VORNADO REALTY TRUST
Form 10-Q
July 31, 2017

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:	**June 30, 2017**	

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** (State or other jurisdiction of incorporation or organization)	**22-1657560** (I.R.S. Employer Identification Number)
Vornado Realty L.P.	**Delaware** (State or other jurisdiction of incorporation or organization)	**13-3925979** (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 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). 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, or a smaller reporting company. See the definitions of "large accelerated filer," "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 (Do not check if smaller reporting company)	Smaller Reporting Company
	Emerging Growth Company

Vornado Realty L.P.:

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer (Do not check if smaller reporting company)	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 June 30, 2017, 189,465,023 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 June 30, 2017 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 93.6% 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, 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.

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 10. Redeemable Noncontrolling Interests/Redeemable Partnership Units
  - Note 18. Income Per Share/Income 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)	June 30, 2017	December 31, 2016
ASSETS		
Real estate, at cost:		
Land	$ 4,048,971	$ 4,065,142
Buildings and improvements	12,750,314	12,727,980
Development costs and construction in progress	1,676,353	1,430,276
Leasehold improvements and equipment	119,852	116,560
Total	18,595,490	18,339,958
Less accumulated depreciation and amortization	(3,682,903)	(3,513,574)
Real estate, net	14,912,587	14,826,384
Cash and cash equivalents	1,471,303	1,501,027
Restricted cash	86,386	98,295
Marketable securities	187,489	203,704
Tenant and other receivables, net of allowance for doubtful accounts of $11,513 and $10,920	83,768	94,467
Investments in partially owned entities	1,354,089	1,428,019
Real estate fund investments	455,692	462,132
Receivable arising from the straight-lining of rents, net of allowance of $1,656 and $2,227	1,062,456	1,032,736
Deferred leasing costs, net of accumulated amortization of $242,373 and $228,862	449,714	454,345
Identified intangible assets, net of accumulated amortization of $211,285 and $207,330	176,506	192,731
Assets related to discontinued operations	4,378	5,570
Other assets	644,922	515,437
	$ 20,889,290	$ 20,814,847
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Mortgages payable, net	$ 9,502,694	$ 9,278,263
Senior unsecured notes, net	846,286	845,577
Unsecured term loan, net	372,975	372,215
Unsecured revolving credit facilities	115,630	115,630
Accounts payable and accrued expenses	427,401	458,694
Deferred revenue	264,035	287,846
Deferred compensation plan	104,566	121,374
Liabilities related to discontinued operations	2,406	2,870
Other liabilities	431,983	435,436
Total liabilities	12,067,976	11,917,905

Commitments and contingencies		
Redeemable noncontrolling interests:		
Class A units - 12,477,710 and 12,197,162 units outstanding	1,171,656	1,273,018
Series D cumulative redeemable preferred units - 177,101 units outstanding	5,428	5,428
Total redeemable noncontrolling interests	1,177,084	1,278,446
Vornado shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 42,823,428 and 42,824,829 shares	1,038,011	1,038,055
Common shares of beneficial interest: $.04 par value per share; authorized 250,000,000 shares; issued and outstanding 189,465,023 and 189,100,876 shares	7,556	7,542
Additional capital	7,279,834	7,153,332
Earnings less than distributions	(1,524,806)	(1,419,382)
Accumulated other comprehensive income	115,839	118,972
Total Vornado shareholders' equity	6,916,434	6,898,519
Noncontrolling interests in consolidated subsidiaries	727,796	719,977
Total equity	7,644,230	7,618,496
	$ 20,889,290	$ 20,814,847

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 June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
REVENUES:				
Property rentals	$ 529,294	$ 527,178	$ 1,043,112	$ 1,046,670
Tenant expense reimbursements	60,687	60,841	128,357	120,416
Fee and other income	36,058	33,689	75,418	67,659
Total revenues	626,039	621,708	1,246,887	1,234,745
EXPENSES:				
Operating	256,687	245,138	517,594	501,487
Depreciation and amortization	137,015	141,313	275,826	284,270
General and administrative	42,470	45,564	99,128	94,268
Acquisition and transaction related costs	6,471	2,879	14,476	7,486
Skyline properties impairment loss	-	-	-	160,700
Total expenses	442,643	434,894	907,024	1,048,211
Operating income	183,396	186,814	339,863	186,534
Income (loss) from partially owned entities	46,276	642	47,721	(3,598)
Income from real estate fund investments	4,391	16,389	4,659	27,673
Interest and other investment income, net	9,307	10,236	18,535	13,754
Interest and debt expense	(96,797)	(105,576)	(191,082)	(206,065)
Net gains on disposition of wholly owned and partially owned assets	-	159,511	501	160,225
Income before income taxes	146,573	268,016	220,197	178,523
Income tax benefit (expense)	248	(2,109)	(1,957)	(4,940)
Income from continuing operations	146,821	265,907	218,240	173,583
Income from discontinued operations	663	2,475	3,091	3,191
Net income	147,484	268,382	221,331	176,774
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(7,677)	(13,025)	(14,414)	(22,703)
Operating Partnership	(7,706)	(14,531)	(10,935)	(7,044)
Net income attributable to Vornado	132,101	240,826	195,982	147,027
Preferred share dividends	(16,129)	(20,363)	(32,258)	(40,727)
NET INCOME attributable to common shareholders	$ 115,972	$ 220,463	$ 163,724	$ 106,300

INCOME PER COMMON SHARE - BASIC:

Income from continuing operations, net	$	0.61	$	1.16	$	0.84	$	0.54
Income from discontinued operations, net		-		0.01		0.02		0.02
Net income per common share	$	0.61	$	1.17	$	0.86	$	0.56
Weighted average shares outstanding		189,395		188,772		189,304		188,715
INCOME PER COMMON SHARE - DILUTED:								
Income from continuing operations, net	$	0.61	$	1.15	$	0.84	$	0.54
Income from discontinued operations, net		-		0.01		0.02		0.02
Net income per common share	$	0.61	$	1.16	$	0.86	$	0.56
Weighted average shares outstanding		190,444		189,885		190,674		190,000
DIVIDENDS PER COMMON SHARE	$	0.71	$	0.63	$	1.42	$	1.26

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in thousands)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Net income	$ 147,484	$ 268,382	$ 221,331	$ 176,774
Other comprehensive (loss) income:				
(Reduction) increase in unrealized net gain on available-for-sale securities	(1,206)	28,019	(16,215)	39,113
Pro rata share of amounts reclassified from accumulated other comprehensive income of a nonconsolidated subsidiary	-	-	9,268	-
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(980)	(628)	(1,031)	(622)
(Reduction) increase in value of interest rate swaps and other	(1,204)	(6,976)	4,638	(11,171)
Comprehensive income	144,094	288,797	217,991	204,094
Less comprehensive income attributable to noncontrolling interests	(15,173)	(28,814)	(25,142)	(31,432)
Comprehensive income attributable to Vornado Realty Trust	$ 128,921	$ 259,983	$ 192,849	$ 172,662

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	Earnings Less Than	Accumulated Other Comprehensive	Non-controlling Interests in Consolidated	Total
	Shares	Amount	Shares	Amount	Capital	Distributions	Income	Subsidiaries	Equity
Balance, December 31, 2016	42,825	$1,038,055	189,101	$7,542	$7,153,332	$(1,419,382)	$ 118,972	$719,977	$7,618,496
Net income attributable to Vornado	-	-	-	-	-	195,982	-	-	195,982
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	14,414	14,414
Dividends on common shares	-	-	-	-	-	(268,817)	-	-	(268,817)
Dividends on preferred shares	-	-	-	-	-	(32,258)	-	-	(32,258)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	249	10	25,552	-	-	-	25,562
Under employees' share option plan	-	-	103	4	8,842	-	-	-	8,846
Under dividend reinvestment plan	-	-	8	-	780	-	-	-	780
Contributions	-	-	-	-	-	-	-	991	991
Distributions:									
Real estate fund	-	-	-	-	-	-	-	(6,200)	(6,200)

investments									
Other	-	-	-	-	-	-	-	(1,339)	(1,339)
Conversion of Series A preferred shares to common shares	(2)	(44)	2	-	44	-	-	-	-
Deferred compensation shares and options	-	-	2	-	1,076	(285)	-	-	791
Reduction in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	(16,215)	-	(16,215)
Pro rata share of amounts reclassified related to a nonconsolidated subsidiary	-	-	-	-	-	-	9,268	-	9,268
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(1,031)	-	(1,031)
Increase in value of interest rate swaps	-	-	-	-	-	-	4,636	-	4,636
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	90,208	-	-	-	90,208
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	207	-	207
Other	-	-	-	-	-	(46)	2	(47)	(91)
Balance, June 30, 2017	42,823	$1,038,011	189,465	$7,556	$7,279,834	$(1,524,806)	$ 115,839	$727,796	$7,644,230

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED (UNAUDITED)

(Amounts in thousands)	Preferred Shares Shares	Preferred Shares Amount	Common Shares Shares	Common Shares Amount	Additional Capital	Earnings Less Than Distributions	Accumulated Other Comprehensive Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
Balance, December 31, 2015	52,677	$1,276,954	188,577	$7,521	$7,132,979	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078
Net income attributable to Vornado	-	-	-	-	-	147,027	-	-	147,027
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	-	22,703	22,703
Dividends on common shares	-	-	-	-	-	(237,832)	-	-	(237,832)
Dividends on preferred shares	-	-	-	-	-	(40,727)	-	-	(40,727)
Common shares issued:									
Upon redemption of Class A units, at redemption value	-	-	195	8	18,200	-	-	-	18,208
Under employees' share option plan	-	-	38	1	3,092	-	-	-	3,093
Under dividend reinvestment plan	-	-	8	-	717	-	-	-	717
Contributions	-	-	-	-	-	-	-	19,674	19,674
Distributions:									
Real estate fund	-	-	-	-	-	-	-	(56,533)	(56,533)

investments									
Other	-	-	-	-	-	-	-	(10,970)	(10,970)
Deferred compensation shares and options	-	-	7	1	953	(186)	-	-	768
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	-	39,113	-	39,113
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	-	(622)	-	(622)
Reduction in value of interest rate swaps	-	-	-	-	-	-	(11,170)	-	(11,170)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	-	(20,369)	-	-	-	(20,369)
Redeemable noncontrolling interests' share of above adjustments	-	-	-	-	-	-	(1,685)	-	(1,685)
Other	-	-	1	-	(1)	(7)	(1)	111	102
Balance, June 30, 2016	52,677	$ 1,276,954	188,826	$ 7,531	$ 7,135,571	$ (1,898,505)	$ 72,556	$ 753,468	$ 7,347,575

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)	For the Six Months Ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net income	$ 221,331	$ 176,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of deferred financing costs)	289,898	299,541
Equity in net (income) loss of partially owned entities	(47,721)	3,598
Distributions of income from partially owned entities	44,778	42,012
Other non-cash adjustments	30,070	23,049
Straight-lining of rents	(28,581)	(83,883)
Amortization of below-market leases, net	(24,391)	(29,811)
Net realized and unrealized loss (gain) on real estate fund investments	6,201	(21,277)
Net gains on sale of real estate and other	(2,267)	(2,210)
Net gains on disposition of wholly owned and partially owned assets	(501)	(160,225)
Skyline properties impairment loss	-	160,700
Return of capital from real estate fund investments	-	71,888
Changes in operating assets and liabilities:		
Tenant and other receivables, net	8,446	2,358
Prepaid assets	(148,446)	(131,927)
Other assets	(8,402)	(29,303)
Accounts payable and accrued expenses	(1,324)	6,634
Other liabilities	(22,874)	(9,113)
Net cash provided by operating activities	316,217	318,805
Cash Flows from Investing Activities:		
Development costs and construction in progress	(191,073)	(277,214)
Additions to real estate	(139,611)	(170,265)
Distributions of capital from partially owned entities	113,507	92,465
Investments in partially owned entities	(27,720)	(90,659)
Acquisitions of real estate and other	(11,841)	(91,100)
Proceeds from sales of real estate and related investments	5,180	159,888
Proceeds from repayments of mortgage loans receivable	29	22
Net deconsolidation of 7 West 34th Street	-	(48,000)
Investments in loans receivable and other	-	(11,700)
Purchases of marketable securities	-	(4,379)
Net cash used in investing activities	(251,529)	(440,942)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED (UNAUDITED)

(Amounts in thousands)	For the Six Months Ended June 30, 2017	2016
Cash Flows from Financing Activities:		
Dividends paid on common shares	$ (268,817)	$ (237,832)
Proceeds from borrowings	226,929	1,325,246
Dividends paid on preferred shares	(32,258)	(40,727)
Distributions to noncontrolling interests	(25,617)	(83,266)
Repayments of borrowings	(13,971)	(1,032,115)
Proceeds received from exercise of employee share options	9,626	3,810
Debt issuance and other costs	(2,919)	(29,478)
Contributions from noncontrolling interests	991	11,874
Repurchase of shares related to stock compensation agreements and related tax withholdings and other	(285)	(186)
Net cash used in financing activities	(106,321)	(82,674)
Net decrease in cash and cash equivalents and restricted cash	(41,633)	(204,811)
Cash and cash equivalents and restricted cash at beginning of period	1,599,322	1,943,506
Cash and cash equivalents and restricted cash at end of period	$ 1,557,689	$ 1,738,695
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	$ 1,501,027	$ 1,835,707
Restricted cash at beginning of period	98,295	107,799
Cash and cash equivalents and restricted cash at beginning of period	$ 1,599,322	$ 1,943,506
Cash and cash equivalents at end of period	$ 1,471,303	$ 1,644,067
Restricted cash at end of period	86,386	94,628
Cash and cash equivalents and restricted cash at end of period	$ 1,557,689	$ 1,738,695
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest, excluding capitalized interest of $20,050 and $13,918	$ 175,718	$ 181,432
Cash payments for income taxes	$ 3,151	$ 5,003
Non-Cash Investing and Financing Activities:		
Adjustments to carry redeemable Class A units at redemption value	$ 90,208	$ (20,369)
Accrued capital expenditures included in accounts payable and accrued expenses	59,733	144,079
Write-off of fully depreciated assets	(35,727)	(220,654)
(Reduction) increase in unrealized net gain on available-for-sale securities	(16,215)	39,113
Decrease in assets and liabilities resulting from the deconsolidation of investments that were previously consolidated:		
Real estate, net	-	(122,047)

Mortgage payable, net	-	(290,418)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Amounts in thousands, except unit amounts)	June 30, 2017	December 31, 2016
ASSETS		
Real estate, at cost:		
Land	$ 4,048,971	$ 4,065,142
Buildings and improvements	12,750,314	12,727,980
Development costs and construction in progress	1,676,353	1,430,276
Leasehold improvements and equipment	119,852	116,560
Total	18,595,490	18,339,958
Less accumulated depreciation and amortization	(3,682,903)	(3,513,574)
Real estate, net	14,912,587	14,826,384
Cash and cash equivalents	1,471,303	1,501,027
Restricted cash	86,386	98,295
Marketable securities	187,489	203,704
Tenant and other receivables, net of allowance for doubtful accounts of $11,513 and $10,920	83,768	94,467
Investments in partially owned entities	1,354,089	1,428,019
Real estate fund investments	455,692	462,132
Receivable arising from the straight-lining of rents, net of allowance of $1,656 and $2,227	1,062,456	1,032,736
Deferred leasing costs, net of accumulated amortization of $242,373 and $228,862	449,714	454,345
Identified intangible assets, net of accumulated amortization of $211,285 and $207,330	176,506	192,731
Assets related to discontinued operations	4,378	5,570
Other assets	644,922	515,437
	$ 20,889,290	$ 20,814,847
LIABILITIES, REDEEMABLE PARTNERSHIP UNITS AND EQUITY		
Mortgages payable, net	$ 9,502,694	$ 9,278,263
Senior unsecured notes, net	846,286	845,577
Unsecured term loan, net	372,975	372,215
Unsecured revolving credit facilities	115,630	115,630
Accounts payable and accrued expenses	427,401	458,694
Deferred revenue	264,035	287,846
Deferred compensation plan	104,566	121,374
Liabilities related to discontinued operations	2,406	2,870
Other liabilities	431,983	435,436
Total liabilities	12,067,976	11,917,905
Commitments and contingencies		
Redeemable partnership units:		
Class A units - 12,477,710 and 12,197,162 units outstanding	1,171,656	1,273,018
Series D cumulative redeemable preferred units - 177,101 units outstanding	5,428	5,428
Total redeemable partnership units	1,177,084	1,278,446

Equity:		
Partners' capital	8,325,401	8,198,929
Earnings less than distributions	(1,524,806)	(1,419,382)
Accumulated other comprehensive income	115,839	118,972
Total Vornado Realty L.P. equity	6,916,434	6,898,519
Noncontrolling interests in consolidated subsidiaries	727,796	719,977
Total equity	7,644,230	7,618,496
	$ 20,889,290	$ 20,814,847

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 June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUES:				
Property rentals	$ 529,294	$ 527,178	$ 1,043,112	$ 1,046,670
Tenant expense reimbursements	60,687	60,841	128,357	120,416
Fee and other income	36,058	33,689	75,418	67,659
Total revenues	626,039	621,708	1,246,887	1,234,745
EXPENSES:				
Operating	256,687	245,138	517,594	501,487
Depreciation and amortization	137,015	141,313	275,826	284,270
General and administrative	42,470	45,564	99,128	94,268
Acquisition and transaction related costs	6,471	2,879	14,476	7,486
Skyline properties impairment loss	-	-	-	160,700
Total expenses	442,643	434,894	907,024	1,048,211
Operating income	183,396	186,814	339,863	186,534
Income (loss) from partially owned entities	46,276	642	47,721	(3,598)
Income from real estate fund investments	4,391	16,389	4,659	27,673
Interest and other investment income, net	9,307	10,236	18,535	13,754
Interest and debt expense	(96,797)	(105,576)	(191,082)	(206,065)
Net gains on disposition of wholly owned and partially owned assets	-	159,511	501	160,225
Income before income taxes	146,573	268,016	220,197	178,523
Income tax benefit (expense)	248	(2,109)	(1,957)	(4,940)
Income from continuing operations	146,821	265,907	218,240	173,583
Income from discontinued operations	663	2,475	3,091	3,191
Net income	147,484	268,382	221,331	176,774
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(7,677)	(13,025)	(14,414)	(22,703)
Net income attributable to Vornado Realty L.P.	139,807	255,357	206,917	154,071
Preferred unit distributions	(16,177)	(20,412)	(32,355)	(40,824)
NET INCOME attributable to Class A unitholders	$ 123,630	$ 234,945	$ 174,562	$ 113,247

INCOME PER CLASS A UNIT - BASIC:

Income from continuing operations, net	$ 0.61	$ 1.16	$ 0.84	$ 0.54
Income from discontinued operations, net	-	0.01	0.02	0.02
Net income per Class A unit	$ 0.61	$ 1.17	$ 0.86	$ 0.56
Weighted average units outstanding	201,127	200,369	200,987	200,220
INCOME PER CLASS A UNIT - DILUTED:				
Income from continuing operations, net	$ 0.61	$ 1.15	$ 0.84	$ 0.54
Income from discontinued operations, net	-	0.01	0.01	0.01
Net income per Class A unit	$ 0.61	$ 1.16	$ 0.85	$ 0.55
Weighted average units outstanding	202,623	201,975	202,617	201,821
DISTRIBUTIONS PER CLASS A UNIT	$ 0.71	$ 0.63	$ 1.42	$ 1.26

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 June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Net income	$ 147,484	$ 268,382	$ 221,331	$ 176,774
Other comprehensive (loss) income:				
(Reduction) increase in unrealized net gain on available-for-sale securities	(1,206)	28,019	(16,215)	39,113
Pro rata share of amounts reclassified from accumulated other comprehensive income of a nonconsolidated subsidiary	-	-	9,268	-
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	(980)	(628)	(1,031)	(622)
(Reduction) increase in value of interest rate swaps and other	(1,204)	(6,976)	4,638	(11,171)
Comprehensive income	144,094	288,797	217,991	204,094
Less comprehensive income attributable to noncontrolling interests in consolidated subsidiaries	(7,677)	(13,025)	(14,414)	(22,703)
Comprehensive income attributable to Vornado Realty L.P.	$ 136,417	$ 275,772	$ 203,577	$ 181,391

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 Income	Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	Units	Amount	Units	Amount				
Balance, December 31, 2016	42,825	$1,038,055	189,101	$7,160,874	$(1,419,382)	$ 118,972	$719,977	$7,618,496
Net income attributable to Vornado Realty L.P.	-	-	-	-	206,917	-	-	206,917
Net income attributable to redeemable partnership units	-	-	-	-	(10,935)	-	-	(10,935)
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	14,414	14,414
Distributions to Vornado	-	-	-	-	(268,817)	-	-	(268,817)
Distributions to preferred unitholders	-	-	-	-	(32,258)	-	-	(32,258)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	-	-	249	25,562	-	-	-	25,562
Under Vornado's employees' share option plan	-	-	103	8,846	-	-	-	8,846

Under Vornado's dividend reinvestment plan	-	-	8	780	-	-	-	780
Contributions	-	-	-	-	-	-	991	991
Distributions:								
Real estate fund investments	-	-	-	-	-	-	(6,200)	(6,200)
Other	-	-	-	-	-	-	(1,339)	(1,339)
Conversion of Series A preferred units to Class A units	(2)	(44)	2	44	-	-	-	-
Deferred compensation units and options	-	-	2	1,076	(285)	-	-	791
Reduction in unrealized net gain on available-for-sale securities	-	-	-	-	-	(16,215)	-	(16,215)
Pro rata share of amounts reclassified related to a nonconsolidated subsidiary	-	-	-	-	-	9,268	-	9,268
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	(1,031)	-	(1,031)
Increase in value of interest rate swaps	-	-	-	-	-	4,636	-	4,636
Adjustments to carry redeemable Class A units at redemption value	-	-	-	90,208	-	-	-	90,208
Redeemable partnership units' share of above adjustments	-	-	-	-	-	207	-	207

Other	-	-	-	-	(46)	2	(47)	(91)
Balance, June 30, 2017	42,823	$1,038,011	189,465	$7,287,390	$(1,524,806)	$ 115,839	$727,796	$7,644,230

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, 2015	52,677	$1,276,954	188,577	$7,140,500	$(1,766,780)	$ 46,921	$ 778,483	$7,476,078
Net income attributable to Vornado Realty L.P.	-	-	-	-	154,071	-	-	154,071
Net income attributable to redeemable partnership units	-	-	-	-	(7,044)	-	-	(7,044)
Net income attributable to noncontrolling interests in consolidated subsidiaries	-	-	-	-	-	-	22,703	22,703
Distributions to Vornado	-	-	-	-	(237,832)	-	-	(237,832)
Distributions to preferred unitholders	-	-	-	-	(40,727)	-	-	(40,727)
Class A Units issued to Vornado:								
Upon redemption of redeemable Class A units, at redemption value	-	-	195	18,208	-	-	-	18,208
Under Vornado's employees' share option plan	-	-	38	3,093	-	-	-	3,093

Under Vornado's dividend reinvestment plan	-	-	8	717	-	-	-	717
Contributions	-	-	-	-	-	-	19,674	19,674
Distributions:								
Real estate fund investments	-	-	-	-	-	-	(56,533)	(56,533)
Other	-	-	-	-	-	-	(10,970)	(10,970)
Deferred compensation units and options	-	-	7	954	(186)	-	-	768
Increase in unrealized net gain on available-for-sale securities	-	-	-	-	-	39,113	-	39,113
Pro rata share of other comprehensive loss of nonconsolidated subsidiaries	-	-	-	-	-	(622)	-	(622)
Reduction in value of interest rate swaps	-	-	-	-	-	(11,170)	-	(11,170)
Adjustments to carry redeemable Class A units at redemption value	-	-	-	(20,369)	-	-	-	(20,369)
Redeemable partnership units' share of above adjustments	-	-	-	-	-	(1,685)	-	(1,685)
Other	-	-	1	(1)	(7)	(1)	111	102
Balance, June 30, 2016	52,677	$1,276,954	188,826	$7,143,102	$(1,898,505)	$ 72,556	$ 753,468	$7,347,575

See notes to consolidated financial statements (unaudited).

16

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)	For the Six Months Ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net income	$ 221,331	$ 176,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of deferred financing costs)	289,898	299,541
Equity in net (income) loss of partially owned entities	(47,721)	3,598
Distributions of income from partially owned entities	44,778	42,012
Other non-cash adjustments	30,070	23,049
Straight-lining of rents	(28,581)	(83,883)
Amortization of below-market leases, net	(24,391)	(29,811)
Net realized and unrealized loss (gain) on real estate fund investments	6,201	(21,277)
Net gains on sale of real estate and other	(2,267)	(2,210)
Net gains on disposition of wholly owned and partially owned assets	(501)	(160,225)
Skyline properties impairment loss	-	160,700
Return of capital from real estate fund investments	-	71,888
Changes in operating assets and liabilities:		
Tenant and other receivables, net	8,446	2,358
Prepaid assets	(148,446)	(131,927)
Other assets	(8,402)	(29,303)
Accounts payable and accrued expenses	(1,324)	6,634
Other liabilities	(22,874)	(9,113)
Net cash provided by operating activities	316,217	318,805
Cash Flows from Investing Activities:		
Development costs and construction in progress	(191,073)	(277,214)
Additions to real estate	(139,611)	(170,265)
Distributions of capital from partially owned entities	113,507	92,465
Investments in partially owned entities	(27,720)	(90,659)
Acquisitions of real estate and other	(11,841)	(91,100)
Proceeds from sales of real estate and related investments	5,180	159,888
Proceeds from repayments of mortgage loans receivable	29	22
Net deconsolidation of 7 West 34th Street	-	(48,000)
Investments in loans receivable and other	-	(11,700)
Purchases of marketable securities	-	(4,379)
Net cash used in investing activities	(251,529)	(440,942)

See notes to consolidated financial statements (unaudited).

VORNADO REALTY L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED (UNAUDITED)

(Amounts in thousands)	For the Six Months Ended June 30, 2017	2016
Cash Flows from Financing Activities:		
Distributions to Vornado	$ (268,817)	$ (237,832)
Proceeds from borrowings	226,929	1,325,246
Distributions to preferred unitholders	(32,258)	(40,727)
Distributions to redeemable security holders and noncontrolling interests in consolidated subsidiaries	(25,617)	(83,266)
Repayments of borrowings	(13,971)	(1,032,115)
Proceeds received from exercise of Vornado stock options	9,626	3,810
Debt issuance and other costs	(2,919)	(29,478)
Contributions from noncontrolling interests in consolidated subsidiaries	991	11,874
Repurchase of Class A units related to stock compensation agreements and related tax withholdings and other	(285)	(186)
Net cash used in financing activities	(106,321)	(82,674)
Net decrease in cash and cash equivalents and restricted cash	(41,633)	(204,811)
Cash and cash equivalents and restricted cash at beginning of period	1,599,322	1,943,506
Cash and cash equivalents and restricted cash at end of period	$ 1,557,689	$ 1,738,695
Reconciliation of Cash and Cash Equivalents and Restricted Cash:		
Cash and cash equivalents at beginning of period	$ 1,501,027	$ 1,835,707
Restricted cash at beginning of period	98,295	107,799
Cash and cash equivalents and restricted cash at beginning of period	$ 1,599,322	$ 1,943,506
Cash and cash equivalents at end of period	$ 1,471,303	$ 1,644,067
Restricted cash at end of period	86,386	94,628
Cash and cash equivalents and restricted cash at end of period	$ 1,557,689	$ 1,738,695
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest, excluding capitalized interest of $20,050 and $13,918	$ 175,718	$ 181,432
Cash payments for income taxes	$ 3,151	$ 5,003
Non-Cash Investing and Financing Activities:		
Adjustments to carry redeemable Class A units at redemption value	$ 90,208	$ (20,369)
Accrued capital expenditures included in accounts payable and accrued expenses	59,733	144,079
Write-off of fully depreciated assets	(35,727)	(220,654)
(Reduction) increase in unrealized net gain on available-for-sale securities	(16,215)	39,113

Decrease in assets and liabilities resulting from the deconsolidation of investments that were previously consolidated:		
Real estate, net	-	(122,047)
Mortgage payable, net	-	(290,418)

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 93.6% of the common limited partnership interest in, the Operating Partnership as of June 30, 2017. All references to the "Company," "we," "us," and "our" mean collectively Vornado, the Operating Partnership and those entities/subsidiaries consolidated by Vornado.

On July 17, 2017, we completed the spin-off of our Washington, DC segment comprised of (i) 37 office properties totaling over 11.1 million square feet, five multifamily properties with 3,133 units and five other assets totaling approximately 406,000 square feet and (ii) 18 future development assets totaling over 10.4 million square feet of estimated potential development density, and $275.0 million of cash to JBG SMITH Properties ("JBGS"). On July 18, 2017, JBGS was combined with the management business and certain Washington, DC assets of The JBG Companies ("JBG"), a Washington, DC real estate company. Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado, is the Chairman of the Board of Trustees of JBGS. Mitchell Schear, former President of our Washington, DC business, is a member of the Board of Trustees of JBGS. We are providing transition services to JBGS initially including information technology, financial reporting and payroll services. The spin-off was effected through a tax-free distribution by Vornado to the holders of Vornado common shares of all of the common shares of JBGS at the rate of one JBGS common share for every two common shares of Vornado and the distribution by the Operating Partnership to the holders of its common units of all of the outstanding common units of JBG SMITH Properties LP ("JBGSLP") at the rate of one JBGSLP common unit for every two common units of VRLP held of record. See JBGS' Amendment No. 3 on Form 10 (File No. 001-37994) filed with the Securities and Exchange Commission on June 9, 2017 for additional information. Beginning in the third quarter of 2017, the historical financial results of our Washington, DC segment will be reflected in our consolidated financial statements as discontinued operations for all periods presented.

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. In our opinion, 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, as amended, for the year ended December 31, 2016, 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 and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

3. Recently Issued Accounting Literature

In May 2014, the Financial Accounting Standards Board ("FASB") issued an update ("ASU 2014-09") establishing Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASU 2014-09, as amended by subsequent ASUs on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. When adopting this standard, we are permitted to use either the full retrospective method or the modified retrospective method. We will adopt this standard effective as of January 1, 2018 and currently expect to utilize the modified retrospective method of adoption. We have progressed with our project plan for adopting this standard, including gathering and evaluating the inventory of our revenue streams. We expect this standard will have an impact on the presentation of certain lease and non-lease components of revenue from leases upon the adoption of the update ("ASU 2016-02") *Leases* with no impact on "total revenues." We expect this standard will have an impact on the timing of gains on certain sales of real estate. We are continuing to evaluate the impact of this standard on our consolidated financial statements.

In January 2016, the FASB issued an update ("ASU 2016-01") *Recognition and Measurement of Financial Assets and Financial Liabilities* to ASC Topic 825, *Financial Instruments*. ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. While the adoption of this standard requires us to continue to measure "marketable securities" at fair value at each reporting date, the changes in fair value will be recognized in current period earnings as opposed to "other comprehensive income."

In February 2016, the FASB issued an update ASU 2016-02 establishing ASC Topic 842, *Leases*, 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 dual 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 and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the overall impact of the adoption of ASU 2016-02 on our consolidated financial statements, including the timing of adopting this standard. ASU 2016-02 will more significantly impact the accounting for leases in which we are a lessee. We have a number of ground leases for which we will be required to record a right-of-use asset and lease liability equal to the present value of the remaining minimum lease payments upon adoption of this standard. We also expect that this standard will have an impact on the presentation of certain lease and non-lease components of revenue from leases with no impact on “total revenues.” In particular, items such as reimbursable real estate taxes and insurance expenses, will be presented in “property rentals” and non-lease components, such as certain reimbursable operating expenses, will be presented in “tenant expense reimbursements” on our consolidated statements of income.

In March 2016, the FASB issued an update (“ASU 2016-09”) *Improvements to Employee Share-Based Payment Accounting* to ASC Topic 718, *Compensation – Stock Compensation* (“ASC 718”). ASU 2016-09 amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The adoption of this update as of January 1, 2017, did not have a material impact on our consolidated financial statements.

3. Recently Issued Accounting Literature - continued

In August 2016, the FASB issued an update ("ASU 2016-15") *Classification of Certain Cash Receipts and Cash Payments* to ASC Topic 230, *Statement of Cash Flows*. ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice with respect to (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-15 effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. The adoption of ASU 2016-15 impacted our classification of distributions received from equity method investees. We selected the nature of earnings approach for classifying distributions. Under this approach, the distributions from equity method investees are classified on the basis of the nature of the activity of the investee that generated the distribution. The retrospective application of ASU 2016-15 resulted in the reclassification of certain distributions of income from partially owned entities to distributions of capital from partially owned entities, which reduced net cash provided by operating activities and net cash used in investing activities by $4,488,000 for the six months ended June 30, 2016.

In November 2016, the FASB issued an update ("ASU 2016-18") *Restricted Cash* to ASC Topic 230, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning of period and end of period balances on the statement of cash flows upon adoption of this standard. ASU 2016-18 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. We elected to early adopt ASU 2016-18 effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, the consolidated statements of cash flows present a reconciliation of the changes in cash and cash equivalents and restricted cash. Restricted cash primarily consists of security deposits, cash restricted for the purposes of facilitating a Section 1031 Like-Kind Exchange, cash restricted in connection with our deferred compensation plan and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

In February 2017, the FASB issued an update ("ASU 2017-05") *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* to ASC Subtopic 610-20, *Other Income–Gains and Losses from the Derecognition of Nonfinancial Assets*. ASU 2017-05 clarifies the scope of recently established guidance on nonfinancial asset derecognition as well as the accounting for partial sales of nonfinancial assets. This update conforms the derecognition guidance on nonfinancial assets with the model for transactions in ASC 606. ASU 2017-05 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We expect to utilize the modified retrospective method of adoption. The adoption of this standard is not expected to have an impact on our consolidated financial statements.

In May 2017, the FASB issued an update ("ASU 2017-09") *Scope of Modification Accounting* to ASC 718. ASU 2017-09 provides guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. ASU 2017-09 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. The adoption of this standard is not expected to have an impact on our consolidated financial statements.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

4. 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 has an eight-year term and a three-year investment period that ended in July 2013. The Fund is accounted for under ASC 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 June 30, 2017, we had six real estate fund investments through the Fund and the Crowne Plaza Joint Venture with an aggregate fair value of $455,692,000, or $143,092,000 in excess of cost, and had remaining unfunded commitments of $117,902,000, of which our share was $34,519,000. Below is a summary of income from the Fund and the Crowne Plaza Joint Venture for the three and six months ended June 30, 2017 and 2016.

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net investment income	$ 3,646	$ 1,723	$ 10,860	$ 6,396
Net realized gain on exited investments	-	-	241	14,676
Previously recorded unrealized gain on exited investment	-	-	-	(14,254)
Net unrealized gain (loss) on held investments	745	14,666	(6,442)	20,855
Income from real estate fund investments[1]	4,391	16,389	4,659	27,673
Less income attributable to noncontrolling interests				

in consolidated subsidiaries	(4,695)	(8,845)	(8,198)	(14,818)
(Loss) income from real estate fund investments attributable to the Operating Partnership	(304)	7,544	(3,539)	12,855
Less loss (income) attributable to noncontrolling interests in the Operating Partnership	19	(465)	221	(794)
(Loss) income from real estate fund investments attributable to Vornado	$ (285)	$ 7,079	$ (3,318)	$ 12,061

(1) Excludes $1,381 and $935 of management and leasing fees for the three months ended June 30, 2017 and 2016, respectively, and $2,381 and $1,695 for the six months ended June 30, 2017 and 2016, respectively, which are included as a component of "fee and other income" on our consolidated statements of income.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

5. Marketable Securities

Below is a summary of our marketable securities portfolio as of June 30, 2017 and December 31, 2016.

(Amounts in thousands)	As of June 30, 2017			As of December 31, 2016		
	Fair Value	GAAP Cost	Unrealized Gain	Fair Value	GAAP Cost	Unrealized Gain
Equity securities:						
Lexington Realty Trust	$ 183,027	$ 72,549	$ 110,478	$ 199,465	$ 72,549	$ 126,916
Other	4,462	650	3,812	4,239	650	3,589
	$ 187,489	$ 73,199	$ 114,290	$ 203,704	$ 73,199	$ 130,505

6. Investments in Partially Owned Entities

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

As of June 30, 2017, we own 1,654,068 Alexander's common shares, representing a 32.4% interest in Alexander's. We account for our investment in Alexander's under the equity method. We manage, lease and develop Alexander's properties pursuant to agreements which expire in March of each year and are automatically renewable.

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)

As of June 30, 2017, the market value ("fair value" pursuant to ASC Topic 820, *Fair Value Measurements* ("ASC 820")) of our investment in Alexander's, based on Alexander's June 30, 2017 closing share price of $421.46, was $697,124,000, or $570,494,000 in excess of the carrying amount on our consolidated balance sheet. As of June 30, 2017, 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 $39,468,000. 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.

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)

On June 1, 2017, Alexander's completed a $500,000,000 refinancing of the office portion of 731 Lexington Avenue. The interest-only loan is at LIBOR plus 0.90% (2.06% at June 30, 2017) and matures in June 2020 with four one-year extension options. In connection therewith, Alexander's purchased an interest rate cap with a notional amount of $500,000,000 that caps LIBOR at a rate of 6%. The property was previously encumbered by a $300,000,000 interest-only mortgage at LIBOR plus 0.95% which was scheduled to mature in March 2021.

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

As of June 30, 2017, we own 5,717,184 UE operating partnership units, representing a 4.8% ownership interest in UE. We account for our investment in UE under the equity method and record our share of UE's net income or loss on a one-quarter lag basis. In 2017 and 2016, we provided UE with information technology support. UE is providing us with leasing and property management services for (i) certain small retail properties that we plan to sell, and (ii) our affiliate, Alexander's, Rego Park retail assets. As of June 30, 2017, the fair value of our investment in UE, based on UE's June 30, 2017 closing share price of $23.73, was $135,669,000, or $93,777,000 in excess of the carrying amount on our consolidated balance sheet.

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)

During the six months ended June 30, 2017, UE issued approximately 14,000,000 operating partnership units related to property acquisitions and a public offering of its common stock. As a result, our ownership interest in UE decreased to 4.8% from 5.4%. In accordance with ASC 323-10-40-1, we account for a unit issuance by an equity method investee as if we had sold a proportionate share of our investment. The average issuance price per unit of the newly issued UE capital is $26.07. Our average per unit carrying amount is $4.55. Accordingly, we recorded a $15,900,000 net gain in connection with this issuance which is included in “income (loss) from partially owned entities” on our consolidated statements of income.

23

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

6. Investments in Partially Owned Entities – continued

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

As of June 30, 2017, we own 6,250,000 PREIT operating partnership units, representing an 8.0% interest in PREIT. We account for our investment in PREIT under the equity method and record our share of PREIT’s net income or loss on a one-quarter lag basis. As of June 30, 2017, the fair value of our investment in PREIT, based on PREIT’s June 30, 2017 closing share price of $11.32, was $70,750,000, or $46,854,000 below the carrying amount on our consolidated balance sheet. As of June 30, 2017, the carrying amount of our investment in PREIT exceeds our share of the equity in the net assets of PREIT by approximately $84,087,000. The majority of this basis difference resulted from the excess of the fair value of the PREIT operating units received over our share of the book value of PREIT’s net assets. Substantially all of this basis difference was allocated, based on our estimates of the fair values of PREIT’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 PREIT’s net loss. The basis difference related to the land will be recognized upon disposition of our investment.

Alexander’s, Inc. (“Alexander’s”) (NYSE: ALX)

Farley Post Office Joint Venture

In September 2016, our 50.1% joint venture with the Related Companies ("Related") was designated by Empire State Development ("ESD"), an entity of New York State to redevelop the historic Farley Post Office building. The building 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. On June 15, 2017, the joint venture closed a 99-year, triple-net lease with ESD for the commercial space at the Farley Post Office building and made a $230,000,000 upfront contribution, of which our share is $115,230,000, towards the construction of the train hall. The lease calls for annual rent payments of $5,000,000 plus payments in lieu of real estate taxes. Simultaneously, the joint venture completed a $271,000,000 loan facility, with an initial advance of $202,299,000. The interest only loan is at LIBOR plus 3.25% (4.41% at June 30, 2017) and matures in June 2019 with two one-year extension options.

The joint venture has also 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 bears a full guaranty from Skanska AB.

Mezzanine Loan – New York

On May 9, 2017, a $150,000,000 mezzanine loan owned by a joint venture in which we have a 33.3% ownership interest was repaid at its maturity and we received our $50,000,000 share. The mezzanine loan earned interest at LIBOR plus 9.42%.

Sterling Suffolk Racecourse, LLC ("Suffolk Downs JV")

On May 26, 2017, Suffolk Downs JV, a joint venture in which we have a 21.2% equity interest, sold the property comprising the Suffolk Downs race track in East Boston, Massachusetts ("Suffolk Downs") for $155,000,000, which resulted in net proceeds and a net gain to us of $15,314,000. In addition, we were repaid $29,318,000 of principal and $6,129,000 of accrued interest on our debt investments in Suffolk Downs JV, resulting in a net gain of $11,373,000.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

6. Investments in Partially Owned Entities – continued

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

(Amounts in thousands)	Percentage Ownership at	Balance as of	
	June 30, 2017	June 30, 2017	December 31, 2016
Investments:			
Partially owned office buildings [1]	Various	$ 804,492	$ 825,421
Alexander’s	32.4%	126,630	129,324
PREIT	8.0%	117,604	122,883
UE	4.8%	41,892	24,523
India real estate ventures	4.1%-36.5%	26,491	30,290
Other investments [2]	Various	236,980	295,578
		$ 1,354,089	$ 1,428,019
7 West 34th Street [3]	53.0%	$ (45,789)	$ (43,022)

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 330 Madison Avenue, 512 West 22nd Street, 85 Tenth Avenue, 61 Ninth Avenue and others.

(2) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, Rosslyn Plaza, 50-70 West 93rd Street, Farley Post Office Joint Venture, Toys "R" Us, Inc. (which has a carrying amount of zero) and others.

(3) Our negative basis results from a deferred gain from the sale of a 47.0% ownership interest in the property and is included in "other liabilities" on our consolidated balance sheets.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

6. Investments in Partially Owned Entities – continued

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

(Amounts in thousands)	Percentage Ownership at June 30, 2017	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Our Share of Net Income (Loss):					
UE (see page 23 for details):					
Net gain resulting from UE operating partnership unit issuances	4.8%	$ 15,900	$ -	$ 15,900	$ -
Equity in net earnings		2,894	1,071	3,985	1,947
Management fees		209	209	418	418
		19,003	1,280	20,303	2,365
Alexander's (see page 23 for details):					
Equity in net income	32.4%	6,690	6,812	13,582	13,749
Management, leasing and development fees		1,507	1,688	3,016	3,413
		8,197	8,500	16,598	17,162
Partially owned office buildings [1]	Various	(7,897)	(12,398)	(17,840)	(26,647)
India real estate ventures	4.1%-36.5%	(1,644)	(1,934)	10	(2,620)
PREIT (see page 24 for details)	8.0%	(902)	(527)	(3,732)	(4,815)

Other investments [2]	Various	29,519	5,721	32,382	10,957
		$ 46,276	$ 642	$ 47,721	$ (3,598)

(1) Includes interests in 280 Park Avenue, 650 Madison Avenue, One Park Avenue, 666 Fifth Avenue (Office), 7 West 34th Street, 330 Madison Avenue, 512 West 22nd Street, 85 Tenth Avenue and others.

(2) Includes interests in Independence Plaza, Fashion Centre Mall/Washington Tower, Rosslyn Plaza, 50-70 West 93rd Street, Toys "R" Us, Inc. and others. In the second quarter of 2017, we recognized $26,687 of net gains, comprised of $15,314 representing our share of a net gain on the sale of Suffolk Downs and $11,373 representing the net gain on repayment of our debt investments in Suffolk Downs JV. See page 24 for details.

26

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

7. Dispositions

Discontinued Operations

The tables below set forth the assets and liabilities related to discontinued operations as of June 30, 2017 and December 31, 2016 and their combined results of operations and cash flows for the three and six months ended June 30, 2017 and 2016.

(Amounts in thousands)	Balance as of			
	June 30, 2017		December 31, 2016	
Assets related to discontinued operations:				
Real estate, net	$	1,927	$	2,642
Other assets		2,451		2,928
	$	4,378	$	5,570
Liabilities related to discontinued operations:				
Other liabilities	$	2,406	$	2,870

(Amounts in thousands)	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2017		2016		2017		2016	
Income from discontinued operations:								
Total revenues	$	848	$	947	$	1,172	$	2,129
Total expenses		185		682		348		1,148
		663		265		824		981
Net gains on the sale of real estate		-		2,210		2,267		2,210
Pretax income from discontinued operations		663		2,475		3,091		3,191
Income tax expense		-		-		-		-
Income from discontinued operations	$	663	$	2,475	$	3,091	$	3,191

(Amounts in thousands)	For the Six Months Ended June 30,

	2017	2016
Cash flows related to discontinued operations:		
Cash flows from operating activities	$ 400	$ (4,685)
Cash flows from investing activities	3,419	-

27

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

8. 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 June 30, 2017 and December 31, 2016.

(Amounts in thousands)	Balance as of	
	June 30, 2017	**December 31, 2016**
Identified intangible assets:		
Gross amount	$ 387,791	$ 400,061
Accumulated amortization	(211,285)	(207,330)
Total, net	$ 176,506	$ 192,731
Identified intangible liabilities (included in deferred revenue):		
Gross amount	$ 581,471	$ 586,969
Accumulated amortization	(340,131)	(323,183)
Total, net	$ 241,340	$ 263,786

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental income of $12,932,000 and $12,301,000 for the three months ended June 30, 2017 and 2016, respectively, and $24,391,000 and $29,808,000 for the six months ended June 30, 2017 and 2016, 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, 2018 is as follows:

(Amounts in thousands)	
2018	$ 44,474
2019	32,297
2020	23,472
2021	18,646
2022	15,530

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was $6,971,000 and $8,066,000 for the three months ended June 30, 2017 and 2016, respectively, and $14,079,000 and $15,859,000 for the six months ended June 30, 2017 and 2016, respectively. Estimated annual amortization of all other identified intangible assets including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years commencing January 1, 2018 is as follows:

(Amounts in thousands)	
2018	$ 20,073
2019	15,737
2020	12,291
2021	11,288
2022	9,532

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases, net of above-market leases, resulted in an increase to rent expense (a component of operating expense) of $458,000 and $458,000 for the three months ended June 30, 2017 and 2016, respectively, and $916,000 and $916,000 for the six months ended June 30, 2017 and 2016, respectively. Estimated annual amortization of these below-market leases, net of above-market leases, for each of the five succeeding years commencing January 1, 2018 is as follows:

(Amounts in thousands)		
2018	$	1,832
2019		1,832
2020		1,832
2021		1,832
2022		1,832

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

9. Debt

The following is a summary of our debt:

(Amounts in thousands)	Interest Rate at June 30, 2017	Balance as of June 30, 2017	Balance as of December 31, 2016
Mortgages Payable:			
Fixed rate	3.84%	$ 6,084,795	$ 6,099,873
Variable rate	2.93%	3,502,460	3,274,424
Total	3.51%	9,587,255	9,374,297
Deferred financing costs, net and other		(84,561)	(96,034)
Total, net		$ 9,502,694	$ 9,278,263
Unsecured Debt:			
Senior unsecured notes	3.68%	$ 850,000	$ 850,000
Deferred financing costs, net and other		(3,714)	(4,423)
Senior unsecured notes, net		846,286	845,577
Unsecured term loan	2.37%	375,000	375,000
Deferred financing costs, net and other		(2,025)	(2,785)
Unsecured term loan, net		372,975	372,215
Unsecured revolving credit facilities	2.14%	115,630	115,630
Total, net		$ 1,334,891	$ 1,333,422

On June 20, 2017, we completed a $220,000,000 financing of The Bartlett, a 699-unit residential building with a 39,000 square foot Whole Foods Market at its base, located in Arlington, Virginia. The five-year interest-only loan is at LIBOR plus 1.70% (2.90% at June 30, 2017), and matures in June 2022. On July 17, 2017, the property, the loan and the $217,000,000 of net proceeds were transferred to JBGS in connection with the tax-free spin-off of our Washington, DC segment.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

10. 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 as of December 31, 2015	$	1,229,221
Net income		7,044
Other comprehensive income		1,685
Distributions		(15,763)
Redemption of Class A units for common shares/units, at redemption value		(18,208)
Adjustments to carry redeemable Class A units at redemption value		20,369
Other, net		21,149
Balance as of June 30, 2016	$	1,245,497
Balance as of December 31, 2016	$	1,278,446
Net income		10,935
Other comprehensive loss		(207)
Distributions		(18,078)
Redemption of Class A units for common shares/units, at redemption value		(25,562)
Adjustments to carry redeemable Class A units at redemption value		(90,208)
Other, net		21,758
Balance as of June 30, 2017	$	1,177,084

As of June 30, 2017 and December 31, 2016, the aggregate redemption value of redeemable Class A units of the Operating Partnership, which are those units held by third parties, was $1,171,656,000 and $1,273,018,000, 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 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 June 30, 2017 and December 31, 2016. 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)

11. Accumulated Other Comprehensive Income ("AOCI")

The following tables set forth the changes in accumulated other comprehensive income by component.

(Amounts in thousands)	Total	Securities available-for-sale	Pro rata share of nonconsolidated subsidiaries' OCI	Interest rate swaps	Other
For the Three Months Ended June 30, 2017					
Balance as of March 31, 2017	$ 119,019	$ 115,496	$ (2,841)	$ 13,908	$ (7,544)
OCI before reclassifications	(3,180)	(1,206)	(980)	(1,206)	212
Amounts reclassified from AOCI	-	-	-	-	-
Net current period OCI	(3,180)	(1,206)	(980)	(1,206)	212
Balance as of June 30, 2017	$ 115,839	$ 114,290	$ (3,821)	$ 12,702	$ (7,332)
For the Three Months Ended June 30, 2016					
Balance as of March 31, 2016	$ 53,399	$ 89,542	$ (9,313)	$ (23,563)	$ (3,267)
OCI before reclassifications	19,157	28,019	(628)	(6,975)	(1,259)
Amounts reclassified from AOCI	-	-	-	-	-
Net current period OCI	19,157	28,019	(628)	(6,975)	(1,259)
Balance as of June 30, 2016	$ 72,556	$ 117,561	$ (9,941)	$ (30,538)	$ (4,526)
For the Six Months Ended June 30, 2017					
Balance as of December 31, 2016	$ 118,972	$ 130,505	$ (12,058)	$ 8,066	$ (7,541)
OCI before reclassifications	(12,401)	(16,215)	(1,031)	4,636	209
Amounts reclassified from AOCI	9,268	-	9,268	-	-
Net current period OCI	(3,133)	(16,215)	8,237	4,636	209
Balance as of June 30, 2017	$ 115,839	$ 114,290	$ (3,821)	$ 12,702	$ (7,332)
For the Six Months Ended June 30, 2016					
Balance as of December 31, 2015	$ 46,921	$ 78,448	$ (9,319)	$ (19,368)	$ (2,840)
OCI before reclassifications	25,635	39,113	(622)	(11,170)	(1,686)

Amounts reclassified from AOCI	-	-	-	-	-
Net current period OCI	25,635	39,113	(622)	(11,170)	(1,686)
Balance as of June 30, 2016	$ 72,556	$ 117,561	$ (9,941)	$ (30,538)	$ (4,526)

12. Variable Interest Entities ("VIEs")

Unconsolidated VIEs

As of June 30, 2017 and December 31, 2016, 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 6 – *Investments in Partially Owned Entities*). As of June 30, 2017 and December 31, 2016, the net carrying amount of our investments in these entities was $393,418,000 and $392,150,000, respectively, and our maximum exposure to loss in these entities is limited to our investments.

Consolidated VIEs

Our most significant consolidated VIEs are the Operating Partnership (for Vornado), real estate fund investments, and certain properties that have noncontrolling interests. These entities are VIEs because the noncontrolling interests do not have substantive kick-out or participating rights. We consolidate these entities because we control all of their significant business activities.

As of June 30, 2017, the total assets and liabilities of our consolidated VIEs, excluding the Operating Partnership, were $3,648,565,000 and $1,756,632,000, respectively. As of December 31, 2016, the total assets and liabilities of our consolidated VIEs, excluding the Operating Partnership, were $3,638,483,000 and $1,762,322,000, respectively.

13. 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.

13. Fair Value Measurements

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

13. Fair Value Measurements

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 sheet), (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 June 30, 2017 and December 31, 2016, respectively.

(Amounts in thousands)	As of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Marketable securities	$ 187,489	$ 187,489	$ -	$ -
Real estate fund investments	455,692	-	-	455,692
Deferred compensation plan assets ($2,691 included in restricted cash and $101,875 in other assets)	104,566	54,717	-	49,849
Interest rate swaps (included in other assets)	20,998	-	20,998	-
Total assets	$ 768,745	$ 242,206	$ 20,998	$ 505,541
Mandatorily redeemable instruments (included in other liabilities)	$ 50,561	$ 50,561	$ -	$ -
Interest rate swap (included in other liabilities)	5,011	-	5,011	-
Total liabilities	$ 55,572	$ 50,561	$ 5,011	$ -

(Amounts in thousands)	As of December 31, 2016			
	Total	Level 1	Level 2	Level 3
Marketable securities	$ 203,704	$ 203,704	$ -	$ -
Real estate fund investments	462,132	-	-	462,132
Deferred compensation plan assets ($4,187 included in restricted cash and $117,187 in other assets)	121,374	63,930	-	57,444
Interest rate swaps (included in other assets)	21,816	-	21,816	-
Total assets	$ 809,026	$ 267,634	$ 21,816	$ 519,576
Mandatorily redeemable instruments (included in other liabilities)	$ 50,561	$ 50,561	$ -	$ -
Interest rate swap (included in other liabilities)	10,122	-	10,122	-
Total liabilities	$ 60,683	$ 50,561	$ 10,122	$ -

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

13. Fair Value Measurements – continued

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

13. Fair Value Measurements – continued

Real Estate Fund Investments

13. Fair Value Measurements – continued

As of June 30, 2017, we had six real estate fund investments with an aggregate fair value of $455,692,000, or $143,092,000 in excess of cost. These investments are classified as Level 3. We use a discounted cash flow valuation technique to estimate the fair value of each of these investments, which is updated quarterly by personnel responsible for the management of each investment and reviewed by senior management at each reporting period. The discounted cash flow valuation technique requires us to estimate cash flows for each investment over the anticipated holding period, which currently ranges from 0.3 to 3.5 years. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and our estimates for future leasing activity, which are based on current market rents for similar space plus a projected growth factor. Similarly, estimated operating expenses and real estate taxes are based on amounts incurred in the current period plus a projected growth factor for future periods. Anticipated sales proceeds at the end of an investment's expected holding period are determined based on the net cash flow of the investment in the year of exit, divided by a terminal capitalization rate, less estimated selling costs.

The fair value of each property is calculated by discounting the future cash flows (including the projected sales proceeds), using an appropriate discount rate and then reduced by the property's outstanding debt, if any, to determine the fair value of the equity in each investment. 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 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 at June 30, 2017 and December 31, 2016.

	Range		**Weighted Average (based on fair value of investments)**	
Unobservable Quantitative Input	**June 30, 2017**	**December 31, 2016**	**June 30, 2017**	**December 31, 2016**
Discount rates	3.0% to 16.0%	10.0% to 14.9%	11.1%	12.6%
Terminal capitalization rates	4.7% to 5.8%	4.3% to 5.8%	5.5%	5.3%

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.

13. Fair Value Measurements – continued

The table below summarizes the changes in the fair value of real estate fund investments that are classified as Level 3, for the three and six months ended June 30, 2017 and 2016.

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Beginning balance	$ 454,946	$ 566,696	$ 462,132	$ 574,761
Dispositions / distributions	-	(57,212)	-	(71,888)
Net unrealized gain (loss)	745	14,666	(6,442)	20,855
Net realized gain	-	-	241	422
Other, net	1	-	(239)	-
Ending balance	$ 455,692	$ 524,150	$ 455,692	$ 524,150

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

13. Fair Value Measurements – continued

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

Deferred Compensation Plan Assets

13. Fair Value Measurements – continued

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 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 and six months ended June 30, 2017 and 2016.

(Amounts in thousands)	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Beginning balance	$ 56,910	$ 57,184	$ 57,444	$ 59,186
Purchases	1,350	1,106	1,813	2,272
Sales	(9,375)	(779)	(12,112)	(2,151)
Realized and unrealized gains	830	2,219	1,905	312
Other, net	134	410	799	521
Ending balance	$ 49,849	$ 60,140	$ 49,849	$ 60,140

Fair Value Measurements on a Nonrecurring Basis

13. Fair Value Measurements – continued

There were no assets measured at fair value on a nonrecurring basis on our consolidated balance sheets as of June 30, 2017 and December 31, 2016.

Financial Assets and Liabilities not Measured at Fair Value

13. Fair Value Measurements – continued

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 June 30, 2017 and December 31, 2016.

(Amounts in thousands)	As of June 30, 2017		As of December 31, 2016	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash equivalents	$ 1,103,553	$ 1,103,553	$ 1,307,105	$ 1,307,105
Debt:				
Mortgages payable	$ 9,587,255	$ 9,626,000	$ 9,374,297	$ 9,356,000
Senior unsecured notes	850,000	887,000	850,000	899,000
Unsecured term loan	375,000	375,000	375,000	375,000
Unsecured revolving credit facilities	115,630	116,000	115,630	116,000
Total	$ 10,927,885 **(1)**	$ 11,004,000	$ 10,714,927 **(1)**	$ 10,746,000

(1) Excludes $90,300 and $103,242 of deferred financing costs, net and other as of June 30, 2017 and December 31, 2016, respectively.

35

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

14. Stock-based Compensation

Vornado's 2010 Omnibus Share Plan provides for grants of incentive and non-qualified Vornado stock options, restricted stock, restricted Operating Partnership units and Out-Performance Plan awards to certain of our employees and officers. We account for all equity-based compensation in accordance with ASC 718. Equity-based compensation expense was $7,349,000 and $7,215,000 for the three months ended June 30, 2017 and 2016, respectively, and $21,626,000 and $21,786,000 for the six months ended June 30, 2017 and 2016, respectively.

15. Fee and Other Income

The following table sets forth the details of fee and other income:

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
BMS cleaning fees	$ 21,294	$ 18,794	$ 43,290	$ 36,940
Management and leasing fees	4,892	4,604	9,529	9,403
Lease termination fees	1,459	3,199	5,625	5,604
Other income	8,413	7,092	16,974	15,712
	$ 36,058	$ 33,689	$ 75,418	$ 67,659

Management and leasing fees include management fees from Interstate Properties, a related party, of $124,000 and $128,000 for the three months ended June 30, 2017 and 2016, respectively, and $252,000 and $262,000 for the six months ended June 30, 2017 and 2016, respectively. The above table excludes fee income from partially owned entities, which is included in “income (loss) from partially owned entities” (see Note 6 – *Investments in Partially Owned Entities*).

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

16. Interest and Other Investment Income, Net

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

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Dividends on marketable securities	$ 3,539	$ 3,230	$ 6,984	$ 6,445
Interest on loans receivable	2,102	748	2,845	1,496
Mark-to-market income of investments in our deferred compensation plan [(1)]	789	4,359	3,258	2,421
Other, net	2,877	1,899	5,448	3,392
	$ 9,307	$ 10,236	$ 18,535	$ 13,754

(1) This income is entirely offset by the expense resulting from the mark-to-market of the deferred compensation plan liability, which is included in "general and administrative" expense.

17. Interest and Debt Expense

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

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Interest expense	$ 100,486	$ 104,435	$ 197,060	$ 204,730
Amortization of deferred financing costs	8,353	8,508	17,334	17,773
Capitalized interest and debt expense	(12,042)	(7,367)	(23,312)	(16,438)
	$ 96,797	$ 105,576	$ 191,082	$ 206,065

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

18. Income Per Share/Income Per Class A Unit

Vornado Realty Trust

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which includes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income 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 and Out-Performance Plan awards.

(Amounts in thousands, except per share amounts)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Numerator:				
Income from continuing operations, net of income attributable to noncontrolling interests	$ 131,479	$ 238,504	$ 193,084	$ 144,033
Income from discontinued operations, net of income attributable to noncontrolling interests	622	2,322	2,898	2,994
Net income attributable to Vornado	132,101	240,826	195,982	147,027
Preferred share dividends	(16,129)	(20,363)	(32,258)	(40,727)
Net income attributable to common shareholders	115,972	220,463	163,724	106,300
Earnings allocated to unvested participating securities	(13)	(25)	(27)	(30)
Numerator for basic income per share	115,959	220,438	163,697	106,270
Impact of assumed conversions:				
Convertible preferred share dividends	20	21	-	-
Earnings allocated to Out-Performance Plan units	-	-	233	24
Numerator for diluted income per share	$ 115,979	$ 220,459	$ 163,930	$ 106,294
Denominator:				
Denominator for basic income per share – weighted average shares	189,395	188,772	189,304	188,715
Effect of dilutive securities[1]:				
Employee stock options and restricted share awards	1,011	1,070	1,089	1,020
Convertible preferred shares	38	43	-	-
Out-Performance Plan units	-	-	281	265
Denominator for diluted income per share – weighted average shares and assumed conversions	190,444	189,885	190,674	190,000
INCOME PER COMMON SHARE – BASIC:				
Income from continuing operations, net	$ 0.61	$ 1.16	$ 0.84	$ 0.54
Income from discontinued operations, net	-	0.01	0.02	0.02
Net income per common share	$ 0.61	$ 1.17	$ 0.86	$ 0.56
INCOME PER COMMON SHARE – DILUTED:				

Income from continuing operations, net	$	0.61	$	1.15	$	0.84	$	0.54
Income from discontinued operations, net		-		0.01		0.02		0.02
Net income per common share	$	0.61	$	1.16	$	0.86	$	0.56

(1) The effect of dilutive securities for the three months ended June 30, 2017 and 2016 excludes an aggregate of 12,268 and 12,278 weighted average common share equivalents, respectively, and 12,125 and 12,052 weighted average common share equivalents for the six months ended June 30, 2017 and 2016, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

18. Income Per Share/Income Per Class A Unit - continued

Vornado Realty L.P.

The following table provides a reconciliation of both net income and the number of Class A units used in the computation of (i) basic income 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 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, restricted unit awards and Out-Performance Plan awards.

(Amounts in thousands, except per unit amounts)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Numerator:				
Income from continuing operations, net of income attributable to noncontrolling interests	$ 139,144	$ 252,882	$ 203,826	$ 150,880
Income from discontinued operations	663	2,475	3,091	3,191
Net income attributable to Vornado Realty L.P.	139,807	255,357	206,917	154,071
Preferred unit distributions	(16,177)	(20,412)	(32,355)	(40,824)
Net income attributable to Class A unitholders	123,630	234,945	174,562	113,247
Earnings allocated to unvested participating securities	(742)	(1,059)	(1,759)	(1,412)
Numerator for basic income per Class A unit	122,888	233,886	172,803	111,835
Impact of assumed conversions:				
Convertible preferred unit distributions	20	22	-	-
Numerator for diluted income per Class A unit	$ 122,908	$ 233,908	$ 172,803	$ 111,835
Denominator:				
Denominator for basic income per Class A unit – weighted average units	201,127	200,369	200,987	200,220
Effect of dilutive securities[1]:				
Vornado stock options and restricted unit awards	1,458	1,564	1,630	1,601
Convertible preferred units	38	42	-	-
Denominator for diluted income per Class A unit – weighted average units and assumed conversions	202,623	201,975	202,617	201,821
INCOME PER CLASS A UNIT – BASIC:				
Income from continuing operations, net	$ 0.61	$ 1.16	$ 0.84	$ 0.54
Income from discontinued operations, net	-	0.01	0.02	0.02
Net income per Class A unit	$ 0.61	$ 1.17	$ 0.86	$ 0.56
INCOME PER CLASS A UNIT – DILUTED:				
Income from continuing operations, net	$ 0.61	$ 1.15	$ 0.84	$ 0.54
Income from discontinued operations, net	-	0.01	0.01	0.01
Net income per Class A unit	$ 0.61	$ 1.16	$ 0.85	$ 0.55

(1) The effect of dilutive securities for the three months ended June 30, 2017 and 2016 excludes an aggregate of 89 and 187 weighted average Class A unit equivalents, respectively, and 182 and 231 weighted average Class A unit equivalents for the six months ended June 30, 2017 and 2016, respectively, as their effect was anti-dilutive.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

19. 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 $180,000,000 per occurrence and in the annual 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 $1,976,000 and 17% 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.

Our debt instruments, consisting of mortgage loans secured by our properties which are non-recourse to us, 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 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 our properties and expand our portfolio.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

19. 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.

Generally, our mortgage loans are non-recourse to us. However, 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 June 30, 2017, the aggregate dollar amount of these guarantees and master leases is approximately $774,000,000.

As of June 30, 2017, $20,777,000 of letters of credit were 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.

As of June 30, 2017, we expect to fund additional capital to certain of our partially owned entities aggregating approximately $52,000,000.

As of June 30, 2017, we have construction commitments aggregating approximately $543,000,000.

Upon completion of the spin-off of our Washington, DC segment, on July 17, 2017, we incurred approximately $47,000,000 of additional transaction costs, primarily for advisory fees which will be recognized as expense in the quarter ended September 30, 2017.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

20. Segment Information

Below is a summary of net income and a reconciliation of net income to EBITDA[(1)] and NOI[(1)] by segment for the three months ended June 30, 2017 and 2016.

(Amounts in thousands)	For the Three Months Ended June 30, 2017			
	Total	**New York**	**Washington, DC**	**Other**
Total revenues	$ 626,039	$ 436,862	$ 118,336	$ 70,841
Total expenses	442,643	279,835	82,317	80,491
Operating income (loss)	183,396	157,027	36,019	(9,650)
Income (loss) from partially owned entities	46,276	(272)	255	46,293
Income from real estate fund investments	4,391	-	-	4,391
Interest and other investment income (loss), net	9,307	1,499	(23)	7,831
Interest and debt expense	(96,797)	(60,335)	(12,008)	(24,454)
Income before income taxes	146,573	97,919	24,243	24,411
Income tax benefit (expense)	248	906	(362)	(296)
Income from continuing operations	146,821	98,825	23,881	24,115
Income from discontinued operations	663	-	-	663
Net income	147,484	98,825	23,881	24,778
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(7,677)	(2,645)	-	(5,032)
Net income attributable to the Operating Partnership	139,807	96,180	23,881	19,746
Interest and debt expense[(2)]	118,585	78,202	13,567	26,816
Depreciation and amortization[(2)]	168,248	110,449	33,648	24,151
Income tax expense (benefit)[(2)]	289	(869)	353	805
EBITDA[(1)]	426,929	283,962(3)	71,449(4)	71,518(5)
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other [(2)]	(44,580)	(26,741)	(1,826)	(16,013)
NOI[(1)]	$ 382,349	$ 257,221(3)	$ 69,623(4)	$ 55,505(5)

(Amounts in thousands)	For the Three Months Ended June 30, 2016			
	Total	**New York**	**Washington, DC**	**Other**
Total revenues	$ 621,708	$ 425,770	$ 127,468	$ 68,470
Total expenses	434,894	268,135	89,106	77,653
Operating income (loss)	186,814	157,635	38,362	(9,183)
Income (loss) from partially owned entities	642	(1,001)	(2,370)	4,013
Income from real estate fund investments	16,389	-	-	16,389
Interest and other investment income, net	10,236	1,214	34	8,988
Interest and debt expense	(105,576)	(56,395)	(19,817)	(29,364)

Net gain on disposition of wholly owned and partially owned assets	159,511	159,511	-	-
Income (loss) before income taxes	268,016	260,964	16,209	(9,157)
Income tax expense	(2,109)	(816)	(318)	(975)
Income (loss) from continuing operations	265,907	260,148	15,891	(10,132)
Income from discontinued operations	2,475	-	-	2,475
Net income (loss)	268,382	260,148	15,891	(7,657)
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(13,025)	(3,397)	-	(9,628)
Net income (loss) attributable to the Operating Partnership	255,357	256,751	15,891	(17,285)
Interest and debt expense(2)	127,799	71,171	21,926	34,702
Depreciation and amortization(2)	173,352	111,314	37,196	24,842
Income tax expense (2)	4,704	889	2,205	1,610
EBITDA(1)	561,212	440,125(3)	77,218(4)	43,869(5)
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other (2)	(74,383)	(50,045)	(6,067)	(18,271)
NOI(1)	$ 486,829	$ 390,080(3)	$ 71,151(4)	$ 25,598(5)

See notes on pages 45 through 48.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

20. Segment Information - continued

Below is a summary of net income and a reconciliation of net income to EBITDA(1) and NOI(1) by segment for the six months ended June 30, 2017.

(Amounts in thousands)	For the Six Months Ended June 30, 2017			
	Total	New York	Washington, DC	Other
Total revenues	$ 1,246,887	$ 863,101	$ 234,543	$ 149,243
Total expenses	907,024	560,656	166,305	180,063
Operating income (loss)	339,863	302,445	68,238	(30,820)
Income (loss) from partially owned entities	47,721	(2,365)	342	49,744
Income from real estate fund investments	4,659	-	-	4,659
Interest and other investment income, net	18,535	2,971	41	15,523
Interest and debt expense	(191,082)	(118,322)	(23,569)	(49,191)
Net gains on disposition of wholly owned and partially owned assets	501	-	-	501
Income (loss) before income taxes	220,197	184,729	45,052	(9,584)
Income tax (expense) benefit	(1,957)	763	(716)	(2,004)
Income (loss) from continuing operations	218,240	185,492	44,336	(11,588)
Income from discontinued operations	3,091	-	-	3,091
Net income (loss)	221,331	185,492	44,336	(8,497)
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(14,414)	(5,489)	-	(8,925)
Net income (loss) attributable to the Operating Partnership	206,917	180,003	44,336	(17,422)
Interest and debt expense[2]	234,912	154,125	26,748	54,039
Depreciation and amortization[2]	339,785	223,259	69,141	47,385
Income tax expense (benefit)[2]	2,718	(642)	720	2,640
EBITDA[1]	784,332	556,745[3]	140,945[4]	86,642[5]
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other [2]	(61,708)	(52,159)	(5,892)	(3,657)
NOI[1]	$ 722,624	$ 504,586[3]	$ 135,053[4]	$ 82,985[5]

See notes on pages 45 through 48.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

20. Segment Information - continued

Below is a summary of net income and a reconciliation of net income to EBITDA(1) and NOI(1) by segment for the six months ended June 30, 2016.

13. Fair Value Measurements – continued

(Amounts in thousands)	For the Six Months Ended June 30, 2016			
	Total	New York	Washington, DC	Other
Total revenues	$ 1,234,745	$ 836,595	$ 255,480	$ 142,670
Total expenses	1,048,211	537,730	345,671	164,810
Operating income (loss)	186,534	298,865	(90,191)	(22,140)
(Loss) income from partially owned entities	(3,598)	(4,564)	(3,679)	4,645
Income from real estate fund investments	27,673	-	-	27,673
Interest and other investment income, net	13,754	2,329	92	11,333
Interest and debt expense	(206,065)	(110,981)	(35,752)	(59,332)
Net gains on disposition of wholly owned and partially owned assets	160,225	159,511	-	714
Income (loss) before income taxes	178,523	345,160	(129,530)	(37,107)
Income tax expense	(4,940)	(1,775)	(582)	(2,583)
Income (loss) from continuing operations	173,583	343,385	(130,112)	(39,690)
Income from discontinued operations	3,191	-	-	3,191
Net income (loss)	176,774	343,385	(130,112)	(36,499)
Less net income attributable to noncontrolling interests in consolidated subsidiaries	(22,703)	(6,826)	-	(15,877)
Net income (loss) attributable to the Operating Partnership	154,071	336,559	(130,112)	(52,376)
Interest and debt expense[2]	253,919	142,369	40,637	70,913
Depreciation and amortization[2]	348,163	219,717	77,795	50,651
Income tax expense[2]	7,965	1,979	2,470	3,516
EBITDA[1]	764,118	700,624 [3]	(9,210) [4]	72,704 [5]
Non-cash adjustments for straight-line rents, amortization of acquired below-market leases, net, and other [2]	(133,739)	(97,555)	(10,264)	(25,920)
NOI[1]	$ 630,379	$ 603,069 [3]	$ (19,474) [4]	$ 46,784 [5]

See notes on pages 45 through 48.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

20. Segment Information – continued

Notes to preceding tabular information:

(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." NOI represents "Net Operating Income" (the equivalent of EBITDA on a cash basis). We calculate EBITDA and NOI on an Operating Partnership basis which is before allocation to the noncontrolling interest of the Operating Partnership. We consider EBITDA 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. We also consider NOI a key non-GAAP financial measure. As properties are bought and sold based on a multiple of NOI, we utilize this measure to make investment decisions as well as to compare the performance of our assets to those of our peers. EBITDA and NOI should not be considered substitutes for net income. EBITDA and NOI may not be comparable to similarly titled measures employed by other companies.

Our 7.5% interest in Fashion Centre Mall/Washington Tower and our interest in Rosslyn Plaza (ranging from 43.7% to 50.4%) will not be included in the spin-off of our Washington, DC segment and have been reclassified to Other. The prior year's presentation has been conformed to the current year. In addition, on January 1, 2017, we reclassified our investment in 85 Tenth Avenue from Other to the New York segment as a result of the December 1, 2016 repayment of our loans receivable and the receipt of a 49.9% ownership interest in the property.

(2) Interest and debt expense, depreciation and amortization and income tax expense (benefit) in the reconciliation of net income (loss) to EBITDA and straight-line rents, amortization of acquired below-market leases, net and other non-cash adjustments in the reconciliation of EBITDA to NOI include our share of these items from partially owned entities.

VORNADO REALTY TRUST AND VORNADO REALTY L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(UNAUDITED)

20. Segment Information – continued

Notes to preceding tabular information - continued:

(3) The elements of "New York" EBITDA are summarized below.

(Amounts in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Office	$ 169,327	$ 165,576(a)	$ 339,405	$ 320,585(a)
Retail	90,183	91,421(a)	179,446	181,022(a)
Residential	6,190	6,337	12,468	12,687
Alexander's	11,742	11,805	23,304	23,374
Hotel Pennsylvania				