



## Vornado Bearish Bets Accumulate in Open Interest

Ticker/Price: VNO (\$34.10)

### Analysis:

**Vornado Realty Trust (VNO)** on Friday with buyers of 5,000 September \$30 puts up to \$2.70 and then later 5,000 July \$30 puts bought up to \$1.60. VNO traded over 48X average volume. VNO has seen buyers in the June \$35 and July \$35 puts earlier in the week while the June \$30 puts bought over 1000X on 5/13. The \$6.83B REIT trades 1.1X book, 4.3X cash and 11.4X 2020 FFO. Their weighted-average debt maturity is around 3 years. VNO has a big yield, over 7%, and Baa2/BBB rated on their debt with some risk to longer-term rating with concerns over rent. VNO is one of the largest commercial real-estate landlords in the US with a heavy concentration on NYC, although they also have some assets in Chicago and San Francisco. They also own retail properties including several on Fifth Avenue, Madison Avenue, and in Union Square. VNO faces risks from COVID-19 as commercial lessors either renegotiate rents or skip payments altogether and they could occupancy rates fall over the next 12 months. They reported 83% of rent paid in April with 53% of retail tenants up-to-date. The pandemic also hit during a time where VNO was engaged in a massive development project in midtown Manhattan as well as a multitude of supply coming online from peers. Longer-term, the pandemic likely alters the commercial real estate market permanently with work-from-anywhere being adopted by more companies. VNO relies on growth in NYC's population, growth in International visa approvals, and growth in VC funding and placement all of which are at-risk if sentiment moves away from large urban centers. Analysts have an average target for shares of \$57.50. Stifel moving to Sell on 5-5. They have a \$35 PT and the analyst notes that they are facing too many challenges in the near and long term, recommending a dividend cut as his reduced FY20 FFO estimate may not cover the payout. The firm also notes weak lease economics are set to worsen and its Manhattan office fundamentals are set to deteriorate "materially". Short interest is 4.8% and up from 1.5% in December. Hedge fund ownership rose 0.66% in Q1. Long Pond Capital a top holder but sold nearly 30% of their stake. Land & Buildings a recent short position. On 3/30, a director bought \$497,113 in stock at \$48.74. On Friday, we also saw buyers in Boston Properties (BXP) of 5,000 October \$60 puts for \$3.50, a similar name to VNO. They are the largest developer of Class-A office properties in the US with Boston, LA, NY, San Francisco, and DC their focus.

### Hawk Vision:



**Hawk's Perspective:** VNO looks to be a primary loser in some major economic shifts likely to accelerate over the next few years, and a good looking short.

**Confidence Ranking:** \$\$