

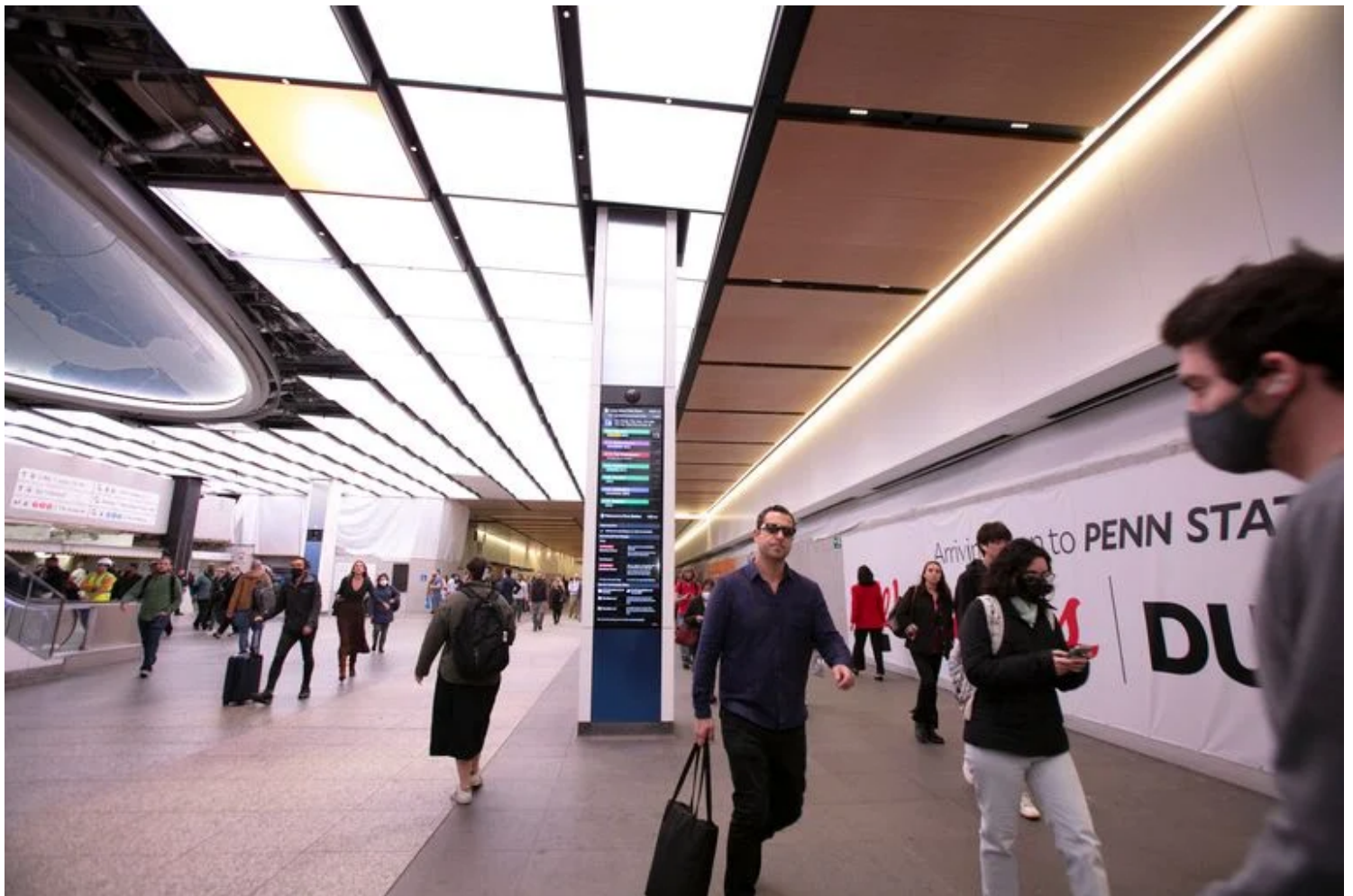
CRAIN'S NEW YORK BUSINESS

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November 01, 2022 02:04 PM

Vornado delays Penn Station redevelopment, plans to cut dividend

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CEO Steven Roth cites 'economic headwinds' for caution while maintaining his company's stock is 'stupid, stupid cheap'

Vornado Realty Trust said it won't be erecting towers around Penn Station any time soon and will cut its dividend early next year to conserve cash.

"The headwinds in the current environment are not at all conducive to...development," Chief Executive Steven Roth said on a conference call Tuesday.

Asked if he might revise his [ambitious plans](#) for redeveloping the area around Penn Station, perhaps by constructing more apartments and fewer offices, Roth said, "That's not something we're going to get into now."

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Gov. Kathy Hochul's administration has [pinned its hopes](#) on Vornado and others developing 18 million square feet of space around Penn Station, betting that [tax revenue](#) from higher rents and more commercial activity will pay to rebuild the nation's busiest commuter hub. Last week four community groups [sued to stop the project](#), accusing the state of essentially rolling over to Vornado's wishes.

Evercore ISI analyst Steve Sakwa told *Crain's* the Penn Station redevelopment project is "certainly delayed" because there's no demand from potential tenants.

"It's just not the right time," Sakwa said. "They won't spend billions to build an empty building."

It wasn't immediately clear what Vornado's delay will mean for the state's proposal for a Penn Station upgrade.

The developer continues its work in the area on projects already underway, including renovating buildings around Penn Station. It also recently [enlarged a concourse that serves Long Island Rail Road passengers](#). But more ambitious new construction in the

neighborhood surrounding the station, described as Vornado's "promised land," will take a back seat until markets improve, Roth said. He said the firm's top priority for the foreseeable future is [protecting its balance sheet](#).

Roth said Vornado's dividend will be cut by an unspecified amount next year to ensure the shareholder payout is in line with the company's taxable income. And in a move designed to reduce exposure to rising borrowing costs amid rising interest rates, the landlord swapped floating-rate debt for fixed and capped rates on certain obligations.

Shares in Vornado were little changed Tuesday. They are trading nearly 10% below their March 2020 low.

Roth said a plan to create a stock tracking the Penn Station development project is "still on the table." He described his company's stock as "stupid, stupid cheap" and added that Vornado is "very interested" in building a casino in Manhattan, although [so too are other developers](#).

"We expect it will be a very competitive process," he said.

Inline Play

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