

Initiated 2026-10-24 · Price \$34.80 (close 2026-10-23, stockanalysis.com) · Mkt cap \$7.08bn · Real estate / Manhattan office and street-retail REIT · Model: verified

Rating: Hold — Conviction: Medium

Vornado's Manhattan leasing is strong. New York office occupancy is 90.8%, starting rents are around \$107/sq ft, and about \$180mm of signed rent has not yet commenced, most of it at PENN 2. The 350 Park Avenue site has become a funded Citadel-anchored development. But on its share of the debt the company runs about 8.6x levered, and pays \$62mm a year of preferred dividends, so the cash stream left for common holders is thin. The price already sits where the base case lands. The upside depends on private buyers paying a lower cap rate for Manhattan office than today's price implies. Recurring cash flow on its own does not support the price. That makes it a Hold.

Conviction tests (3a-v-c): T1 pass (Base -0.9% at $+1pp$, $+2.0\%$ at $-1pp$; Hold at both) · T2 fail (NAV alone $+28.4\%$ reads Buy; AFFO DCF alone -27.3% reads Sell) · T3 pass (one est. input, development interests in other_claims, moves Base 8.0%) · T4 pass (no single pending event $>25\%$)

MODEL VALUE RANGE VS PRICE



Business overview

Vornado owns Manhattan office and street retail. New York was \$949mm (85%) of FY2025 NOI at share. THE MART in Chicago and 555 California Street in San Francisco were about \$69mm and \$68mm, the rest of the portfolio. Much of the value sits in JVs: Alexander's (32.4%), the Fifth Avenue and Times Square retail JV, Park Avenue Plaza (49%, bought June 2026 at a \$1.1bn gross valuation) and 350 Park (36%). The land bank includes the 2.05mm zoning sq ft Hotel Pennsylvania site.

Three variables drive earnings:

- How fast the ~\$180mm of signed-not-commenced rent starts to pay, ~60% of it at PENN 2.
- New York office occupancy: 92.2% physical, with management targeting 95–96%.
- Refinancing \$9.57bn of pro rata debt. The consolidated weighted average rate is 4.86%.

Competition

- **Direct competitors.** For Midtown tenants, the competition is SL Green, BXP and Empire State Realty, plus privately owned trophy towers.
- **Where demand is going.** Avison Young puts Q1 2026 Manhattan trophy availability down 22% year on year. Trophy asking rents average ~\$137/sq ft (CRE Daily), well above Vornado's ~\$107 starting rents. Demand is concentrating in the best buildings, so PENN 2

- and PENN 1 have to win tenants on price per quality.
- **New supply.** Management says new Park Avenue construction needs high-\$200s rents. That supports older well-located towers, but 350 Park itself will put ~850k sq ft beyond Citadel's space onto the market later this decade.
 - **Where pressure shows first.** In free rent and TI rather than in face rents. FY2025 cash NOI at share was \$980mm against \$1,112mm GAAP.
 - **Valuation.** Trailing P/FFO (stockanalysis, 2026-10-23): VNO 14.7x, SL Green 10.1x, BXP 9.1x.

Bull case

1. **Signed rent commences.** About \$180mm of SNO rent, which management equates to ~\$150mm+ of FFO, starts during 2026–2027. PENN 2 is expected to be fully leased by year-end. Plays out if Manhattan office demand holds and Q3's projected >20% mark-to-markets persist. *Model: ss_noi_growth*
2. **Capital recycling plus 623 Fifth.** Park Avenue Plaza adds NOI. 623 Fifth (\$450mm budget, 10.1% projected yield) stabilizes in 2028. Asset sales are made at private-market values. Plays out if the two sales under discussion close near NAV. *Model: acq_noi*
3. **Private values close the NAV gap.** Today's price implies a ~7.3% cap rate on Base Y1 GAAP NOI. Management cites Green Street's ~23% NAV discount, and Park Avenue Plaza traded at ~\$950/sq ft. Plays out if office financing reopens and trophy scarcity spills into Class A. *Model: cap_rate, terminal_p_affo*

Bear case

1. **Leasing stalls before the SNO book lands.** Commencements slip. Tenants in financial services and tech cut space in an AI or market derating. Occupancy stalls near 91%. Plays out if S2 or S12 arrives in 2027. *Model: ss_noi_growth*
2. **Shrinking to fund commitments.** Asset sales fund ~\$350–400mm of back-ended 350 Park equity, the rest of 623 Fifth (\$206mm) and the 888 Seventh loan (\$244.5mm, in forbearance to March 2027). Each sale takes NOI out. Plays out if sales come in at weak pricing. *Model: acq_noi*
3. **Rates reprice both sides.** \$1.53bn of variable-rate mortgages (5.48%) carry rate caps with about seven months left. New unsecured debt costs 5.75%, and with the 10Y at 5.00% cap rates could move toward 7.5%. Plays out if S3 or S4 persists. *Model: cost_of_debt, cap_rate, terminal_p_affo*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/FFO (TTM, aggregator)	14.7x · 13.0x on Q2 2026 FFO as adjusted annualized (\$2.68)	FFO as adj. \$2.61 (2023), \$2.26 (2024), \$2.32 (2025)	SL Green 10.1x · BXP 9.1x · Kilroy 10.1x · ESRT 25.1x (depressed FFO)	stockanalysis.com, 2026-10-23; Q2 2026 and Q4 releases
Implied cap rate (Base Y1 NOI at share / EV; EV = mkt cap + \$9,574mm pro rata debt – cash + preferred – 350 Park and 623 Fifth at value)	7.3% (6.8% with those interests at zero)	n/a (unverified)	n/a (not on one source)	model-inputs basis
P/B	1.41x	n/a (unverified)	SL Green 1.09x · BXP 1.92x · ESRT 0.83x	stockanalysis.com, 2026-10-23
Dividend yield (\$0.74, one annual payment)	2.1%	n/a (unverified)	SL Green 4.93% · BXP 4.51% · ESRT 2.79%	stockanalysis.com, 2026-10-23

Model-implied value range (from `model-summary.json` ; reit module, NAV at a cap rate and AFFO/share DCF with a terminal P/AFFO, midpoints): Bear \$19.56 · Base \$34.99 · Bull \$49.05 per share, i.e. implied returns of –43.8% / +0.5% / +41.0% vs \$34.80. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** The market pays for the Base leasing recovery and nothing more.
- **The two methods disagree by 77%.** Base NAV is \$44.67 and Base AFFO DCF is \$25.31. The NAV re-rates the portfolio from today's ~7.3% implied cap rate to 6.5% (about 80bp) and credits the 350 Park and 623 Fifth interests (~\$5.59/share). The DCF de-rates from ~23.3x Y1 AFFO to 18x and discounts at a 12.95% CAPM cost of equity.
- **Tail sensitivity.** The bear case is a plateau on a Manhattan-concentrated portfolio, so a harsher case was run: same-store NOI +4.5%/0%/–2%/–3%/–1%, net sales (+\$10mm, –\$70mm, –\$20mm), capex 26% of NOI, refinancing to 7.3%, an 8.0% cap rate, a 12x terminal P/AFFO, 14% cost of equity and the development interests at about half value. It gives \$12.92 (–62.9%).

Balance sheet:

- Leverage: 8.6x pro rata net debt/FY2025 EBITDAre as adjusted (model basis). The company reported 7.7x at YE2025 and guides "into the sevens."
- Coverage: 2.2x FY2025 EBITDAre to interest plus preferred dividends, 2.0x on Y1 (model basis).
- Liquidity: \$1,977mm, including \$1,188mm undrawn on revolvers.
- Nearest material item: the 888 Seventh loan (\$244.5mm, forbearance to March 2027).
- Maturity ladder by year: n/a (unverified). The model's mortgage and JV maturities are placeholders.
- Ratings: n/a (unverified).

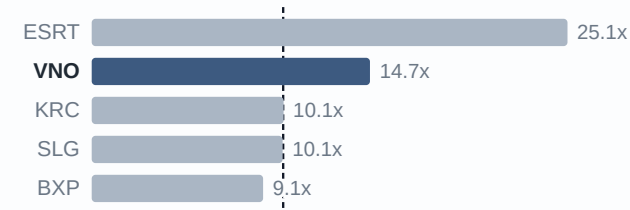
Model note: tier `full` , status `built` , verification `verified` (1,988 formula cells matched in LibreOffice). No assumptions without basis. Scenario consistency is `OK` on all 14 rows.

- **Unverified input:** `market.other_claims` , which is preferred at liquidation (\$1,219.7mm) less 350 Park at the \$900mm put value and 623 Fifth at cash spent (\$244.3mm).
- **Pro rata debt** (\$9,573.6mm) comes from the Q2 supplemental's net-debt reconciliation, read via a search excerpt because the fetched page truncated.
- **FY2023 EBITDAre:** n/a.
- **Preferred dividends** sit inside `cost_of_debt` (+0.65pp).
- **No cap-rate survey** was retrieved, so the cap rate is judgment.
- **FFO vs guidance.** Model Y1 FFO is ~\$2.64/unit, against management's "higher than 2025" and ~\$2.53 implied by H1 plus the Q2 run-rate. The gap is income taxes and the run-rate base.

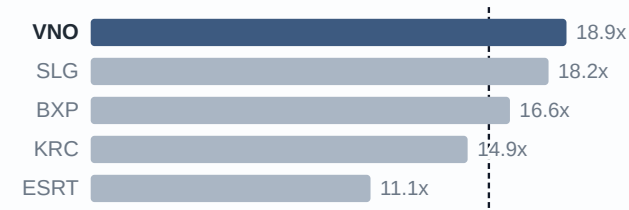
RELATIVE VALUE VS PEERS

Metric	VNO	SLG	BXP	ESRT	KRC	Peer median	vs median
P/FFO	14.7x	10.1x	9.1x	25.1x	10.1x	10.1x	+45%
EV/EBITDA (TTM)	18.9x	18.2x	16.6x	11.1x	14.9x	15.8x	+20%
P/B	1.4x	1.1x	1.9x	0.8x	0.8x	1.0x	+46%
Dividend yield	2.1%	4.9%	4.5%	2.8%	5.8%	4.7%	–2.6pp

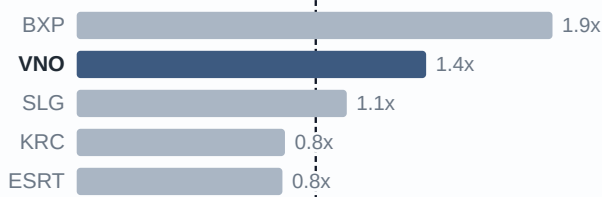
P/FFO



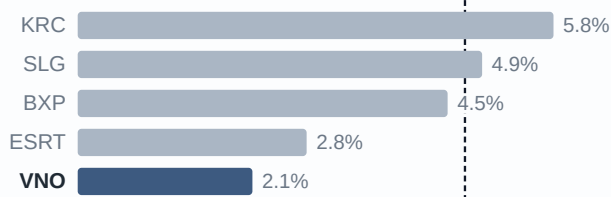
EV/EBITDA (TTM)



P/B



Dividend yield



As of 2026-10-23. One source and one definition for every company: aggregator TTM multiples, consolidated lease-inclusive EV. Not the model's own pro rata EV basis (see the report's valuation table). Quotes taken at the 4:00 PM ET close on 2026-10-23; pages fetched 2026-10-24. BXP and KRC figures are from the same page type and close, fetched 2026-10-24 for research/KRC/relative-value.json. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-24.

Notes. ESRT's 25.1x rests on the source's TTM FFO figure, far above its usual range; treat as distorted by that definition. VNO pays one annual common dividend (\$0.74 for 2025, paid in Q4).

Scenario stress test

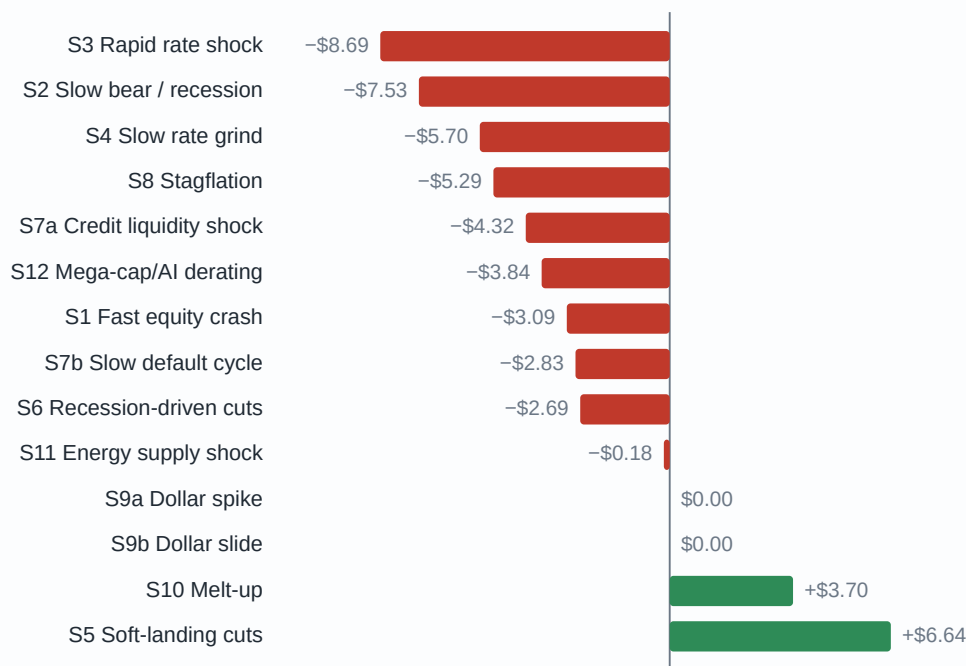
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	A beta-1.59 levered office equity de-rates; private cap rates barely move	Med	-\$3.09
S2 Slow bear / recession	-	Finance layoffs slow leasing and SNO commencements. Milder than Base – Bear (\$15.43) because it lasts two years without the bear case's sales, refinancing and exit-multiple reset	High	-\$7.53
S3 Rapid rate shock	-	Cap rates track real yields; variable mortgages and JV debt reprice	High	-\$8.69
S4 Slow rate grind	-	Multi-year refinancing drag; cap rates drift up	Med	-\$5.70
S5 Soft-landing cuts	+	Financing reopens and cap rates compress with leasing intact	High	+\$6.64
S6 Recession-driven cuts	-	Variable-rate relief does not offset a breaking labor market	Med	-\$2.69
S7a Credit liquidity shock	-	Forced selling of levered office REITs; CMBS window shuts	Med	-\$4.32
S7b Slow default cycle	-	Retail and smaller office tenants default; spreads widen	Med	-\$2.83
S8 Stagflation	-	Higher rates outweigh fixed rent bumps; leasing slows	Med	-\$5.29
S9a Dollar spike	0	No material effect, not modeled — domestic rents	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — as S9a	—	\$0.00
S10 Melt-up	+	Wall Street bonuses lift leasing and REIT multiples	Med	+\$3.70
S11 Energy supply shock	-	No operating channel; yields and financing costs rise	Low	-\$0.18
S12 Mega-cap/AI derating	-	Tech and finance tenants trim expansion; the stock de-rates	Med	-\$3.84

Currently active/on watch per the playbook:

- S3 is partially active per `state.md` ; the 10Y was back at 5.00% on 2026-10-23 per the macro log.
- S8, S10 and S11 are on watch. The macro log shows an AI-capex selloff on 2026-10-22/23, which is relevant to S12.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Q3/Q4 2026 shows SNO rent commencing on schedule and NY office occupancy above 93% by year-end; or
- An asset sale closes at or above a 6% cap rate; or
- Pro rata net leverage falls below 7x.

Downgrades if:

- PENN 2 lease-up or SNO commencements slip into 2028; or
- 888 Seventh or another JV loan is handed back at a loss of value; or
- Cash NOI keeps falling while GAAP NOI rises, which would mean concessions are deepening.

Watch items

- **W1:** SNO rent commencing and 2027 outlook, against Base +7% same-store NOI in 2027. Source: Q3 2026 release (2026-11-02) and Q4 2026 release. *Model: ss_noi_growth*
- **W2:** NY office occupancy, against the >93% year-end target (92.2% physical at Q2). Source: Q4 2026 supplemental. *Model: ss_noi_growth*
- **W3:** Pricing and NOI lost on the two asset sales under discussion, against Base -\$45mm of NOI in 2027. Source: 8-K or Q3/Q4 release. *Model: acq_noi*
- **W4:** Refinancing rate on the variable-rate mortgages once their caps expire, and the 888 Seventh outcome. Source: Q4 2026 10-K. *Model: cost_of_debt*

Sources

- Vornado Q2 2026 earnings release (8-K ex. 99.1, 2026-08-03) — <https://www.sec.gov/Archives/edgar/data/899689/000089968926000048/vno-063026xxex991xearnings.htm> — accessed 2026-10-24
- Vornado Q2 2026 financial supplement (8-K ex. 99.2) — <https://www.sec.gov/Archives/edgar/data/899689/000089968926000048/vno-063026xex992xfinancial.htm> — accessed 2026-10-24
- Vornado Q2 2026 Form 10-Q, schedule of debt (XBRL R63) and balance sheet — <https://www.sec.gov/Archives/edgar/data/899689/000089968926000046/R63.htm> — accessed 2026-10-24
- Vornado Q4 2025 earnings release and supplemental (8-K, 2026-02-09) — <https://www.sec.gov/Archives/edgar/data/899689/000089968926000011/vno-123125xxex991xearnings.htm> — accessed 2026-10-24
- Vornado Q4 2024 supplemental (8-K ex. 99.2, 2025-02-10) — <https://www.sec.gov/Archives/edgar/data/899689/000089968925000006/vno-123124xex992xfinancial.htm> — accessed 2026-10-24
- SEC EDGAR submissions and XBRL company concept, CIK 899689 — <https://data.sec.gov/submissions/CIK0000899689.json> — accessed 2026-10-24
- Vornado Q2 2026 earnings call transcript (third-party automated) — <https://gloom.sh/stocks/vno/transcripts/q2-2026> — accessed 2026-10-24
- 350 Park Avenue \$3.3bn construction loan and Citadel lease (CRE Daily) — <https://www.credaily.com/briefs/griffin-and-vornado-land-3-3b-loan-for-350-park-tower/> — accessed 2026-10-24
- VNO statistics — <https://stockanalysis.com/stocks/vno/statistics/> — accessed 2026-10-24
- Peer statistics: SL Green <https://stockanalysis.com/stocks/slg/statistics/> · ESRT <https://stockanalysis.com/stocks/esrt/statistics/> · BXP and Kilroy (same pages, fetched 2026-10-24 for the KRC initiation) — accessed 2026-10-24
- Manhattan trophy availability (Avison Young, via search) — <https://www.metro-manhattan.com/neighborhoods/midtown-manhattan/> · trophy asking rents — <https://www.credaily.com/?p=223578> · 2025 office sales (GREa) — <https://grea.com/manhattan-investment-sales-surge-45-to-22-77-billion-in-2025-grea-report-shows/> — accessed 2026-10-24
- Daily macro log, 2026-10-23 (10Y 5.00%, S3 status) — `logs/macro-2026-10.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.