

VORNADO REALTY TRUST
Form 10-Q
May 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 **March 31, 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
(I.R.S. Employer Identification Number)

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(State or other jurisdiction of incorporation or organization)

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

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

Accelerated Filer

Smaller Reporting Company

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

As of March 31, 2011, 184,239,623 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, 2011	December 31, 2010
ASSETS		
Real estate, at cost:		
Land	\$ 4,594,154	\$ 4,598,303
Buildings and improvements	12,723,892	12,733,487
Development costs and construction in progress	220,356	218,156
Leasehold improvements and equipment	125,859	124,976
Total	17,664,261	17,674,922
Less accumulated depreciation and amortization	(2,841,824)	(2,763,997)
Real estate, net	14,822,437	14,910,925
Cash and cash equivalents	618,361	690,789
Restricted cash	234,273	200,822
Marketable securities	821,920	766,116
Accounts receivable, net of allowance for doubtful accounts of \$67,589 and \$62,979	167,621	157,146
Investments in partially owned entities	1,116,294	927,672
Investment in Toys "R" Us	556,189	447,334
Real Estate Fund investments	230,657	144,423
Mezzanine loans receivable, net	140,567	202,412
Receivable arising from the straight-lining of rents, net of allowance of \$7,972 and \$7,323	732,384	720,806
Deferred leasing and financing costs, net of accumulated amortization of \$233,987 and \$223,131	359,677	368,314
Identified intangible assets, net of accumulated amortization of \$350,104 and \$338,508	333,270	348,745
Assets related to discontinued operations	-	234,464
Due from officers	13,181	13,187
Other assets	345,569	384,316
	\$ 20,492,400	\$ 20,517,471
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Notes and mortgages payable	\$ 8,594,920	\$ 8,259,298
Senior unsecured notes	982,588	1,082,928
Exchangeable senior debentures	492,690	491,000
Convertible senior debentures	187,198	186,413
Revolving credit facility debt	374,000	874,000

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Accounts payable and accrued expenses	469,443	438,479
Deferred credit	578,629	583,369
Deferred compensation plan	97,951	91,549
Deferred tax liabilities	13,279	13,278
Liabilities related to discontinued operations	-	255,922
Other liabilities	90,338	82,856
Total liabilities	11,881,036	12,359,092
Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,634,510 and 12,804,202 units outstanding	1,105,520	1,066,974
Series D cumulative redeemable preferred units - 10,400,001 units outstanding	261,000	261,000
Total redeemable noncontrolling interests	1,366,520	1,327,974
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 32,339,009 and 32,340,009 shares	782,933	783,088
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 184,239,623 and 183,661,875 shares	7,340	7,317
Additional capital	6,935,735	6,932,728
Earnings less than distributions	(1,208,993)	(1,480,876)
Accumulated other comprehensive income	130,614	73,453
Total Vornado shareholders' equity	6,647,629	6,315,710
Noncontrolling interests in consolidated subsidiaries	597,215	514,695
Total equity	7,244,844	6,830,405
	\$ 20,492,400	\$ 20,517,471

See notes to the consolidated financial statements (unaudited).

INCOME PER COMMON SHARE - BASIC:

Income from continuing operations, net	\$	1.49	\$	1.15
Income (loss) from discontinued operations, net		0.68		(0.05)
Net income per common share	\$	2.17	\$	1.10
Weighted average shares		183,988		181,542

INCOME PER COMMON SHARE - DILUTED:

Income from continuing operations, net	\$	1.46	\$	1.14
Income (loss) from discontinued operations, net		0.66		(0.05)
Net income per common share	\$	2.12	\$	1.09
Weighted average shares		191,529		183,445

DIVIDENDS PER COMMON SHARE	\$	0.69	\$	0.65
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See notes to consolidated financial statements (unaudited).

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

(Amounts in thousands)	Accumulated								
	Preferred Shares		Common Shares		Additional	Earnings Less Than	Other Comprehensive	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	Income (Loss)	Interests	Equity
Balance, December 31, 2009	33,952	\$ 823,686	181,214	\$ 7,218	\$ 6,961,007	\$ (1,577,591)	\$ 28,449	\$ 406,637	\$ 6,649,213
Net income	-	-	-	-	-	214,552	-	213	214,766
Dividends paid on common shares	-	-	-	-	-	(117,958)	-	-	(117,958)
Dividends paid on preferred shares	-	-	-	-	-	(14,267)	-	-	(14,267)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	268	11	18,117	-	-	-	18,128
Under employees' share option plan	-	-	405	16	541	(25,428)	-	-	(24,872)
Under dividend reinvestment plan	-	-	6	-	390	-	-	-	390
Conversion of Series A preferred shares to common shares	(2)	(137)	4	-	137	-	-	-	102
Deferred compensation shares and options	-	-	17	2	1,644	-	-	-	1,663

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Change in unrealized net gain on securities available-for-sale	-	-	-	-	-	-	17,588	-	17,588
Our share of partially owned entities' OCI adjustments	-	-	-	-	-	-	(15,688)	-	(15,688)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(104,247)	-	-	-	(104,247)
Other	-	-	-	-	(60)	2	(396)	(59)	(413)
Balance, March 31, 2010	33,950	\$ 823,549	181,914	\$ 7,247	\$ 6,877,529	\$ (1,520,690)	\$ 29,953	\$ 406,791	\$ 6,624,830

(Amounts in thousands)	Accumulated								
	Preferred Shares		Common Shares		Additional	Earnings Less Than Comprehensive Distributions	Other Comprehensive Income (Loss)	Non- controlling Interests	Total
	Shares	Amount	Shares	Amount	Capital				Equity
Balance, December 31, 2010	32,340	\$ 783,088	183,662	\$ 7,317	\$ 6,932,728	\$ (1,480,876)	\$ 73,453	\$ 514,695	\$ 6,830,145
Net income	-	-	-	-	-	412,663	-	1,350	414,013
Dividends paid on common shares	-	-	-	-	-	(126,936)	-	-	(126,936)
Dividends paid on preferred shares	-	-	-	-	-	(13,559)	-	-	(13,559)
Common shares issued: Upon redemption of Class A units, at redemption value	-	-	320	13	27,526	-	-	-	27,539

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Under employees' share option plan	-	-	240	10	15,027	(398)	-	-	14
Under dividend reinvestment plan	-	-	5	-	434	-	-	-	
Limited partners' contribution:									
Real Estate Fund	-	-	-	-	-	-	-	92,068	92
Other	-	-	-	-	-	-	-	170	
Conversion of Series A preferred shares to common shares	(1)	(50)	2	-	50	-	-	-	
Deferred compensation shares and options	-	-	11	-	2,370	-	-	-	2
Change in unrealized net gain or loss on securities available-for-sale	-	-	-	-	-	-	68,039	-	68
Our share of partially owned entities' OCI adjustments	-	-	-	-	-	-	(3,791)	-	(3,
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(42,227)	-	-	-	(42,
Distributions to limited partners	-	-	-	-	-	-	-	(11,027)	(11,
Other	-	(105)	-	-	(173)	113	(7,087)	(41)	(7,
Balance, March 31, 2011	32,339	\$ 782,933	184,240	\$ 7,340	\$ 6,935,735	\$ (1,208,993)	\$ 130,614	\$ 597,215	\$ 7,244

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31,	
	2011	2010
(Amounts in thousands)		
Cash Flows from Operating Activities:		
Net income	\$ 445,821	\$ 232,544
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of deferred financing costs)	136,860	140,250
Equity in net income of partially owned entities, including Toys "R" Us	(129,228)	(137,214)
Net gain on early extinguishment of debt	(83,907)	-
Mezzanine loans loss reversal and net gain on disposition	(82,744)	-
Net gain on sales of real estate	(51,165)	-
Distributions of income from partially owned entities	25,921	7,123
Income from the mark-to-market of J.C. Penney derivative position	(17,163)	-
Amortization of below-market leases, net	(16,892)	(15,907)
Straight-lining of rental income	(13,942)	(20,922)
Other non-cash adjustments	8,211	2,252
Net gain on disposition of wholly owned and partially owned assets	(6,677)	(3,305)
Litigation loss accrual	-	10,056
Changes in operating assets and liabilities:		
Real Estate Fund investments	(85,536)	-
Prepaid assets	34,761	44,855
Other assets	2,947	(7,464)
Accounts payable and accrued expenses	30,906	26,137
Accounts receivable, net	(10,475)	(2,480)
Other liabilities	8,404	12,123
Net cash provided by operating activities	196,102	288,048
Cash Flows from Investing Activities:		
Investments in partially owned entities	(316,129)	(36,741)
Distributions of capital from partially owned entities	192,523	7,617
Proceeds from sales of real estate and related investments	127,199	38,879
Proceeds from sales and repayments of mezzanine loans	73,608	101,839