

VORNADO REALTY TRUST
Form 10-Q
May 05, 2014

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 **March 31, 2014**
ended:

Or

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

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

Commission File Number: **001-11954**

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

22-1657560

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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

10019
(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large Accelerated Filer

Accelerated Filer

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

Smaller Reporting Company

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

As of March 31, 2014, 187,411,596 of the registrant's common shares of beneficial interest are outstanding.

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

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

(Amounts in thousands, except share and per share amounts)	March 31, 2014	December 31, 2013
ASSETS		
Real estate, at cost:		
Land	\$ 4,058,317	\$ 4,068,306
Buildings and improvements	12,477,661	12,475,556
Development costs and construction in progress	1,410,465	1,353,121
Leasehold improvements and equipment	133,699	132,483
Total	18,080,142	18,029,466
Less accumulated depreciation and amortization	(3,441,223)	(3,381,457)
Real estate, net	14,638,919	14,648,009
Cash and cash equivalents	1,156,727	583,290
Restricted cash	210,184	262,440
Marketable securities	205,042	191,917
Tenant and other receivables, net of allowance for doubtful accounts of \$20,233 and \$21,869	123,486	115,862
Investments in partially owned entities	1,168,996	1,166,443
Investment in Toys "R" Us	75,932	83,224
Real Estate Fund investments	682,002	667,710
Mortgage and mezzanine loans receivable, net of allowance of \$5,824 and \$5,845	42,749	170,972
Receivable arising from the straight-lining of rents, net of allowance of \$3,979 and \$4,355	830,381	817,357
Deferred leasing and financing costs, net of accumulated amortization of \$277,257 and \$264,451	437,056	411,927
Identified intangible assets, net of accumulated amortization of \$290,214 and \$277,998	299,759	311,963
Assets related to discontinued operations	207,575	314,622
Other assets	290,544	351,488
	\$ 20,369,352	\$ 20,097,224
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable	\$ 8,913,358	\$ 8,331,993
Senior unsecured notes	1,343,442	1,350,855
Revolving credit facility debt	88,138	295,870
Accounts payable and accrued expenses	457,858	422,276
Deferred revenue	514,605	529,048
Deferred compensation plan	121,970	116,515
Deferred tax liabilities	1,272	1,280
Liabilities related to discontinued operations	-	13,950

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Other liabilities	378,551	437,073
Total liabilities	11,819,194	11,498,860
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 11,564,839 and 11,292,038 units outstanding	1,139,831	1,002,620
Series D cumulative redeemable preferred unit - 1 unit outstanding	1,000	1,000
Total redeemable noncontrolling interests	1,140,831	1,003,620
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 52,682,807 shares	1,277,225	1,277,225
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 187,411,596 and 187,284,688 shares	7,474	7,469
Additional capital	7,017,611	7,143,840
Earnings less than distributions	(1,809,609)	(1,734,839)
Accumulated other comprehensive income	77,626	71,537
Total Vornado shareholders' equity	6,570,327	6,765,232
Noncontrolling interests in consolidated subsidiaries	839,000	829,512
Total equity	7,409,327	7,594,744
	\$ 20,369,352	\$ 20,097,224

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands, except per share amounts)	For the Three Months Ended March 31,	
	2014	2013
REVENUES:		
Property rentals	\$ 528,100	\$ 533,793
Tenant expense reimbursements	86,590	75,964
Cleveland Medical Mart development project	-	12,143
Fee and other income	45,928	96,813
Total revenues	660,618	718,713
EXPENSES:		
Operating	273,391	265,747
Depreciation and amortization	147,651	139,317
General and administrative	52,158	51,380
Cleveland Medical Mart development project	-	11,374
Impairment losses and acquisition related costs	21,784	601
Total expenses	494,984	468,419
Operating income	165,634	250,294
Income applicable to Toys "R" Us	1,847	1,759
Income from partially owned entities	132	20,766
Income from Real Estate Fund	18,148	16,564
Interest and other investment income (loss), net	11,893	(49,075)
Interest and debt expense	(109,442)	(120,346)
Net gain (loss) on disposition of wholly owned and partially owned assets	9,635	(36,724)
Income before income taxes	97,847	83,238
Income tax expense	(1,582)	(1,073)
Income from continuing operations	96,265	82,165
Income from discontinued operations	1,891	206,762
Net income	98,156	288,927
Less net income attributable to noncontrolling interests in:		
Consolidated subsidiaries	(11,579)	(11,286)
Operating Partnership	(3,848)	(13,933)
Preferred unit distributions of the Operating Partnership	(12)	(786)
Net income attributable to Vornado	82,717	262,922
Preferred share dividends	(20,368)	(21,702)
Preferred share redemptions	-	(9,230)
NET INCOME attributable to common shareholders	\$ 62,349	\$ 231,990
INCOME PER COMMON SHARE - BASIC:		
Income from continuing operations, net	\$ 0.32	\$ 0.20
Income from discontinued operations, net	0.01	1.04
Net income per common share	\$ 0.33	\$ 1.24
Weighted average shares outstanding	187,307	186,752
INCOME PER COMMON SHARE - DILUTED:		
Income from continuing operations, net	\$ 0.32	\$ 0.20

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Income from discontinued operations, net	0.01	1.04
Net income per common share	\$ 0.33	\$ 1.24
Weighted average shares outstanding	188,240	187,529
DIVIDENDS PER COMMON SHARE	\$ 0.73	\$ 0.73

See notes to consolidated financial statements (unaudited).

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(Amounts in thousands)	For the Three Months Ended March 31,	
	2014	2013
Net income	\$ 98,156	\$ 288,927
Other comprehensive income:		
Change in unrealized net gain on available-for-sale securities	13,125	148,789
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(8,286)	(3,647)
Change in value of interest rate swap	1,610	2,523
Other	1	533
Comprehensive income	104,606	437,125
Less comprehensive income attributable to noncontrolling interests	(15,800)	(34,304)
Comprehensive income attributable to Vornado	\$ 88,806	\$ 402,821

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Comprehensive Income Distributions	Non-Accumulated and controlling		Total Equity
	Shares	Amount	Shares	Amount			Other Comprehensive Income (Loss)	Interests in Consolidated Subsidiaries	
Balance, December 31, 2012	51,185	\$ 1,240,278	186,735	\$ 7,440	\$ 7,195,438	\$ (1,573,275)	\$ (18,946)	\$ 1,053,209	\$ 7,904,144
Net income attributable to Vornado	-	-	-	-	-	262,922	-	-	262,922
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	11,286	11,286
Dividends on common shares	-	-	-	-	-	(136,342)	-	-	(136,342)
Dividends on preferred shares	-	-	-	-	-	(21,702)	-	-	(21,702)
Issuance of Series L preferred shares	12,000	290,710	-	-	-	-	-	-	290,710
Redemption of Series F and Series H preferred shares	(10,500)	(253,269)	-	-	-	-	-	-	(253,269)
Common shares issued: Upon redemption of Class A units, at redemption value	-	-	162	5	13,399	-	-	-	13,404

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Under employees' share option plan	-	-	27	1	1,175	-	-	-	1,176
Under dividend reinvestment plan	-	-	5	-	433	-	-	-	433
Contributions:									
Real Estate Fund	-	-	-	-	-	-	-	10,251	10,251
Other	-	-	-	-	-	-	-	14,316	14,316
Distributions:									
Real Estate Fund	-	-	-	-	-	-	-	(43,145)	(43,145)
Other	-	-	-	-	-	-	-	(120,051)	(120,051)
Deferred compensation shares and options	-	-	6	1	2,512	(305)	-	-	2,208
Change in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	148,789	-	148,789
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(3,647)	-	(3,647)
Change in value of interest rate swap	-	-	-	-	-	-	2,523	-	2,523
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(44,998)	-	-	-	(44,998)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(8,299)	-	(8,299)

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Preferred unit and share redemptions	-	-	-	-	-	(9,230)	-	-	(9,230)
Other	-	-	-	-	-	(1,364)	533	(38)	(869)
Balance, March 31, 2013	52,685	\$ 1,277,719	186,935	\$ 7,447	\$ 7,167,959	\$ (1,479,296)	\$ 120,953	\$ 925,828	\$ 8,020,610

See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Preferred Shares		Common Shares		Additional Capital	Earnings Less Than Comprehensive Income	Other Consolidated Income	Non-controlling	Total
	Shares	Amount	Shares	Amount				Interests in Subsidiaries	
Balance, December 31, 2013	52,683	\$ 1,277,225	187,285	\$ 7,469	\$ 7,143,840	\$ (1,734,839)	\$ 71,537	\$ 829,512	\$ 7,594,744
Net income attributable to Vornado	-	-	-	-	-	82,717	-	-	82,717
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	11,579	11,579
Dividends on common shares	-	-	-	-	-	(136,761)	-	-	(136,761)
Dividends on preferred shares	-	-	-	-	-	(20,368)	-	-	(20,368)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	55	2	5,154	-	-	-	5,156
Under employees' share option plan	-	-	60	2	3,228	-	-	-	3,230
Under dividend reinvestment plan	-	-	5	-	446	-	-	-	446
Distributions:	-	-	-	-	-	-	-	(1,950)	(1,950)

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Real Estate Fund									
Other	-	-	-	-	-	-	-	(142)	(142)
Deferred compensation shares and options	-	-	7	1	2,118	(340)	-	-	1,779
Change in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	13,125	-	13,125
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-							