

VORNADO REALTY TRUST
Form 10-Q
November 03, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period **September 30, 2011**
ended:

Or

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

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

Commission File Number: **001-11954**

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

22-1657560

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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

10019
(Zip Code)

(212) 894-7000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large Accelerated Filer

Accelerated Filer

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

Smaller Reporting Company

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

As of September 30, 2011, 184,496,038 of the registrant's common shares of beneficial interest are outstanding.

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

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

(Amounts in thousands, except share and per share amounts)	September 30, 2011	December 31, 2010
ASSETS		
Real estate, at cost:		
Land	\$ 4,524,930	\$ 4,535,042
Buildings and improvements	12,573,880	12,510,244
Development costs and construction in progress	225,098	217,505
Leasehold improvements and equipment	127,294	124,910
Total	17,451,202	17,387,701
Less accumulated depreciation and amortization	(2,975,075)	(2,715,046)
Real estate, net	14,476,127	14,672,655
Cash and cash equivalents	585,183	690,789
Restricted cash	124,984	200,822
Marketable securities	631,361	766,116
Accounts receivable, net of allowance for doubtful accounts of \$76,935 and \$62,979	145,854	157,146
Investments in partially owned entities	1,157,326	927,672
Investment in Toys "R" Us	546,258	447,334
Real Estate Fund investments	261,417	144,423
Mezzanine loans receivable, net	156,365	202,412
Receivable arising from the straight-lining of rents, net of allowance of \$8,973 and \$7,316	724,483	695,486
Deferred leasing and financing costs, net of accumulated amortization of \$236,859 and \$219,965	360,056	354,864
Identified intangible assets, net of accumulated amortization of \$356,118 and \$335,113	334,878	346,157
Assets related to discontinued operations	253,352	519,285
Due from officers	13,185	13,187
Other assets	417,399	379,123
	\$ 20,188,228	\$ 20,517,471
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Notes and mortgages payable	\$ 8,462,191	\$ 8,255,101
Senior unsecured notes	959,421	1,082,928
Exchangeable senior debentures	496,139	491,000
Convertible senior debentures	188,799	186,413
Revolving credit facility debt	300,000	874,000
Accounts payable and accrued expenses	469,024	438,479
Deferred credit	532,221	575,836

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Deferred compensation plan	94,623	91,549
Deferred tax liabilities	13,814	13,278
Liabilities related to discontinued operations	8,954	267,652
Other liabilities	139,353	82,856
Total liabilities	11,664,539	12,359,092
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,526,395 and 12,804,202 units outstanding	934,720	1,066,974
Series D cumulative redeemable preferred units - 9,000,001 and 10,400,001 units outstanding	226,000	261,000
Total redeemable noncontrolling interests	1,160,720	1,327,974
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 42,186,709 and 32,340,009 shares	1,021,855	783,088
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 184,496,038 and 183,661,875 shares	7,350	7,317
Additional capital	7,112,004	6,932,728
Earnings less than distributions	(1,330,405)	(1,480,876)
Accumulated other comprehensive (loss) income	(59,019)	73,453
Total Vornado shareholders' equity	6,751,785	6,315,710
Noncontrolling interests in consolidated subsidiaries	611,184	514,695
Total equity	7,362,969	6,830,405
	\$ 20,188,228	\$ 20,517,471

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Amounts in thousands, except per share amounts)	2011	2010	2011	2010
REVENUES:				
Property rentals	\$ 561,149	\$ 559,518	\$1,688,551	\$1,661,967
Tenant expense reimbursements	94,053	95,341	264,857	271,040
Cleveland Medical Mart development project	35,135	-	108,203	-
Fee and other income	37,006	32,266	112,239	104,838
Total revenues	727,343	687,125	2,173,850	2,037,845
EXPENSES:				
Operating	285,659	275,077	841,266	802,927
Depreciation and amortization	134,074	130,599	393,846	393,259
General and administrative	46,452	55,200	155,566	153,231
Cleveland Medical Mart development project	33,419	-	101,637	-
Tenant buy-outs and other acquisition related costs	2,288	921	22,455	2,851
Total expenses	501,892	461,797	1,514,770	1,352,268
Operating income	225,451	225,328	659,080	685,577
(Loss) income applicable to Toys "R" Us	(9,304)	(2,557)	80,794	102,309
Income (loss) from partially owned entities	13,552	(1,996)	56,239	13,800
Income (loss) from Real Estate Fund (of which \$3,675 and (\$1,091) is attributable to noncontrolling interests, in each three-month period, respectively, and \$15,703 and (\$1,091) in each nine-month period, respectively)	5,353	(1,410)	25,491	(1,410)
Interest and other investment (loss) income, net	(29,994)	47,096	95,121	65,676
Interest and debt expense (including amortization of deferred financing costs of \$4,828 and \$5,170 in each three-month period, respectively, and \$14,696 and \$14,085 in each nine-month period, respectively)	(136,672)	(145,561)	(408,532)	(423,354)
Net (loss) on extinguishment of debt	-	(724)	-	(1,796)
Net gain on disposition of wholly owned and partially owned assets	1,298	5,072	7,975	12,759
Income before income taxes	69,684	125,248	516,168	453,561
Income tax expense	(7,144)	(5,449)	(19,448)	(15,993)

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Income from continuing operations	62,540	119,799	496,720	437,568
Income (loss) from discontinued operations	3,683	(3,667)	146,293	(11,681)
Net income	66,223	116,132	643,013	425,887
Less:				
Net income attributable to noncontrolling interests in consolidated subsidiaries	(5,636)	(296)	(20,643)	(1,490)
Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions				