Operating	(246,895)	(237,602)
Depreciation and amortization	(116,709)	(108,686)
General and administrative	(58,020)	(42,533)
(Expense) benefit from deferred compensation plan liability	(5,433)	404
Transaction related costs and other	(149)	(13,156)
Total expenses	(427,206)	(401,573)
Income (loss) from partially owned entities	7,320	(9,904)
Loss from real estate fund investments	(167)	(8,807)
Interest and other investment income (loss), net	5,045	(24,384)
Income (loss) from deferred compensation plan assets	5,433	(404)
Interest and debt expense	(102,463)	(88,166)
Net gains on disposition of wholly owned and partially owned assets	220,294	—
Income before income taxes	242,924	3,199
Income tax expense	(29,743)	(2,554)
Income from continuing operations	213,181	645
Loss from discontinued operations	(137)	(363)
Net income	213,044	282
Less net (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(6,820)	8,274
Net income attributable to Vornado Realty L.P.	206,224	8,556
Preferred unit distributions	(12,575)	(13,084)
Preferred unit issuance costs	—	(14,486)
NET INCOME (LOSS) attributable to Class A unitholders	$193,649	$(19,014)
INCOME (LOSS) PER CLASS A UNIT – BASIC:		
Net income (loss) per Class A unit	$0.95	$(0.10)
Weighted average units outstanding	202,772	201,929
INCOME (LOSS) PER CLASS A UNIT – DILUTED:		
Net income (loss) per Class A unit	$0.95	$(0.10)
Weighted average units outstanding	203,344	201,929

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2019	**2018**
Net income	$ 213,044	$ 282
Other comprehensive (loss) income:		
(Reduction) increase in value of interest rate swaps	(17,029)	10,258
Amount reclassified from accumulated other comprehensive loss relating to a nonconsolidated subsidiary	(2,311)	—
Other comprehensive (loss) income of nonconsolidated subsidiaries	(985)	346
Comprehensive income	192,719	10,886
Less comprehensive (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(6,820)	8,274
Comprehensive income attributable to Vornado Realty L.P.	$ 185,899	$ 19,160

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

(Amounts in thousands)	Preferred Units		Class A Units Owned by Vornado		Earnings Less Than Distributions	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Units	Amount	Units	Amount				
Balance, December 31, 2018	36,800	$891,294	190,535	$7,733,457	$(4,167,184)	$ 7,664	$ 642,652	$5,107,883
Net income attributable to Vornado Realty L.P.	—	—	—	—	206,224	—	—	206,224
Net income attributable to redeemable partnership units	—	—	—	—	(12,202)	—	—	(12,202)
Net income attributable to noncontrolling interests in consolidated subsidiaries	—	—	—	—	—	—	6,820	6,820
Distributions to Vornado	—	—	—	—	(125,876)	—	—	(125,876)
Distributions to preferred unitholders	—	—	—	—	(12,534)	—	—	(12,534)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	—	—	48	3,181	—	—	—	3,181
Under Vornado's employees' share option plan	—	—	162	1,171	(8,692)	—	—	(7,521)
Under Vornado's dividend reinvestment plan	—	—	5	340	—	—	—	340
Contributions:								
Real estate fund investments	—	—	—	—	—	—	3,384	3,384
Other	—	—	—	—	—	—	1,810	1,810
Distributions:								
Other	—	—	—	—	—	—	(7,764)	(7,764)
Conversion of Series A preferred units to Class A units	(1)	(31)	2	31	—	—	—	—
Deferred compensation units and options	—	—	9	297	—	—	—	297
Amount reclassified related to a nonconsolidated subsidiary	—	—	—	—	—	(2,311)	—	(2,311)
Other comprehensive loss of nonconsolidated subsidiaries	—	—	—	—	—	(985)	—	(985)
Reduction in value of interest rate swaps	—	—	—	—	—	(17,029)	—	(17,029)
Unearned 2016 Out-Performance Plan awards acceleration	—	—	—	11,720	—	—	—	11,720
Adjustments to carry redeemable Class A units at redemption value	—	—	—	(65,818)	—	—	—	(65,818)
Redeemable partnership units' share of above adjustments	—	—	—	—	—	1,276	—	1,276
Other	(1)	—	—	—	(1)	—	(2)	(3)
Balance, March 31, 2019	36,798	$891,263	190,761	$7,684,379	$(4,120,265)	$ (11,385)	$ 646,900	$5,090,892

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED (UNAUDITED)

(Amounts in thousands)	Preferred Units		Class A Units Owned by Vornado		Earnings Less Than Distributions	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Units	Amount	Units	Amount				
Balance, December 31, 2017	36,800	$891,988	189,984	$7,500,235	$(4,183,253)	$ 128,682	$ 670,049	5,007,701
Cumulative effect of accounting change	—	—	—	—	122,893	(108,374)	—	14,519
Net income attributable to Vornado Realty L.P.	—	—	—	—	8,556	—	—	8,556
Net income attributable to redeemable partnership units	—	—	—	—	1,124	—	—	1,124
Net loss attributable to noncontrolling interests in consolidated subsidiaries	—	—	—	—	—	—	(8,274)	(8,274)
Distributions to Vornado	—	—	—	—	(119,764)	—	—	(119,764)
Distributions to preferred unitholders	—	—	—	—	(13,035)	—	—	(13,035)
Preferred unit issuance costs	—	—	—	—	(14,486)	—	—	(14,486)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	—	—	118	8,392	—	—	—	8,392
Under Vornado's employees' share option plan	—	—	55	3,434	—	—	—	3,434
Under Vornado's dividend reinvestment plan	—	—	5	335	—	—	—	335
Contributions	—	—	—	—	—	—	8,370	8,370
Distributions:								
Real estate fund investments	—	—	—	—	—	—	(1,910)	(1,910)
Other	—	—	—	—	—	—	(3,450)	(3,450)
Preferred unit issuance	—	(663)	—	—	—	—	—	(663)
Deferred compensation units and options	—	—	7	298	(121)	—	—	177
Other comprehensive income of nonconsolidated subsidiaries	—	—	—	—	—	346	—	346
Increase in value of interest rate swaps	—	—	—	—	—	10,258	—	10,258
Unearned 2015 Out-Performance Plan awards acceleration	—	—	—	9,046	—	—	—	9,046
Adjustments to carry redeemable Class A units at redemption value	—	—	—	114,856	—	—	—	114,856
Redeemable partnership units' share of above adjustments	—	—	—	—	—	(654)	—	(654)
Other	—	—	—	1	(2)	—	1	—
Balance, March 31, 2018	36,800	$891,325	190,169	$7,636,597	$(4,198,088)	$ 30,258	$ 664,786	$5,024,878

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2019	**2018**
Cash Flows from Operating Activities:		
Net income	$213,044	$ 282
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on disposition of wholly owned and partially owned assets	(220,294)	—
Depreciation and amortization (including amortization of deferred financing costs)	123,135	115,337
Stock-based compensation expense	31,654	13,669
Distributions of income from partially owned entities	14,316	20,559
Equity in net (income) loss of partially owned entities	(7,320)	9,904
Amortization of below-market leases, net	(6,525)	(10,581)
Straight-lining of rents	1,140	(7,430)
(Increase) decrease in fair value of marketable securities	(461)	32,986
Net realized and unrealized (gain) loss on real estate fund investments	(100)	911
Return of capital from real estate fund investments	—	14,966
Other non-cash adjustments	1,639	1,067
Changes in operating assets and liabilities:		
Real estate fund investments	(4,000)	(2,950)
Tenant and other receivables, net	(835)	(5,702)
Prepaid assets	(82,862)	77,053
Other assets	(6,044)	(15,151)
Accounts payable and accrued expenses	10,426	19,835
Other liabilities	(2,795)	663
Net cash provided by operating activities	64,118	265,418
Cash Flows from Investing Activities:		
Proceeds from sale of condominium units at 220 Central Park South	425,484	—
Proceeds from sales of marketable securities	167,755	—
Development costs and construction in progress	(143,302)	(86,808)
Moynihan Train Hall expenditures	(123,533)	—
Proceeds from sale of real estate and related investment	108,512	—
Additions to real estate	(55,759)	(54,284)
Distributions of capital from partially owned entities	24,851	2,086
Investments in partially owned entities	(918)	(7,519)
Proceeds from repayments of loans receivable	204	—
Acquisitions of real estate and other	—	(44,095)
Net cash provided by (used in) investing activities	403,294	(190,620)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED (UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Cash Flows from Financing Activities:		
Repayments of borrowings	$(686,555)	$(144,822)
Proceeds from borrowings	456,741	185,701
Distributions to Vornado	(125,876)	(119,764)
Moynihan Train Hall reimbursement from Empire State Development	123,533	—
Distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries	(16,252)	(13,266)
Distributions to preferred unitholders	(12,534)	(16,628)
Debt issuance costs	(10,860)	(3,300)
Repurchase of Class A units related to stock compensation agreements and related tax withholdings and other	(8,692)	(784)
Contributions from noncontrolling interests in consolidated subsidiaries	5,194	8,370
Proceeds received from exercise of Vornado stock options and other	1,511	3,769
Redemption of preferred units	(893)	(470,000)
Debt prepayment and extinguishment costs	—	(818)
Net cash used in financing activities	(274,683)	(571,542)
Net increase (decrease) in cash and cash equivalents and restricted cash	192,729	(496,744)
Cash and cash equivalents and restricted cash at beginning of period	716,905	1,914,812
Cash and cash equivalents and restricted cash at end of period	$909,634	$1,418,068
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	$570,916	$1,817,655
Restricted cash at beginning of period	145,989	97,157
Cash and cash equivalents and restricted cash at beginning of period	$716,905	$1,914,812
Cash and cash equivalents at end of period	$307,047	$1,327,384
Restricted cash at end of period	593,759	90,684
Restricted cash included in "assets held for sale" at end of period	8,828	—
Cash and cash equivalents and restricted cash at end of period	$909,634	$1,418,068
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest, excluding capitalized interest of $21,371 and $13,272	$85,796	$84,566
Cash payments for income taxes	$8,741	$1,646
Non-Cash Investing and Financing Activities:		
Reclassification of assets and related liabilities held for sale:		
Assets held for sale	$3,027,058	$—
Liabilities related to assets held for sale	1,097,350	—
Lease liabilities arising from the recognition of right-of-use assets	526,866	—
Reclassification of condominium units from "development costs and construction in progress" to "220 Central Park South condominium units ready for sale"	395,893	—
Accrued capital expenditures included in accounts payable and accrued expenses	77,115	51,431
Adjustments to carry redeemable Class A units at redemption value	(65,818)	114,856
Write-off of fully depreciated assets	(58,309)	(15,707)
Amounts related to our investment in Pennsylvania Real Estate Investment Trust reclassified from "investments in partially owned entities" and "accumulated other comprehensive income" to "marketable securities" upon conversion of operating partnership units to common shares	54,962	—

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

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 93.4% of the common limited partnership interest in the Operating Partnership as of March 31, 2019. All references to the "Company," "we," "us" and "our" mean, collectively, Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and include the accounts of Vornado and the Operating Partnership and their consolidated subsidiaries. All inter-company amounts have been eliminated and all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results for the full year.

Certain prior year balances have been reclassified in order to conform to the current period presentation. For the three months ended March 31, 2018, expense of $1,100,000 related to New York City Unincorporated Business Tax was reclassified from "general and administrative" expenses to "income tax expense" on our consolidated statements of income. In addition, for the three months ended March 31, 2018, "property rentals" and "tenant expense reimbursements" of $440,110,000 and $60,310,000, respectively, were grouped into "rental revenues" on our consolidated statements of income in accordance with Accounting Standards Codification ("ASC") Topic 205, *Presentation of Financial Statements.*

3. Recently Issued Accounting Literature

In February 2016, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2016-02") establishing ASC Topic 842, *Leases* ("ASC 842"), as amended by subsequent ASUs on the topic, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset ("ROU") and a lease liability for all leases with a term of greater than 12 months. Lease liabilities equal the present value of future lease payments. Right-of-use assets equal the lease liabilities less adjustments for accrued rent expense, initial direct costs and prepaid lease payments. Leases with a term of 12 months or less will be accounted for similar to the previously existing lease guidance under ASC Topic 840, *Leases* ("ASC 840"). Lease expense is recognized based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied by the lessor is largely unchanged from that applied under ASC 840. We adopted this standard effective January 1, 2019. We have completed our evaluation of the overall impact of the adoption of ASU 2016-02 on our consolidated financial statements and accounting policies. In transitioning to ASC 842, we elected to use the practical expedient package available to us and did not elect to use hindsight. We have 12 ground leases, which are classified as operating leases, for which we are required to record a right-of-use asset and a lease liability equal to the present value of the future lease payments, and will continue to recognize expense on a straight-line basis for these leases. On January 1, 2019, we recorded an aggregate of $526,866,000 of right-of-use assets and a corresponding $526,866,000 of lease liabilities as a result of the adoption of this standard (see Note 20 - *Leases*).

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

3. Recently Issued Accounting Literature - continued

Under ASU 2016-02, initial direct costs for both lessees and lessors would include only those costs that are incremental to the arrangement and would not have been incurred if the lease had not been obtained. As a result, beginning January 1, 2019, we no longer capitalize internal leasing costs and instead expense these costs as incurred, as a component of "general and administrative" expense on our consolidated statements of income. For the three months ended March 31, 2018, we capitalized $1,348,000 of internal leasing costs. In addition, the new standard requires changes to our provision policy for lease receivables. Under ASC 842, we must assess whether it is probable that we will collect substantially all of the lease payments based on the credit risk factors of our tenants. Changes to the collectability of our operating leases are recorded as adjustments to "rental revenues" on our consolidated statements of income which resulted in a $890,000 decrease for the three months ending March 31, 2019.

In February 2016, the FASB issued an update (“ASU 2016-13”) *Measurement of Credit Losses on Financial Instruments* establishing ASC Topic 326, *Financial Instruments - Credit Losses* (“ASC 326”), as amended by subsequent ASUs on the topic. ASU 2016-13 changes how entities will account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current “incurred loss” model with an “expected loss” model that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of the financial asset. ASU 2016-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2019. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements, but do not believe the adoption of this standard will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued an update (“ASU 2018-13”) *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* to ASC Topic 820, *Fair Value Measurement* (“ASC 820”). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures. ASU 2018-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2019. We elected to early adopt ASU 2018-13 effective January 1, 2019. The adoption of this update did not have a material impact on our consolidated financial statements and disclosures.

In October 2018, the FASB issued an update ("ASU 2018-16") *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* to ASC Topic 815, *Derivatives and Hedging*. ASU 2018-16 expands the list of U.S. benchmark interest rates permitted in the application of hedge accounting by adding the OIS rate based on SOFR as an eligible benchmark interest rate. ASU 2018-16 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2018. We adopted this update effective January 1, 2019. The adoption of this update did not have an impact on our consolidated financial statements.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

4. Revenue Recognition

Our revenues primarily consist of rental revenues and fee and other income. We operate in two reportable segments: New York and Other, with a significant portion of our revenues included in the New York segment. We have the following revenue sources and revenue recognition policies:

- Rental revenues include revenues from the leasing of space at our properties to tenants and revenues from the Hotel Pennsylvania, trade shows and tenant services.

Revenues from the leasing of space at our properties to tenants includes (i) lease components, including fixed and variable lease payments, and nonlease components which include reimbursement of common area maintenance expenses, and (ii) reimbursement of real estate taxes and insurance expenses. As lessor, we have elected to combine the lease and nonlease components of our operating lease agreements and account for the components as a single lease component in accordance with ASC 842. Lease revenues and reimbursement of common area maintenance, real estate taxes and insurance are presented on the following page as "property rentals." Revenues derived from fixed lease payments are recognized on a straight-line basis over the non-cancelable period of the lease, together with renewal options that are reasonably certain of being exercised. We commence rental revenue recognition when the underlying asset is available for use by the lessee. Revenue derived from the reimbursement of real estate taxes, insurance expenses and common area maintenance expenses are generally recognized in the same period as the related expenses are incurred.

Hotel revenue arising from the operation of Hotel Pennsylvania consists of room revenue, food and beverage revenue, and banquet revenue. Room revenue is recognized when the rooms are made available for the guest, in accordance with ASC 842.

Trade shows revenue arising from the operation of trade shows is primarily booth rentals. This revenue is recognized upon the occurrence of the trade shows when the trade show booths are made available for use by the exhibitors, in accordance with ASC 842.

Tenant services revenue arises from sub-metered electric, elevator, trash removal and other services provided to tenants at their request. This revenue is recognized as the services are transferred in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

- Fee and other income includes management, leasing and other revenue arising from contractual agreements with third parties or with partially owned entities, and includes Building Maintenance Service ("BMS") cleaning, engineering and security services. This revenue is recognized as the services are transferred in accordance with ASC 606.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

4. Revenue Recognition - continued

Below is a summary of our revenues by segment. Additional financial information related to these reportable segments for the three months ended March 31, 2019 and 2018 is set forth in Note 22 - *Segment Information.*

(Amounts in thousands)	For the Three Months Ended March 31, 2019		
	Total	New York	Other
Property rentals	$457,741	$385,803	$71,938
Hotel Pennsylvania	12,609	12,609	—
Trade shows	16,956	—	16,956
Lease revenues	487,306	398,412	88,894
Tenant services	12,571	9,225	3,346
Rental revenues	499,877	407,637	92,240
BMS cleaning fees	29,785	31,757	(1,972)[(1)]
Management and leasing fees	2,237	2,251	(14)
Other income	2,769	1,640	1,129
Fee and other income	34,791	35,648	(857)
Total revenues	$534,668	$443,285	$91,383

(1) Represents the elimination of theMART and 555 California Street BMS cleaning fees which are included as income in the New York segment.

(Amounts in thousands)	For the Three Months Ended March 31, 2018		
	Total	New York	Other
Property rentals	$454,403	$389,385	$65,018
Hotel Pennsylvania	14,680	14,680	—
Trade shows	18,873	—	18,873
Lease revenues	487,956	404,065	83,891
Tenant services	12,464	9,771	2,693
Rental revenues	500,420	413,836	86,584
BMS cleaning fees	28,355	30,153	(1,798)[(1)]
Management and leasing fees	2,764	2,481	283
Other income	4,898	2,014	2,884
Fee and other income	36,017	34,648	1,369
Total revenues	$536,437	$448,484	$87,953

(1) Represents the elimination of theMART and 555 California Street BMS cleaning fees which are included as income in the New York segment.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

5. Real Estate Fund Investments

We are the general partner and investment manager of Vornado Capital Partners Real Estate Fund (the “Fund”) and own a 25.0% interest in the Fund, which had an initial eight-year term ending February 2019. On January 29, 2018, the Fund's term was extended to February 2023. The Fund's three-year investment period ended in July 2013. The Fund is accounted for under ASC Topic 946, *Financial Services – Investment Companies* (“ASC 946”) and its investments are reported on its balance sheet at fair value, with changes in value each period recognized in earnings. We consolidate the accounts of the Fund into our consolidated financial statements, retaining the fair value basis of accounting.

We are also the general partner and investment manager of the Crowne Plaza Times Square Hotel Joint Venture (the “Crowne Plaza Joint Venture”) and own a 57.1% interest in the joint venture which owns the 24.7% interest in the Crowne Plaza Times Square Hotel not owned by the Fund. The Crowne Plaza Joint Venture is also accounted for under ASC 946 and we consolidate the accounts of the joint venture into our consolidated financial statements, retaining the fair value basis of accounting.

As of March 31, 2019, we had four real estate fund investments through the Fund and the Crowne Plaza Joint Venture with an aggregate fair value of $322,858,000, or $6,706,000 below our cost, and had remaining unfunded commitments of $44,194,000, of which our share was $13,969,000. At December 31, 2018, we had four real estate fund investments with an aggregate fair value of $318,758,000.

Below is a summary of loss from the Fund and the Crowne Plaza Joint Venture for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	**For the Three Months Ended March 31, 2019**	**2018**
Net investment (loss) income	$ (267)	$ 2,734
Net unrealized gain on held investments	100	—
New York City real property transfer tax (the "Transfer Tax")	—	(10,630) [(1)]
Net realized loss on exited investments	—	(911)
Loss from real estate fund investments	(167)	(8,807)
Less (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(2,737)	5,369
Loss from real estate fund investments attributable to the Operating Partnership	(2,904)	(3,438)
Less loss attributable to noncontrolling interests in the Operating Partnership	182	212
Loss from real estate fund investments attributable to Vornado	$ (2,722)	$ (3,226)

(1) Due to the disputed additional Transfer Tax related to the March 2011 acquisition of One Park Avenue which was recorded as a result of the New York City Tax Appeals Tribunal (the "Tax Tribunal") decision in the first quarter of 2018. We appealed the Tax Tribunal's decision to the New York State Supreme Court, Appellate Division, First Department ("Appellate Division"). Our appeal was heard on April 2, 2019, and on April 25, 2019 the Appellate Division entered a unanimous decision and order that confirmed the decision of the Tax Tribunal and dismissed our appeal. We are currently evaluating our options regarding this matter.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

6. Marketable Securities

Lexington Realty Trust ("Lexington") (NYSE: LXP)

On March 1, 2019, we sold all of our 18,468,969 common shares of Lexington realizing net proceeds of $167,698,000. For the three months ended March 31, 2019, we recorded a $16,068,000 mark-to-market increase in the fair value of our common shares for the period from January 1, 2019 through the date of sale, which is included in "interest and other investment income (loss), net" on our consolidated statements of income.

Pennsylvania Real Estate Investment Trust (“PREIT”) (NYSE: PEI)

On March 12, 2019 ("Conversion Date"), we converted all of our 6,250,000 operating partnership units into common shares and began accounting for our investment as a marketable security in accordance with ASC Topic 321, *Investments - Equity Securities* ("ASC 321"). Prior to the Conversion Date, we accounted for our investment under the equity method. For the three months ended March 31, 2019, we recorded a $15,649,000 decrease in the value of our investment, representing the difference between the carrying amount of our investment at the Conversion Date and the fair value of our common shares based on PREIT's March 29, 2019 quarter ended closing share price, which is included in "interest and other investment income (loss), net" on our consolidated statements of income.

The table below summarizes the changes of our marketable securities portfolio for the three months ended March 31, 2019.

(Amounts in thousands)	**For the Three Months Ended March 31, 2019**			
	Total	**Lexington Realty Trust**	**PREIT**	**Other**
Balance, December 31, 2018	$152,198	$151,630	$—	$568
Sale of marketable securities	(167,755)	(167,698)	—	(57)
Transfer of PREIT investment balance at Conversion Date	54,962	—	54,962	—
Increase (decrease) in fair value of marketable securities[1]	461	16,068	(15,649)	42
Balance, March 31, 2019	$39,866	$—	$39,313	$553

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(1) Included in “interest and other investment income (loss), net” on our consolidated statements of income (see Note 17 - *Interest and Other Investment Income (Loss), Net*).

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

7. Investments in Partially Owned Entities

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

As of March 31, 2019, we own 1,654,068 Alexander's common shares, or approximately 32.4% of Alexander's common equity. We manage, lease and develop Alexander's properties pursuant to agreements which expire in March of each year and are automatically renewable.

As of March 31, 2019, the market value ("fair value" pursuant to ASC 820) of our investment in Alexander's, based on Alexander's March 29, 2019 quarter ended closing share price of $376.17, was $622,211,000, or $515,425,000 in excess of the carrying amount on our consolidated balance sheet. As of March 31, 2019, the carrying amount of our investment in Alexander's, excluding amounts owed to us, exceeds our share of the equity in the net assets of Alexander's by approximately $39,097,000. The majority of this basis difference resulted from the excess of our purchase price for the Alexander's common stock acquired over the book value of Alexander's net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of Alexander's assets and liabilities, to real estate (land and buildings). We are amortizing the basis difference related to the buildings into earnings as additional depreciation expense over their estimated useful lives. This depreciation is not material to our share of equity in Alexander's net income. The basis difference related to the land will be recognized upon disposition of our investment.

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

On March 4, 2019, we converted to common shares and sold all of our 5,717,184 partnership units of UE, realizing net proceeds of $108,512,000. The sale resulted in a net gain of $62,395,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income for the three months ended March 31, 2019.

61 Ninth Avenue

On January 28, 2019, the joint venture, in which we have a 45.1% interest, completed a $167,500,000 refinancing of 61 Ninth Avenue, a 166,000 square foot newly constructed office and retail property in the Meatpacking district of Manhattan which is fully leased to Aetna and Starbucks. The seven-year interest only loan carries a rate of LIBOR plus 1.35% (3.85% as of March 31, 2019) and matures in January 2026. We realized net proceeds of approximately $31,000,000. The loan replaces the previous $90,000,000 construction loan that bore interest at LIBOR plus 3.05% and was scheduled to mature in 2021.

Toys "R" Us, Inc. ("Toys")

On September 18, 2017, Toys filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. In the second quarter of 2018, Toys ceased U.S. operations. On February 1, 2019, the plan of reorganization for Toys "R" Us, Inc., in which we owned a 32.5% interest, was declared effective, and our stock in Toys was canceled. At December 31, 2018, we carried our Toys investment at zero. The canceling of our stock in Toys will result in approximately a $420,000,000 capital loss deduction for tax purposes in 2019 (which if not offset by capital gains will result in a capital loss carry over available for five years).

**VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)**

7. Investments in Partially Owned Entities - continued

Below is a schedule summarizing our investments in partially owned entities.

(Amounts in thousands)	Percentage Ownership at March 31, 2019	Balance as of March 31, 2019	Balance as of December 31, 2018
Investments:			
Partially owned office buildings/land[1]	Various	$ 478,240	$ 499,005
Alexander's	32.4%	106,786	107,983
PREIT[2]	N/A	—	59,491
UE[3]	N/A	—	45,344
Other investments[4]	Various	145,238	146,290
		$ 730,264	$ 858,113
Investments in partially owned entities included in other liabilities[5]:			
330 Madison Avenue	25.0%	$ (60,054)	$ (58,117)
7 West 34th Street	53.0%	(51,464)	(51,579)
85 Tenth Avenue	49.9%	(5,857)	—
		$ (117,375)	$ (109,696)

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(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 512 West 22nd Street, 61 Ninth Avenue and others.
(2) On March 12, 2019, we converted all of our PREIT operating partnership units into common shares and began accounting for our investment as a marketable security in accordance with ASC 321 (see Note 6 - *Marketable Securities*).
(3) Sold on March 4, 2019 (see page 25 for details).
(4) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, Rosslyn Plaza, 50-70 West 93rd Street and others.
(5) Our negative basis results from distributions in excess of our investment.

Below is a schedule of net income (loss) from partially owned entities.

(Amounts in thousands)	Percentage Ownership at March 31, 2019	For the Three Months Ended March 31, 2019	2018
Our share of net income (loss):			
Alexander's (see page 25 for details):			
Equity in net income (loss)[1]	32.4%	$ 5,717	$ (3,209)
Management, leasing and development fees		1,057	1,208
		6,774	(2,001)
Partially owned office buildings[2]	Various	106	(4,283)
Other investments[3]	Various	440	(3,620)
		$ 7,320	$ (9,904)

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(1) 2018 includes our $7,708 share of Alexander's disputed additional Transfer Tax related to the November 2012 sale of Kings Plaza Regional Shopping Center based on the precedent established by the Tax Tribunal's decision regarding One Park Avenue (see Note 5 - *Real Estate Fund Investments*).
(2) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 7 West 34th Street, 330 Madison Avenue, 512 West 22nd Street, 85 Tenth Avenue and others. 2018 includes our $4,978 share of disputed additional Transfer Tax related to the March 2011 acquisition of One Park Avenue (see Note 5 - *Real Estate Fund Investments*).
(3) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, Rosslyn Plaza, 50-70 West 93rd Street, 666 Fifth Avenue Office Condominium (sold on August 3, 2018), UE (sold on March 4, 2019), PREIT (accounted as a marketable security from March 12, 2019) and others.

8. 220 Central Park South ("220 CPS")

We are constructing a residential condominium tower containing 397,000 salable square feet at 220 CPS. The development cost of this project (exclusive of land cost) is estimated to be approximately $1.4 billion, of which $1.3 billion has been expended as of March 31, 2019.

During the first quarter of 2019, we closed on the sale of 12 condominium units at 220 CPS for net proceeds aggregating $425,484,000 and resulting in a financial statement net gain of $157,899,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income. In connection with these sales, $26,945,000 of income tax expense was recognized in our consolidated statements of income. From inception to March 31, 2019, we closed on the sale of 23 units for aggregate net proceeds of $640,260,000 which was used to pay $637,000,000 of the $950,000,000 220 CPS loan.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

9. Properties Held for Sale

On April 18, 2019 ("Closing Date"), we entered into a transaction agreement (the "Transaction Agreement") with a group of institutional investors (the "Investors"). The Transaction Agreement provides for a series of transactions (collectively, the "Transaction") pursuant to which (i) prior to the Closing Date, the Operating Partnership contributed its interests in properties located at 640 Fifth Avenue, 655 Fifth Avenue, 666 Fifth Avenue, 689 Fifth Avenue, 697-703 Fifth Avenue, 1535 Broadway and 1540 Broadway (collectively, the “Properties”) to subsidiaries of a newly formed joint venture ("Fifth Avenue and Times Square JV") and (ii) on the Closing Date, transferred a 48.5% common interest in Fifth Avenue and Times Square JV to the Investors. The 48.5% common interest in the joint venture represents an effective 47.2% interest in the Properties. The Properties include approximately 489,000 square feet of retail space, 327,000 square feet of office space, signage associated with 1535 and 1540 Broadway, the parking garage at 1540 Broadway and the theatre at 1535 Broadway.

We retained the remaining 51.5% common interest in Fifth Avenue and Times Square JV which represents an effective 51.0% interest in the Properties and an aggregate $1.828 billion of preferred equity interests in certain of the properties. The preferred equity has an annual coupon of 4.25% for the first five years, increasing to 4.75% for the next five years and thereafter at a formulaic rate. It can be redeemed under certain conditions on a tax deferred basis.

Net cash proceeds to us from the Transaction are approximately $1.198 billion, after (i) deductions for the repayment of a $390,000,000 mortgage loan on 666 Fifth Avenue and a $140,000,000 mortgage loan on 655 Fifth Avenue, (ii) anticipated proceeds from a new $500,000,000 mortgage loan on 640 Fifth Avenue, (iii) approximately $26,000,000 used to purchase noncontrolling investors' interests and (iv) approximately $56,000,000 of estimated transaction costs. Until the new mortgage closes, Vornado will retain $500 million of preferred equity interests in addition to the $1.828 billion referenced above.

The Transaction values the Properties at $5.556 billion resulting in a financial statement net gain of approximately $2.6 billion from the Transaction and the related step-up in our basis of the assets to fair value. The net gain will be recognized in our consolidated statements of income for the three months ended June 30, 2019. Our tax gain is approximately $735,000,000. We continue to manage the Properties and share control over major decisions of the joint venture. Accordingly, the Properties will be deconsolidated and the joint venture will be accounted for under the equity method from the date of transfer.

The table below summarizes our effective ownership interests in the Properties transferred to Fifth Avenue and Times Square JV and our preferred equity interests following the Transaction and the anticipated closing of the mortgage loan on 640 Fifth Avenue.

(Amounts in thousands)	**Vornado's Effective Ownership Interest Percentage**		**Vornado's Preferred Equity Interests**
Properties transferred to Fifth Avenue and Times Square JV:			
640 Fifth Avenue	52.0	%	$—
655 Fifth Avenue	50.0	%	140,000
666 Fifth Avenue	52.0	%	390,000
689 Fifth Avenue	52.0	%	130,000
697-703 Fifth Avenue	44.8	%	—

1535 Broadway	52.0	%	628,875
1540 Broadway	52.0	%	538,875
			$1,827,750

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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9. Properties Held for Sale - continued

The following table summarizes the assets and liabilities associated with the Properties classified as held for sale:

(Amounts in thousands)	**Balance as of March 31, 2019**
Assets held for sale:	
Real estate, net	$ 2,656,509
Right-of-use asset	49,134
Restricted cash	8,828
Receivable arising from the straight-lining of rents	167,612
Deferred leasing costs, net	70,511
Identified intangible assets, net	74,464
	$ 3,027,058
Liabilities related to assets held for sale:	
Mortgages payable, net	$ 971,618
Lease liability	41,235
Deferred revenue	84,497
	$ 1,097,350

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
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10. Identified Intangible Assets and Liabilities

The following summarizes our identified intangible assets (primarily above-market leases) and liabilities (primarily acquired below-market leases) as of March 31, 2019 and December 31, 2018.

(Amounts in thousands)	Balance as of March 31, 2019	December 31, 2018
Identified intangible assets:		
Gross amount	$ 131,910	$ 308,895
Accumulated amortization	(97,749)	(172,114)
Total, net	$ 34,161	$ 136,781
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$ 386,512	$ 503,373
Accumulated amortization	(321,152)	(341,779)
Total, net	$ 65,360	$ 161,594

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental revenues of $6,525,000 and $10,581,000 for the three months ended March 31, 2019 and 2018, respectively. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years commencing January 1, 2020 is as follows:

(Amounts in thousands)	
2020	$ 16,605
2021	11,932
2022	8,800
2023	6,269
2024	2,497

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was $3,545,000 and $4,876,000 for the three months ended March 31, 2019 and 2018, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases for each of the five succeeding years commencing January 1, 2020 is as follows:

(Amounts in thousands)	
2020	$ 6,308
2021	4,779
2022	3,049
2023	2,962
2024	2,350

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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11. Debt

On February 4, 2019, we completed a $95,700,000 refinancing of 435 Seventh Avenue, a 43,000 square foot Manhattan retail property. The interest-only loan carries a rate of LIBOR plus 1.30% (3.78% as of March 31, 2019) and matures in 2024. The recourse loan replaces the previous $95,700,000 loan that bore interest at LIBOR plus 2.25% and was scheduled to mature in August 2019.

On February 12, 2019, we completed a $580,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot Manhattan property comprised of 859,000 square feet of office space and the 256,000 square foot Manhattan Mall. The interest-only loan carries a rate of LIBOR plus 1.55% (4.03% as of March 31, 2019) and matures in April 2024, with two one-year extension options. The loan replaces the previous $580,000,000 loan that bore interest at LIBOR plus 1.65% and was scheduled to mature in July 2020.

Senior Unsecured Notes

On March 1, 2019, we called for redemption all of our $400,000,000 5.00% senior unsecured notes. The notes, which were scheduled to mature in January 2022, were redeemed on April 1, 2019 at a redemption price of 105.51% of the principal amount plus accrued interest. In connection therewith, we expensed $22,540,000 relating to debt prepayment costs which is included in "interest and debt expense" on our consolidated statements of income for the three months ended March 31, 2019.

Unsecured Revolving Credit Facility

On March 26, 2019, we increased to $1.5 billion (from $1.25 billion) and extended to March 2024 (as fully extended) from February 2022 one of our two unsecured revolving credit facilities. The interest rate on the extended facility was lowered from LIBOR plus 1.00% to LIBOR plus 0.90%. The facility fee remains unchanged at 20 basis points.

The following is a summary of our debt:

(Amounts in thousands)	**Weighted Average Interest Rate at March 31, 2019**	**Balance as of**	
		March 31, 2019	**December 31, 2018**
Mortgages Payable:			
Fixed rate	3.52%	$ 4,610,526	$ 5,003,465
Variable rate	4.20%	1,945,508	3,212,382
Total	3.72%	6,556,034	8,215,847
Deferred financing costs, net and other		(36,845)	(48,049)
Total, net		$ 6,519,189	$ 8,167,798
Unsecured Debt:			
Senior unsecured notes	4.21%	$ 850,000	$ 850,000
Deferred financing costs, net and other		(4,739)	(5,998)
Senior unsecured notes, net		845,261	844,002
Unsecured term loan	3.87%	750,000	750,000

Deferred financing costs, net and other		(4,924)	(5,179)
Unsecured term loan, net		745,076	744,821
Unsecured revolving credit facilities	3.46%	530,000	80,000
Total, net		$ 2,120,337	$ 1,668,823

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VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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12. Redeemable Noncontrolling Interests/Redeemable Partnership Units

Redeemable noncontrolling interests on Vornado's consolidated balance sheets and redeemable partnership units on the consolidated balance sheets of the Operating Partnership are primarily comprised of Class A Operating Partnership units held by third parties and are recorded at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to "additional capital" in Vornado's consolidated statements of changes in equity and to "partners' capital" on the consolidated balance sheets of the Operating Partnership.

(Amounts in thousands)

Balance, December 31, 2018	$ 783,562
Net income	12,202
Other comprehensive loss	(1,276)
Distributions	(8,488)
Redemption of Class A units for Vornado common shares, at redemption value	(3,181)
Adjustments to carry redeemable Class A units at redemption value	65,818
Other, net	18,448
Balance, March 31, 2019	$ 867,085
Balance, December 31, 2017	$ 984,937
Net loss	(1,124)
Other comprehensive income	654
Distributions	(7,906)
Redemption of Class A units for Vornado common shares, at redemption value	(8,392)
Adjustments to carry redeemable Class A units at redemption value	(114,856)
Other, net	3,713
Balance, March 31, 2018	$ 857,026

As of March 31, 2019 and December 31, 2018, the aggregate redemption value of redeemable Class A units of the Operating Partnership, which are those units held by third parties, was $862,550,000 and $778,134,000, respectively.

Redeemable noncontrolling interests/redeemable partnership units exclude our Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units, as they are accounted for as liabilities in accordance with ASC Topic 480, *Distinguishing Liabilities and Equity*, because of their possible settlement by issuing a variable number of Vornado common shares. Accordingly, the fair value of these units is included as a component of "other liabilities" on our consolidated balance sheets and aggregated $50,561,000 as of March 31, 2019 and December 31, 2018. Changes in the value from period to period, if any, are charged to "interest and debt expense" on our consolidated statements of income.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED (UNAUDITED)

13. Shareholders' Equity/Partners' Capital

The following table sets forth the details of our dividends/distributions per common share/Class A unit and dividends/distributions per share/unit for each class of preferred shares/units of beneficial interest for the three months ended March 31, 2019 and 2018.

	Per Share/Unit For the Three Months Ended March 31,	
Shares/Units:	**2019**	**2018**
Common shares/Class A units held by Vornado: authorized 250,000,000 shares/units	$0.66	$0.63
Convertible Preferred[1]:		
6.5% Series A: authorized 83,977 shares/units[2]	0.8125	0.8125
Cumulative Redeemable Preferred[1]:		
5.70% Series K: authorized 12,000,000 shares/units[3]	0.3563	0.3563
5.40% Series L: authorized 12,000,000 shares/units[3]	0.3375	0.3375
5.25% Series M: authorized 12,780,000 shares/units[3]	0.3281	0.3281

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

(2) Redeemable at the option of Vornado under certain circumstances, at a redemption price of 1.9531 common shares/Class A units per Series A preferred share/unit plus accrued and unpaid dividends/distributions through the date of redemption, or convertible at any time at the option of the holder for 1.9531 common shares/ Class A units per Series A preferred share/unit.

(3) Redeemable at Vornado's option at a redemption price of $25.00 per share/unit, plus accrued and unpaid dividends/distributions through the date of redemption.

Accumulated Other Comprehensive (Loss) Income

The following tables set forth the changes in accumulated other comprehensive (loss) income by component for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	**Total**	**Marketable securities**	**Pro rata share of nonconsolidated subsidiaries' OCI**	**Interest rate swaps**	**Other**
For the Three Months Ended March 31, 2019					
Balance, December 31, 2018	$7,664	$—	$ 3,253	$11,759	$(7,348)
Net current period other comprehensive (loss) income	(16,738)	—	(985)	(17,029)	1,276
Amount reclassified from AOCI [1]	(2,311)	—	(2,311)	—	—
Balance, March 31, 2019	$(11,385)	$—	$ (43)	$(5,270)	$(6,072)
For the Three Months Ended March 31, 2018					
Balance, December 31, 2017	$128,682	$109,554	$ 3,769	$23,542	$(8,183)
Cumulative effect of accounting change	(108,374)	(109,554)	(1,671)	2,851	—
Net current period other comprehensive income (loss)	9,950	—	346	10,258	(654)
Balance, March 31, 2018	$30,258	$—	$ 2,444	$36,651	$(8,837)

(1) Amount reclassified related to the conversion of our PREIT operating partnership units into common shares.

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VORNADO REALTY TRUST AND VORNADO REALTY L.P.
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14. Variable Interest Entities ("VIEs")

Unconsolidated VIEs

As of March 31, 2019 and December 31, 2018, we have several unconsolidated VIEs. We do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these entities does not give us power over decisions that significantly affect these entities' economic performance. We account for our investment in these entities under the equity method (see Note 7 – *Investments in Partially Owned Entities*). As of March 31, 2019 and December 31, 2018, the net carrying amount of our investments in these entities was $213,719,000 and $257,882,000, respectively, and our maximum exposure to loss in these entities is limited to the carrying amount of our investments.

Consolidated VIEs

Our most significant consolidated VIEs are the Operating Partnership (for Vornado), the Fund and the Crowne Plaza Joint Venture, the Farley joint venture and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights. We consolidate these entities because we control all significant business activities.

As of March 31, 2019, the total assets and liabilities of our consolidated VIEs, excluding the Operating Partnership, were $4,601,771,000 and $2,381,310,000, respectively. As of December 31, 2018, the total assets and liabilities of our consolidated VIEs, excluding the Operating Partnership, were $4,445,436,000 and $2,533,753,000, respectively.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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15. Fair Value Measurements

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

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

Financial assets and liabilities that are measured at fair value on our consolidated balance sheets consist of (i) marketable securities, (ii) real estate fund investments, (iii) the assets in our deferred compensation plan (for which there is a corresponding liability on our consolidated balance sheets), (iv) interest rate swaps and (v) mandatorily redeemable instruments (Series G-1 through G-4 convertible preferred units and Series D-13 cumulative redeemable preferred units). The tables below aggregate the fair values of these financial assets and liabilities by their levels in the fair value hierarchy as of March 31, 2019 and December 31, 2018, respectively.

(Amounts in thousands)	**As of March 31, 2019**			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$39,866	$39,866	$—	$—
Real estate fund investments	322,858	—	—	322,858
Deferred compensation plan assets ($8,747 included in restricted cash and $93,176 in other assets)	101,923	64,361	—	37,562
Interest rate swaps (included in other assets)	19,613	—	19,613	—
Total assets	$484,260	$104,227	$19,613	$360,420
Mandatorily redeemable instruments (included in other liabilities)	$50,561	$50,561	$—	$—
Interest rate swaps (included in other liabilities)	24,851	—	24,851	—
Total liabilities	$75,412	$50,561	$24,851	$—

(Amounts in thousands)	**As of December 31, 2018**			
	Total	**Level 1**	**Level 2**	**Level 3**
Marketable securities	$152,198	$152,198	$—	$—
Real estate fund investments	318,758	—	—	318,758
Deferred compensation plan assets ($8,402 included in restricted cash and $88,122 in other assets)	96,524	58,716	—	37,808
Interest rate swaps (included in other assets)	27,033	—	27,033	—
Total assets	$594,513	$210,914	$27,033	$356,566
Mandatorily redeemable instruments (included in other liabilities)	$50,561	$50,561	$—	$—
Interest rate swaps (included in other liabilities)	15,236	—	15,236	—

Total liabilities	$ 65,797	$ 50,561	$ 15,236	$ —

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15. Fair Value Measurements - continued

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

Real Estate Fund Investments

As of March 31, 2019, we had four real estate fund investments with an aggregate fair value of $322,858,000, or $6,706,000 below our cost. These investments are classified as Level 3.

Significant unobservable quantitative inputs used in determining the fair value of each investment include capitalization rates and discount rates. These rates are based on the location, type and nature of each property, current and anticipated market conditions, industry publications and from the experience of our Acquisitions and Capital Markets departments. Significant unobservable quantitative inputs in the table below were utilized in determining the fair value of these real estate fund investments as of March 31, 2019 and December 31, 2018.

	Range		Weighted Average (based on fair value of investments)	
Unobservable Quantitative Input	**March 31, 2019**	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**
Discount rates	10.0% to 15.0%	10.0% to 15.0%	13.4%	13.4%
Terminal capitalization rates	5.5% to 7.7%	5.4% to 7.7%	5.8%	5.7%

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

The table below summarizes the changes in the fair value of real estate fund investments that are classified as Level 3, for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2019	**2018**
Beginning balance	$318,758	$354,804
Purchases/additional fundings	4,000	2,950
Net unrealized gain on held investments	100	—
Dispositions	—	(20,291)
Net realized loss on exited investments	—	(911)
Ending balance	$322,858	$336,552

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

Deferred Compensation Plan Assets

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

The table below summarizes the changes in the fair value of deferred compensation plan assets that are classified as Level 3, for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	For the Three Months Ended March 31,	
	2019	2018
Beginning balance	$ 37,808	$ 40,128
Sales	(2,114)	(1,635)
Purchases	908	14
Realized and unrealized gains	523	678
Other, net	437	300
Ending balance	$ 37,562	$ 39,485

Fair Value Measurements on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist primarily of real estate assets required to be measured for impairment at December 31, 2018. The fair values of real estate assets required to be measured for impairment were determined using comparable sales activity. There were no assets measured at fair value on a nonrecurring basis on our consolidated balance sheet as of March 31, 2019.

(Amounts in thousands)	As of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Real estate asset	$ 14,971	$ —	$ —	$ 14,971

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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15. Fair Value Measurements - continued

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on our consolidated balance sheets include cash equivalents (primarily money market funds, which invest in obligations of the United States government), and our secured and unsecured debt. Estimates of the fair value of these instruments are determined by the standard practice of modeling the contractual cash flows required under the instrument and discounting them back to their present value at the appropriate current risk adjusted interest rate, which is provided by a third-party specialist. For floating rate debt, we use forward rates derived from observable market yield curves to project the expected cash flows we would be required to make under the instrument. The fair values of cash equivalents and borrowings under our unsecured revolving credit facilities and unsecured term loan are classified as Level 1. The fair values of our secured and unsecured debt are classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of March 31, 2019 and December 31, 2018.

(Amounts in thousands)	**As of March 31, 2019**		**As of December 31, 2018**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash equivalents	$ 207,481	$ 207,000	$ 261,981	$ 262,000
Debt:				
Mortgages payable	$ 6,556,034	$ 6,565,000	$ 8,215,847	$ 8,179,000
Senior unsecured notes	850,000	868,000	850,000	847,000
Unsecured term loan	750,000	750,000	750,000	750,000
Unsecured revolving credit facilities	530,000	530,000	80,000	80,000
Total	$ 8,686,034 (1)	$ 8,713,000	$ 9,895,847 (1)	$ 9,856,000

(1) Excludes $46,508 and $59,226 of deferred financing costs, net and other as of March 31, 2019 and December 31, 2018, respectively.

16. Stock-based Compensation

Vornado’s 2010 Omnibus Share Plan (the “Plan”) provides the Compensation Committee of Vornado's Board of Trustees (the “Committee”) the ability to grant incentive and non-qualified Vornado stock options, restricted stock, restricted Operating Partnership units ("OP units"), out-performance plan awards ("OPPs"), appreciation-only long-term incentive plan units (“AO LTIP Units”) and Performance Conditioned Appreciation-Only Long-Term Incentive Plan Units ("Performance Conditioned AO LTIP Units") to certain of our employees and officers. We account for all equity-based compensation in accordance with ASC Topic 718, *Compensation - Stock Compensation*. Stock-based compensation expense, a component of "general and administrative" expenses on our consolidated statements of income, was $31,654,000 and $13,669,000 for the three months ended March 31, 2019 and 2018, respectively. General and administrative expense for the three months ended March 31, 2019 includes $16,211,000 of non-cash expense for the accelerated vesting of previously issued OP Units and Vornado restricted stock due to the removal of the time-based vesting requirement to participants who have reached 65 years of age. The right to sell such awards remains subject to original terms of grant. The increase in expense in the first quarter of 2019 will be completely offset by lower non-cash stock-based compensation expense of $2,578,000 in each of the second, third and fourth quarters of 2019 and $8,477,000 thereafter.

Performance Conditioned AO LTIP Units

On January 14, 2019, the Committee approved the issuance of Performance Conditioned AO LTIP Units pursuant to the Plan to our named executive officers in our 2019 proxy statement ("NEOs"). Performance Conditioned AO LTIP Units are AO LTIP Units that require the achievement of certain performance conditions by a specified date or they are forfeited. The performance based condition is met if Vornado common shares trade at or above 110% of the $64.48 grant price per share for any 20 consecutive days on or before the fourth anniversary following the date of grant. If the performance conditions are not met, the awards are forfeited. If the performance conditions are met, once vested, the awards may be converted into Class A Operating Partnership units in the same manner as AO LTIP Units until ten years from the date of grant. The fair value of the Performance Conditioned AO LTIP Units on the date of grant was $8,983,000, of which $7,481,000 was immediately expensed due to the acceleration of vesting for employees who are retirement eligible. The remaining $1,502,000 is being amortized into expense over a four-year period from the date of grant using a graded vesting attribution model.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
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17. Interest and Other Investment Income (Loss), Net

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

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Increase (decrease) in fair value of marketable securities:		
Lexington (see page 24 for details)	$ 16,068	$ (32,875)
PREIT (see page 24 for details)	(15,649)	—
Other	42	(111)
	461	(32,986)
Interest on cash and cash equivalents and restricted cash	2,067	3,557
Interest on loans receivable	1,606	743
Dividends on marketable securities	—	3,353
Other, net	911	949
	$ 5,045	$ (24,384)

18. Interest and Debt Expense

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

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Interest expense[(1)]	$ 117,647	$ 94,788
Capitalized interest and debt expense	(23,325)	(14,726)
Amortization of deferred financing costs	8,141	8,104
	$ 102,463	$ 88,166

(1) Includes $22,540 debt prepayment costs in connection with the redemption of $400,000 5.00% senior unsecured notes which were scheduled to mature in January 2022.

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19. Income (Loss) Per Share/Income (Loss) Per Class A Unit

Vornado Realty Trust

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

(Amounts in thousands, except per share amounts)	For the Three Months Ended March 31,	
	2019	**2018**
Numerator:		
Income from continuing operations, net of income attributable to noncontrolling interests	$ 194,150	$ 10,021
Loss from discontinued operations, net of income attributable to noncontrolling interests	(128)	(341)
Net income attributable to Vornado	194,022	9,680
Preferred share dividends	(12,534)	(13,035)
Preferred share issuance costs	—	(14,486)
Net income (loss) attributable to common shareholders	181,488	(17,841)
Earnings allocated to unvested participating securities	(19)	(11)
Numerator for basic income (loss) per share	181,469	(17,852)
Impact of assumed conversions:		
Convertible preferred share dividends	15	—
Numerator for diluted income (loss) per share	$ 181,484	$ (17,852)
Denominator:		
Denominator for basic income (loss) per share – weighted average shares	190,689	190,081
Effect of dilutive securities[(1)]:		
Employee stock options and restricted share awards	271	—
Convertible preferred shares	36	—
Denominator for diluted income (loss) per share – weighted average shares and assumed conversions	190,996	190,081
INCOME (LOSS) PER COMMON SHARE – BASIC:		
Income (loss) from continuing operations, net	$ 0.95	$ (0.09)
Net income (loss) per common share	$ 0.95	$ (0.09)
INCOME (LOSS) PER COMMON SHARE – DILUTED:		
Income (loss) from continuing operations, net	$ 0.95	$ (0.09)
Net income (loss) per common share	$ 0.95	$ (0.09)

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(1) The effect of dilutive securities for the three months ended March 31, 2019 and 2018 excludes an aggregate of 12,525 and 13,334 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

19. Income (Loss) Per Share/Income (Loss) Per Class A Unit - continued

Vornado Realty L.P.

The following table provides a reconciliation of both net income attributable to Vornado Realty L.P. and the number of Class A units used in the computation of (i) basic income (loss) per Class A unit - which includes the weighted average number of Class A units outstanding without regard to dilutive potential Class A units, and (ii) diluted income (loss) per Class A unit - which includes the weighted average Class A units and dilutive unit equivalents. Dilutive unit equivalents may include our Series A convertible preferred units, Vornado stock options, Vornado restricted stock awards, OP Units, AO LTIP Units, Performance Conditioned AO LTIP Units and OPPs.

(Amounts in thousands, except per unit amounts)	**For the Three Months Ended March 31,**	
	2019	**2018**
Numerator:		
Income from continuing operations, net of income attributable to noncontrolling interests in consolidated subsidiaries	$206,361	$8,919
Loss from discontinued operations	(137)	(363)
Net income attributable to Vornado Realty L.P.	206,224	8,556
Preferred unit distributions	(12,575)	(13,084)
Preferred unit issuance costs	—	(14,486)
Net income (loss) attributable to Class A unitholders	193,649	(19,014)
Earnings allocated to unvested participating securities	(1,147)	(771)
Numerator for basic income (loss) per Class A unit	192,502	(19,785)
Impact of assumed conversions:		
Convertible preferred unit distributions	15	—
Numerator for diluted income (loss) per Class A unit	$192,517	$(19,785)
Denominator:		
Denominator for basic income (loss) per Class A unit – weighted average units	202,772	201,929
Effect of dilutive securities[(1)]:		
Vornado stock options and restricted unit awards	536	—
Convertible preferred units	36	—
Denominator for diluted income (loss) per Class A unit – weighted average units and assumed conversions	203,344	201,929
INCOME (LOSS) PER CLASS A UNIT – BASIC:		
Income (loss) from continuing operations, net	$0.95	$(0.10)
Net income (loss) per Class A unit	$0.95	$(0.10)
INCOME (LOSS) PER CLASS A UNIT – DILUTED:		
Income (loss) from continuing operations, net	$0.95	$(0.10)
Net income (loss) per Class A unit	$0.95	$(0.10)

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(1) The effect of dilutive securities for the three months ended March 31, 2019 and 2018 excludes an aggregate of 177 and 1,446 weighted average Class A unit equivalents, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

20. Leases

As lessor

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rent payable monthly in advance. Office building leases generally require tenants to reimburse us for operating costs and real estate taxes above their base year costs. Certain leases provide for pass-through to tenants for their share of real estate taxes, insurance and common area maintenance. Certain leases also require additional variable rent payments based on a percentage of the tenants' sales. None of our tenants accounted for more than 10% of total revenues for the three months ended March 31, 2019 and 2018. We have elected to account for lease revenues (including base and variable rent) and the reimbursement of common area maintenance expenses as a single lease component recorded as "rental revenues" on our consolidated statements of income. As of March 31, 2019, under ASC 842, future undiscounted cash flows under non-cancelable operating leases were as follows:

(Amounts in thousands)	**As of March 31, 2019**
For the remainder of 2019	$ 1,977,372
For the year ended December 31,	
2020	1,525,340
2021	1,492,760
2022	1,433,740
2023	1,298,470
2024	1,080,729
Thereafter	4,929,317

As of December 31, 2018, under ASC 840, future undiscounted cash flows under non-cancelable operating leases were as follows:

(Amounts in thousands)	**As of December 31, 2018**
For the year ended December 31,	
2019	$ 1,547,162
2020	1,510,097
2021	1,465,024
2022	1,407,615
2023	1,269,141
Thereafter	5,832,467

The components of lease revenues for the three months ended March 31, 2019 were as follows:

(Amounts in thousands)	**For the Three Months Ended March 31, 2019**
Fixed lease revenues	$ 414,877
Variable lease revenues	72,429

Lease revenues	$487,306

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

20. Leases - continued

As lessee

We have a number of ground leases which are classified as operating leases. On January 1, 2019, we recorded $526,866,000 of ROU assets and lease liabilities. Our ROU assets were reduced by $37,269,000 of accrued rent expense reclassified from “other liabilities” and $4,267,000 of acquired above-market lease liabilities, net, reclassified from “deferred revenue” and increased by $23,665,000 of acquired below-market lease assets, net, reclassified from “identified intangible assets, net of accumulated amortization” and $1,584,000 of prepaid lease payments reclassified from "other assets." As of March 31, 2019, our ROU assets and lease liabilities were $457,662,000 and $484,173,000, respectively.

The discount rate applied to measure each ROU asset and lease liability is based on our incremental borrowing rate ("IBR"). We consider the general economic environment and our credit rating and factor in various financing and asset specific adjustments to ensure the IBR is appropriate to the intended use of the underlying lease. As we did not elect to apply hindsight, lease term assumptions determined under ASC 840 were carried forward and applied in calculating the lease liabilities recorded under ASC 842. Certain of our ground leases offer renewal options which we assess against relevant economic factors to determine whether we are reasonably certain of exercising or not exercising the option. Lease payments associated with renewal periods that we are reasonably certain will be exercised are included in the measurement of the corresponding lease liability and ROU asset.

The following table sets forth information related to the measurement of our lease liabilities as of March 31, 2019:

(Amounts in thousands)	As of March 31, 2019	
Weighted average remaining lease term (in years)	41.55	
Weighted average discount rate	4.89	%
Cash paid for operating leases	$ 6,111	

We recognize rent expense as a component of "operating" expenses on our consolidated statements of income. Rent expense is comprised of fixed and variable lease payments. Variable lease payments include percentage rent and rent resets based on an index or rate. The following table sets forth the details of rent expense for the three months ended March 31, 2019:

(Amounts in thousands)	For the Three Months Ended March 31, 2019
Fixed rent expense	$ 10,626
Variable rent expense	620
Rent expense	$ 11,246

As of March 31, 2019, future lease payments under operating ground leases were as follows:

(Amounts in thousands)	As of March 31, 2019
For the remainder of 2019	$ 20,361
For the year ended December 31,	

2020	28,352
2021	28,745
2022	29,646
2023	30,061
2024	30,495
Thereafter	1,037,252
Total undiscounted cash flows	1,204,912
Present value discount	(720,739)
Lease liabilities	$ 484,173

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

20. Leases - continued

As lessee - continued

The future lease payments detailed on the previous page exclude the ground and building lease at the Farley Office and Retail Building (the "Project"). We have a 95% ownership interest in a joint venture with the Related Companies ("Related") which was designated by Empire State Development ("ESD"), an entity of New York State, to develop the Project. The Project will include a new Moynihan Train Hall and approximately 850,000 rentable square feet of commercial space, comprised of approximately 730,000 square feet of office space and approximately 120,000 square feet of retail space. The joint venture has a 99-year triple-net lease with ESD for the commercial space at the Project. The lease has not yet commenced since construction of the Project is on-going.

The joint venture has entered into a development agreement with ESD to build the adjacent Moynihan Train Hall, with Vornado and Related each guaranteeing the joint venture's obligations. The joint venture has entered into a design-build contract with Skanska Moynihan Train Hall Builders pursuant to which they will build the Moynihan Train Hall, thereby fulfilling all of the joint venture's obligations to ESD. The obligations of Skanska Moynihan Train Hall Builders have been bonded by Skanska USA and bear a full guaranty from Skanska AB. As a result of our involvement in the construction of the asset, we have been deemed the accounting owner of the property in accordance with ASC 842-40-55. Future undiscounted cash flows for the lease, including fixed payments in lieu of real estate taxes, as of March 31, 2019 were as follows:

(Amounts in thousands)	**As of March 31, 2019**
For the remainder of 2019	$ 6,822
For the year ended December 31,	
2020	10,402
2021	7,229
2022	7,444
2023	7,809
2024	8,330
Thereafter	519,048

As of December 31, 2018, under ASC 840, future lease payments under operating ground leases were as follows:

(Amounts in thousands)	**As of December 31, 2018**
For the year ended December 31,	
2019	$ 46,147
2020	45,258
2021	42,600
2022	43,840
2023	44,747
Thereafter	1,612,627

Certain of our ground leases are subject to fair market rent resets based on a percentage of the appraised value of the underlying assets at specified future dates. Fair market rent resets do not give rise to remeasurement of the related right-of-use assets and lease liabilities. Fair market rent resets, which may be material, will be recognized in the periods in which they are incurred.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

21. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of $300,000,000 per occurrence and per property, and all risk property and rental value insurance with limits of $2.0 billion per occurrence, with sub-limits for certain perils such as flood and earthquake. Our California properties have earthquake insurance with coverage of $260,000,000 per occurrence and in the aggregate, subject to a deductible in the amount of 5% of the value of the affected property. We maintain coverage for terrorism acts with limits of $4.0 billion per occurrence and in the aggregate, and $2.0 billion per occurrence and in the aggregate for terrorism involving nuclear, biological, chemical and radiological (“NBCR”) terrorism events, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2015, which expires in December 2020.

Penn Plaza Insurance Company, LLC (“PPIC”), our wholly owned consolidated subsidiary, acts as a re-insurer with respect to a portion of all risk property and rental value insurance and a portion of our earthquake insurance coverage, and as a direct insurer for coverage for acts of terrorism including NBCR acts. Coverage for acts of terrorism (excluding NBCR acts) is fully reinsured by third-party insurance companies and the Federal government with no exposure to PPIC. For NBCR acts, PPIC is responsible for a deductible of $1,453,000 and 19% of the balance of a covered loss and the Federal government is responsible for the remaining portion of a covered loss. We are ultimately responsible for any loss incurred by PPIC.

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

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

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

21. Commitments and Contingencies - continued

Other Commitments and Contingencies

We are from time to time involved in legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters is not currently expected to have a material adverse effect on our financial position, results of operations or cash flows.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites or changes in cleanup requirements would not result in significant cost to us.

Our mortgage loans are non-recourse to us, except for the mortgage loan secured by 7 West 34th Street and 435 Seventh Avenue, which we guaranteed and therefore is part of our tax basis. In certain cases we have provided guarantees or master leased tenant space. These guarantees and master leases terminate either upon the satisfaction of specified circumstances or repayment of the underlying loans. As of March 31, 2019, the aggregate dollar amount of these guarantees and master leases is approximately $582,000,000.

As of March 31, 2019, $15,365,000 of letters of credit was outstanding under one of our unsecured revolving credit facilities. Our unsecured revolving credit facilities contain financial covenants that require us to maintain minimum interest rate coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our unsecured revolving credit facilities also contain customary conditions precedent to borrowing, including representations and warranties, and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

A joint venture in which we own a 95.0% ownership interest was designated by Empire State Development ("ESD"), an entity of New York State, to develop the Farley Office and Retail Building. The joint venture entered into a development agreement with ESD and a design-build contract with Skanska Moynihan Train Hall Builders. Under the development agreement with ESD, the joint venture is obligated to build the Moynihan Train Hall, with Vornado and Related each guaranteeing the joint venture’s obligations. Under the design-build agreement, Skanska Moynihan Train Hall Builders is obligated to fulfill all of the joint venture’s obligations. The obligations of Skanska Moynihan Train Hall Builders have been bonded by Skanska USA and bear a full guaranty from Skanska AB.

As of March 31, 2019, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $16,000,000.

As of March 31, 2019, we have construction commitments aggregating approximately $774,000,000.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

22. Segment Information

Net Operating Income ("NOI") represents total revenues less operating expenses. We consider NOI to be the primary non-GAAP financial measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on NOI, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. NOI should not be considered a substitute for net income. NOI may not be comparable to similarly titled measures employed by other companies.

Below is a reconciliation of net income, the most directly comparable GAAP financial measure, to NOI at share and NOI at share - cash basis for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	**For the Three Months Ended March 31,**	
	2019	**2018**
Net income	$213,044	$282
Deduct:		
(Income) loss from partially owned entities	(7,320)	9,904
Interest and other investment (income) loss, net	(5,045)	24,384
Net gains on disposition of wholly owned and partially owned assets	(220,294)	—
NOI attributable to noncontrolling interests in consolidated subsidiaries	(17,403)	(17,312)
Add:		
Loss from real estate fund investments	167	8,807
Depreciation and amortization expense	116,709	108,686
General and administrative expense	58,020	42,533
Transaction related costs and other	149	13,156
NOI from partially owned entities	67,402	67,513
Interest and debt expense	102,463	88,166
Loss from discontinued operations	137	363
Income tax expense	29,743	2,554
NOI at share	337,772	349,036
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other	(5,181)	(17,948)
NOI at share - cash basis	$332,591	$331,088

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VORNADO REALTY TRUST AND VORNADO REALTY L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

22. Segment Information - continued

Below is a summary of NOI at share and NOI at share - cash basis by segment for the three months ended March 31, 2019 and 2018.

(Amounts in thousands)	For the Three Months Ended March 31, 2019		
	Total	**New York**	**Other**
Total revenues	$534,668	$443,285	$91,383
Operating expenses	246,895	198,095	48,800
NOI - consolidated	287,773	245,190	42,583
Deduct: NOI attributable to noncontrolling interests in consolidated subsidiaries	(17,403)	(11,407)	(5,996)
Add: NOI from partially owned entities	67,402	49,575	17,827
NOI at share	337,772	283,358	54,414
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other	(5,181)	(6,618)	1,437
NOI at share - cash basis	$332,591	$276,740	$55,851

(Amounts in thousands)	For the Three Months Ended March 31, 2018		
	Total	**New York**	**Other**
Total revenues	$536,437	$448,484	$87,953
Operating expenses	237,602	197,916	39,686
NOI - consolidated	298,835	250,568	48,267
Deduct: NOI attributable to noncontrolling interests in consolidated subsidiaries	(17,312)	(11,745)	(5,567)
Add: NOI from partially owned entities	67,513	49,773	17,740
NOI at share	349,036	288,596	60,440
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other	(17,948)	(17,323)	(625)
NOI at share - cash basis	$331,088	$271,273	$59,815

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Trustees of Vornado Realty Trust

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust and subsidiaries (the "Company") as of March 31, 2019, the related consolidated statements of income and comprehensive income for the three-month periods ended March 31, 2019 and 2018, and of changes in equity, and cash flows, for the three-month periods ended March 31, 2019 and 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended; and in our report dated February 11, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our review in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
April 29, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Vornado Realty L.P.

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Vornado Realty L.P. and subsidiaries (the "Partnership") as of March 31, 2019, the related consolidated statements of income and comprehensive income for the three-month periods ended March 31, 2019 and 2018, and of changes in equity, and cash flows, for the three-month periods ended March 31, 2019 and 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Partnership as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended; and in our report dated February 11, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our review in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
April 29, 2019

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained in this Quarterly Report 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," "inter "plans," "would," "may" or other similar expressions in this Quarterly Report on Form 10 Q. We also note the following forward-looking statements: in the case of our development and redevelopment projects, the estimated completion date, estimated project cost and cost to complete; and estimates of future capital expenditures, dividends to common and preferred shareholders and operating partnership distributions. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Item 1A. Risk Factors" in Part I of our Annual Report on Form 10-K for the year ended December 31, 2018. 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of our consolidated financial statements for the three months ended March 31, 2019. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results for the full year. Certain prior year balances have been reclassified in order to conform to the current year presentation.

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 93.4% of the common limited partnership interest in the Operating Partnership as of March 31, 2019. All references to the "Company," "we," "us" and "our" mean, collectively, Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rents charged, sales prices, attractiveness of location, the quality of the property and the breadth and the quality of services provided. Our success depends upon, among other factors, trends of the global, national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, population and employment trends. See "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information regarding these factors.

Vornado Realty Trust

Quarter Ended March 31, 2019 Financial Results Summary

Net income attributable to common shareholders for the quarter ended March 31, 2019 was $181,488,000, or $0.95 per diluted share, compared to a net loss of $17,841,000, or $0.09 per diluted share, for the prior year's quarter. The quarters ended March 31, 2019 and 2018 include certain items that impact the comparability of period to period net income (loss) attributable to common shareholders, which are listed in the table on the following page. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarter ended March 31, 2019 by $156,674,000, or $0.82 per diluted share, and increased net loss attributable to common shareholders by $73,181,000, or $0.38 per diluted share, for the quarter ended March 31, 2018. The decrease in net income attributable to common shareholders was partially due to $16,211,000, or $0.08 per share, of non-cash expense for the accelerated vesting of previously issued OP Units and Vornado restricted stock due to the removal of the time-based vesting requirement to participants who have reached 65 years of age. The right to sell such awards remains subject to original terms of grant. The increase in expense in the first quarter of 2019 will be completely offset by lower non-cash stock-based compensation expense of $2,578,000 in each of the second, third and fourth quarters of 2019 and $8,477,000 thereafter.

Funds From Operations ("FFO") attributable to common shareholders plus assumed conversions for the quarter ended March 31, 2019 was $247,684,000, or $1.30 per diluted share, compared to $135,000,000, or $0.71 per diluted share, for the prior year's quarter. FFO attributable to common shareholders plus assumed conversions for the quarters ended March 31, 2019 and 2018 include certain items that impact the comparability of period to period FFO, which are listed in the table on the following page. The aggregate of these items, net of amounts attributable to noncontrolling interests, increased FFO attributable to common shareholders plus assumed conversions for the quarter ended March 31, 2019 by $97,745,000, or $0.51 per diluted share, and decreased FFO attributable to common shareholders plus assumed conversions by $37,907,000, or $0.20 per diluted share, for the quarter ended March 31, 2018. The decrease in FFO attributable to common shareholders was partially due to $16,211,000, or $0.08 per share, of non-cash expense for the accelerated vesting of previously issued OP Units and Vornado restricted stock, as described above.

Overview - continued

The following table reconciles the difference between our net income (loss) attributable to common shareholders and our net income attributable to common shareholders, as adjusted:

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Certain (income) expense items that impact net income (loss) attributable to common shareholders:		
After-tax net gain on sale of 220 Central Park South ("220 CPS") condominium units	$(130,954)	$—
Net gain from sale of Urban Edge Properties ("UE") common shares	(62,395)	—
Prepayment penalty in connection with redemption of $400 million 5.00% senior unsecured notes due January 2022	22,540	—
Mark-to-market (increase) decrease in Lexington Realty Trust ("Lexington") common shares (sold on March 1, 2019)	(16,068)	32,875
Mark-to-market decrease in Pennsylvania Real Estate Investment Trust ("PREIT") common shares (accounted for as a marketable security from March 12, 2019)	15,649	—
Our share of disputed additional New York City transfer taxes based on a Tax Tribunal interpretation	—	23,503
Preferred share issuance costs	—	14,486
Previously capitalized internal leasing costs(1)	—	(1,348)
Other	4,056	8,666
	(167,172)	78,182
Noncontrolling interests' share of above adjustments	10,498	(5,001)
Total of certain (income) expense items that impact net income (loss) attributable to common shareholders	$(156,674)	$73,181

(1) The three months ended March 31, 2018 have been reduced by $1,348 for previously capitalized internal leasing cost to present 2018 "as adjusted" financial results on a comparable basis with the current year as a result of the January 1, 2019 adoption of a new GAAP accounting standard under which internal leasing costs can no longer be capitalized.

The following table reconciles the difference between our FFO attributable to common shareholders plus assumed conversions and our FFO attributable to common shareholders plus assumed conversions, as adjusted:

(Amounts in thousands)	For the Three Months Ended March 31, 2019	2018
Certain (income) expense items that impact FFO attributable to common shareholders plus assumed conversions:		
After-tax net gain on sale of 220 CPS condominium units	$(130,954)	$—
Prepayment penalty in connection with redemption of $400 million 5.00% senior unsecured notes due January 2022	22,540	—
Our share of disputed additional New York City transfer taxes based on a Tax Tribunal interpretation	—	23,503
Preferred share issuance costs	—	14,486
Previously capitalized internal leasing costs(1)	—	(1,348)
Other	4,110	3,607
	(104,304)	40,248
Noncontrolling interests' share of above adjustments	6,559	(2,341)
Total of certain (income) expense items that impact FFO attributable to common shareholders plus assumed conversions, net	$(97,745)	$37,907

(1) The three months ended March 31, 2018 have been reduced by $1,348 for previously capitalized internal leasing cost to present 2018 "as adjusted" financial results on a comparable basis with the current year as a result of the January 1, 2019 adoption of a new GAAP accounting standard under which internal leasing costs can no longer be capitalized.

Overview - continued

Vornado Realty Trust and Vornado Realty L.P.

Same Store Net Operating Income ("NOI") At Share

The percentage (decrease) increase in same store NOI at share and same store NOI at share - cash basis of our New York segment, theMART and 555 California Street are summarized below.

	Total	New York(1)	theMART	555 California Street
Same store NOI at share % (decrease) increase:				
Three months ended March 31, 2019 compared to March 31, 2018	(0.1)%	(0.1)%	(4.3)%	7.3%
Three months ended March 31, 2019 compared to December 31, 2018	1.0%	(3.0)%	106.2% (2)	3.4%
Same store NOI at share - cash basis % increase (decrease):				
Three months ended March 31, 2019 compared to March 31, 2018	3.0%	2.6%	0.9%	15.0%
Three months ended March 31, 2019 compared to December 31, 2018	0.2%	(4.2)%	88.6% (2)	6.9%

	Increase
(1) Excluding Hotel Pennsylvania, same store NOI at share % increase:	
Three months ended March 31, 2019 compared to March 31, 2018	0.5%
Three months ended March 31, 2019 compared to December 31, 2018	1.2%
Excluding Hotel Pennsylvania, same store NOI at share - cash basis % increase:	
Three months ended March 31, 2019 compared to March 31, 2018	3.3%
Three months ended March 31, 2019 compared to December 31, 2018	0.2%

(2) The three months ended December 31, 2018 includes an additional $12,124,000 real estate tax expense accrual due to an increase in the tax-assessed value of theMART.

Calculations of same store NOI at share, reconciliations of our net income to NOI at share, NOI at share - cash basis 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

Dispositions

220 Central Park South ("220 CPS")

During the first quarter of 2019, we closed on the sale of 12 condominium units at 220 CPS for net proceeds aggregating $425,484,000 and resulting in a financial statement net gain of $157,899,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income. In connection with these sales, $26,945,000 of income tax expense was recognized in our consolidated statements of income. From inception to March 31, 2019, we closed on the sale of 23 units for aggregate net proceeds of $640,260,000 which was used to pay $637,000,000 of the $950,000,000 220 CPS loan.

Lexington Realty Trust ("Lexington")

On March 1, 2019, we sold all of our 18,468,969 common shares of Lexington realizing net proceeds of $167,698,000. For the three months ended March 31, 2019, we recorded a $16,068,000 mark-to-market increase in the fair value of our common shares for the period from January 1, 2019 through the date of sale, which is included in "interest and other investment income (loss), net" on our consolidated statements of income.

Urban Edge Properties ("UE")

On March 4, 2019, we converted to common shares and sold all of our 5,717,184 partnership units of UE, realizing net proceeds of $108,512,000. The sale resulted in a net gain of $62,395,000 which is included in "net gains on disposition of wholly owned and partially owned assets" on our consolidated statements of income for the three months ended March 31, 2019.

Fifth Avenue and Times Square JV

On April 18, 2019 ("Closing Date"), we entered into a transaction agreement (the "Transaction Agreement") with a group of institutional investors (the "Investors"). The Transaction Agreement provides for a series of transactions (collectively, the "Transaction") pursuant to which (i) prior to the Closing Date, the Operating Partnership contributed its interests in properties located at 640 Fifth Avenue, 655 Fifth Avenue, 666 Fifth Avenue, 689 Fifth Avenue, 697-703 Fifth Avenue, 1535 Broadway and 1540 Broadway (collectively, the “Properties”) to subsidiaries of a newly formed joint venture ("Fifth Avenue and Times Square JV") and (ii) on the Closing Date, transferred a 48.5% common interest in Fifth Avenue and Times Square JV to the Investors. The 48.5% common interest in the joint venture represents an effective 47.2% interest in the Properties. The Properties include approximately 489,000 square feet of retail space, 327,000 square feet of office space, signage associated with 1535 and 1540 Broadway, the parking garage at 1540 Broadway and the theatre at 1535 Broadway.

We retained the remaining 51.5% common interest in Fifth Avenue and Times Square JV which represents an effective 51.0% interest in the Properties and an aggregate $1.828 billion of preferred equity interests in certain of the properties. The preferred equity has an annual coupon of 4.25% for the first five years, increasing to 4.75% for the next five years and thereafter at a formulaic rate. It can be redeemed under certain conditions on a tax deferred basis.

Net cash proceeds to us from the Transaction are approximately $1.198 billion, after (i) deductions for the repayment of a $390,000,000 mortgage loan on 666 Fifth Avenue and a $140,000,000 mortgage loan on 655 Fifth Avenue, (ii) anticipated proceeds from a new $500,000,000 mortgage loan on 640 Fifth Avenue, (iii) approximately $26,000,000 used to purchase noncontrolling investors' interests and (iv) approximately $56,000,000 of estimated transaction costs.

Until the new mortgage closes, Vornado will retain $500 million of preferred equity interests in addition to the $1.828 billion referenced above.

The Transaction values the Properties at $5.556 billion resulting in a financial statement net gain of approximately $2.6 billion from the Transaction and the related step-up in our basis of the assets to fair value. The net gain will be recognized in our consolidated statements of income for the three months ended June 30, 2019. Our tax gain is approximately $735,000,000. We continue to manage the Properties and share control over major decisions of the joint venture. Accordingly, the Properties will be deconsolidated and the joint venture will be accounted for under the equity method from the date of transfer. As of March 31, 2019, the assets and liabilities associated with the Properties were classified as “assets held for sale” and “liabilities related to assets held for sale”, respectively, on our consolidated balance sheets.

Overview - continued

Financings

On January 28, 2019, the joint venture, in which we have a 45.1% interest, completed a $167,500,000 refinancing of 61 Ninth Avenue, a 166,000 square foot newly constructed office and retail property in the Meatpacking district of Manhattan which is fully leased to Aetna and Starbucks. The seven-year interest only loan carries a rate of LIBOR plus 1.35% (3.85% as of March 31, 2019) and matures in January 2026. We realized net proceeds of approximately $31,000,000. The loan replaces the previous $90,000,000 construction loan that bore interest at LIBOR plus 3.05% and was scheduled to mature in 2021.

On February 4, 2019, we completed a $95,700,000 refinancing of 435 Seventh Avenue, a 43,000 square foot Manhattan retail property. The interest-only loan carries a rate of LIBOR plus 1.30% (3.78% as of March 31, 2019) and matures in 2024. The recourse loan replaces the previous $95,700,000 loan that bore interest at LIBOR plus 2.25% and was scheduled to mature in August 2019.

On February 12, 2019, we completed a $580,000,000 refinancing of 100 West 33rd Street, a 1.1 million square foot Manhattan property comprised of 859,000 square feet of office space and the 256,000 square foot Manhattan Mall. The interest-only loan carries a rate of LIBOR plus 1.55% (4.03% as of March 31, 2019) and matures in April 2024, with two one-year extension options. The loan replaces the previous $580,000,000 loan that bore interest at LIBOR plus 1.65% and was scheduled to mature in July 2020.

On March 1, 2019, we called for redemption all of our $400,000,000 5.00% senior unsecured notes. The notes, which were scheduled to mature in January 2022, were redeemed on April 1, 2019 at a redemption price of 105.51% of the principal amount plus accrued interest. In connection therewith, we expensed $22,540,000 relating to debt prepayment costs which is included in "interest and debt expense" on our consolidated statements of income for the three months ended March 31, 2019.

On March 26, 2019, we increased to $1.5 billion (from $1.25 billion) and extended to March 2024 (as fully extended) from February 2022 one of our two unsecured revolving credit facilities. The interest rate on the extended facility was lowered from LIBOR plus 1.00% to LIBOR plus 0.90%. The facility fee remains unchanged at 20 basis points.

Overview - continued

Leasing Activity

The leasing activity and related statistics in the table below are based on leases signed during the period and are not intended to coincide with the commencement of rental revenue in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Second generation relet space represents square footage that has not been vacant for more than nine months and tenant improvements and leasing commissions are based on our share of square feet leased during the period.

(Square feet in thousands)	New York			
	Office	**Retail**	**theMART**	**555 California Street**
Three Months Ended March 31, 2019				
Total square feet leased	396	49	159	61
Our share of square feet leased:	350	43	159	43
Initial rent[(1)]	$75.91	$113.37	$46.67	$81.05
Weighted average lease term (years)	9.0	3.4	7.0	5.1
Second generation relet space:				
Square feet	312	38	157	43
GAAP basis:				
Straight-line rent[(2)]	$73.27	$116.99	$45.37	$84.32
Prior straight-line rent	$72.64	$114.48	$40.76	$49.92
Percentage increase	0.9%	2.2%	11.3%	68.9%
Cash basis:				
Initial rent[(1)]	$74.43	$115.36	$46.59	$81.05
Prior escalated rent	$73.13	$126.09	$43.85	$58.92
Percentage increase (decrease)	1.8%	(8.5)%	6.2%	37.6%
Tenant improvements and leasing commissions:				
Per square foot	$87.05	$20.15	$35.20	$49.14
Per square foot per annum	$9.67	$5.93	$5.03	$9.64
Percentage of initial rent	12.7%	5.2%	10.8%	11.9%

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

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

Overview - continued

Square Footage (in service) and Occupancy as of March 31, 2019

(Square feet in thousands)		Square Feet (in service)			
	Number of Properties	Total Portfolio	Our Share	Occupancy %	
New York:					
Office	36	19,948	16,641	97.0	%
Retail (includes retail properties that are in the base of our office properties)	71	2,621	2,404	97.1	%
Residential - 1,683 units	10	1,529	796	96.7	%
Alexander's, Inc. ("Alexander's") including 312 residential units	7	2,242	726	97.3	%
Hotel Pennsylvania	1	1,400	1,400		
		27,740	21,967	97.0	%
Other:					
theMART	3	3,695	3,686	94.9	%
555 California Street	3	1,743	1,220	99.4	%
Other	10	2,527	1,192	92.8	%
		7,965	6,098		
Total square feet as of March 31, 2019		35,705	28,065		

Square Footage (in service) and Occupancy as of December 31, 2018

(Square feet in thousands)		Square Feet (in service)			
	Number of properties	Total Portfolio	Our Share	Occupancy %	
New York:					
Office	36	19,858	16,632	97.2	%
Retail (includes retail properties that are in the base of our office properties)	71	2,648	2,419	97.3	%
Residential - 1,687 units	10	1,533	800	96.6	%
Alexander's, including 312 residential units	7	2,437	790	91.4	%
Hotel Pennsylvania	1	1,400	1,400		
		27,876	22,041	97.0	%
Other:					
theMART	3	3,694	3,685	94.7	%
555 California Street	3	1,743	1,220	99.4	%
Other	10	2,522	1,187	92.8	%
		7,959	6,092		
Total square feet as of December 31, 2018		35,835	28,133		

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2018. For the three months ended March 31, 2019, there were no material changes to these policies, other than the adoption of the Accounting Standards Codification Topic 842, *Leases*, described in Note 3 - *Recently Issued Accounting Literature* and Note 20 - *Leases* to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

Recently Issued Accounting Literature

Refer to Note 3 - *Recently Issued Accounting Literature* to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements that may affect us.

Net Operating Income At Share by Segment for the Three Months Ended March 31, 2019 and 2018

NOI represents total revenues less operating expenses. We consider NOI to be the primary non-GAAP financial measure for making decisions and assessing the unlevered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on NOI, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. NOI should not be considered a substitute for net income. NOI may not be comparable to similarly titled measures employed by other companies.