

VORNADO REALTY TRUST  
Form 10-Q  
May 01, 2007

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 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: **March 31, 2007**

Or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-11954**

**VORNADO REALTY TRUST**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of incorporation or organization)

**888 Seventh Avenue, New York, New York**  
(Address of principal executive offices)

**22-1657560**  
(I.R.S. Employer Identification Number)

**10019**  
(Zip Code)

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**(212) 894-7000**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer.

See definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer       Accelerated Filer       Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of March 31, 2007, 151,864,560 of the registrant's common shares of beneficial interest are outstanding.

|                 |   |             |
|-----------------|---|-------------|
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## VORNADO REALTY TRUST

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

|  | March 31,<br>2007 | December<br>31,<br>2006 |
|--|-------------------|-------------------------|
| <b>ASSETS</b>  |                   |                         |
| Real estate, at cost:  |                   |                         |
| Land   | \$ 3,343,729      | \$ 2,795,970            |
| Buildings and improvements   | 10,583,236        | 9,967,415               |
| Development costs and construction in progress   | 466,634           | 417,671                 |
| Leasehold improvements and equipment   | 391,090           | 372,432                 |
| Total  | 14,784,689        | 13,553,488              |
| Less accumulated depreciation and amortization   | (2,056,118 )      | (1,968,678 )            |
| Real estate, net   | 12,728,571        | 11,584,810              |
| Cash and cash equivalents  | 2,884,674         | 2,233,317               |
| Escrow deposits and restricted cash  | 131,234           | 140,351                 |
| Marketable securities  | 369,073           | 316,727                 |
| Investments and advances to partially owned entities, including  |                   |                         |
| Alexander s of \$92,867 and \$82,114   | 1,242,111         | 1,135,669               |
| Investment in Toys R Us  | 375,132           | 317,145                 |
| Due from officers  | 13,197            | 15,197                  |
| Accounts receivable, net of allowance for doubtful accounts of \$19,385 and \$17,727   | 233,414           | 230,908                 |
| Notes and mortgage loans receivable  | 659,612           | 561,164                 |
| Receivable arising from the straight-lining of rents, net of allowance of \$2,508 and \$2,334  | 462,368           | 441,982                 |
| Other assets   | 1,152,125         | 976,103                 |
| Assets related to discontinued operations  | 908               | 908                     |
|  | \$ 20,252,419     | \$ 17,954,281           |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                   |                         |
| Notes and mortgages payable  | \$ 7,590,860      | \$ 6,886,884            |
| Convertible senior debentures  | 2,353,174         | 980,083                 |
| Senior unsecured notes   | 1,197,455         | 1,196,600               |
| Exchangeable senior debentures   | 491,639           | 491,231                 |
| Accounts payable and accrued expenses  | 458,581           | 531,977                 |
| Deferred credit  | 596,465           | 342,733                 |
| Other liabilities  | 182,602           | 184,844                 |
| Officers compensation payable  | 63,588            | 60,955                  |
| Total liabilities  | 12,934,364        | 10,675,307              |
| Minority interest, including unitholders in the Operating Partnership  | 1,106,348         | 1,128,204               |
| Commitments and contingencies  |                   |                         |
| Shareholders equity:   |                   |                         |
| Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 33,985,777 and 34,051,635 shares    | 825,367           | 828,660                 |
| Common shares of beneficial interest: \$.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 151,864,560 and 151,093,373 shares | 6,115             | 6,083                   |
| Additional capital   | 5,323,944         | 5,287,923               |
| Earnings less than distributions   | (45,361 )         | (69,188 )               |
| Accumulated other comprehensive income   | 99,724            | 92,963                  |
| Deferred compensation shares earned but not yet delivered  | 1,918             | 4,329                   |
| Total shareholders equity  | 6,211,707         | 6,150,770               |
|  | \$ 20,252,419     | \$ 17,954,281           |

See notes to consolidated financial statements.

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## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

|   | <b>For The Three Months Ended</b> |                   |
|---|-----------------------------------|-------------------|
|   | <b>March 31,</b>                  |                   |
|   | <b>2007</b>                       | <b>2006</b>       |
| (Amounts in thousands, except per share amounts)  |                                   |                   |
| <b>REVENUES:</b>  |                                   |                   |
| Property rentals  | \$ 435,367                        | \$ 368,103        |
| Temperature Controlled Logistics  | 200,093                           | 195,850           |
| Tenant expense reimbursements   | 72,533                            | 61,727            |
| Fee and other income  | 29,063                            | 21,657            |
| Total revenues  | 737,056                           | 647,337           |
| <b>EXPENSES:</b>  |                                   |                   |
| Operating   | 370,966                           | 331,915           |
| Depreciation and amortization   | 108,806                           | 90,305            |
| General and administrative  | 53,063                            | 45,864            |
| Costs of acquisitions not consummated   | 8,807                             |                   |
| Total expenses  | 541,642                           | 468,084           |
| Operating income  | 195,414                           | 179,253           |
| Income (loss) applicable to Alexander's   | 13,519                            | (3,595)           |
| Income applicable to Toys R Us  | 58,661                            | 52,760            |
| Income from partially owned entities  | 9,105                             | 6,051             |
| Interest and other investment income  | 54,479                            | 22,475            |
| Interest and debt expense (including amortization of deferred financing costs of \$4,150 and \$3,575) | (147,013)                         | (103,894)         |
| Net gain on disposition of wholly-owned and partially owned assets other than depreciable real estate | 909                               | 548               |
| Minority interest of partially owned entities   | 3,883                             | (274)             |
| Income from continuing operations   | 188,957                           | 153,324           |
| (Loss) income from discontinued operations, net of minority interest                                  | (31)                              | 16,735            |
| Income before allocation to minority limited partners   | 188,926                           | 170,059           |
| Minority limited partners' interest in the Operating Partnership                                      | (17,177)                          | (15,874)          |
| Perpetual preferred unit distributions of the Operating Partnership                                   | (4,818)                           | (4,973)           |
| Net income  | 166,931                           | 149,212           |
| Preferred share dividends   | (14,296)                          | (14,407)          |
| <b>NET INCOME applicable to common shares</b>   | <b>\$ 152,635</b>                 | <b>\$ 134,805</b> |
| <b>INCOME PER COMMON SHARE - BASIC:</b>   |                                   |                   |
| Income from continuing operations   | \$ 1.01                           | \$ 0.84           |
| Income from discontinued operations   |                                   | 0.12              |
| Net income per common share   | \$ 1.01                           | \$ 0.96           |
| <b>INCOME PER COMMON SHARE - DILUTED:</b>   |                                   |                   |
| Income from continuing operations   | \$ 0.96                           | \$ 0.80           |
| Income from discontinued operations   |                                   | 0.11              |
| Net income per common share   | \$ 0.96                           | \$ 0.91           |
| <b>DIVIDENDS PER COMMON SHARE</b>   | <b>\$ 0.85</b>                    | <b>\$ 0.80</b>    |

See notes to consolidated financial statements.



## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

|  | <b>For The Three Months<br/>Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2007</b>   | <b>2006</b> |
| (Amounts in thousands)   |   |             |
| <b>Cash Flows from Operating Activities:</b>   |   |             |
| Net income   | \$ 166,931  | \$ 149,212  |
| Adjustments to reconcile net income to net cash provided<br>by operating activities:                       |   |             |
| Depreciation and amortization (including amortization of debt issuance costs)                              | 112,956   | 94,181      |
| Equity in income of partially owned entities, including Alexander's and Toys                               | (81,285 )   | (55,216 )   |
| Straight-lining of rental income   | (20,475 )   | (12,564 )   |
| Minority limited partners' interest in the Operating Partnership   | 17,174  | 15,874      |
| Amortization of below market leases, net   | (14,005 )   | (4,808 )    |
| Net gains from derivative positions  | (9,380 )  | (3,953 )    |
| Costs of acquisitions not consummated  | 8,807   |             |
| Distributions of income from partially owned entities  | 6,902   | 8,286       |
| Loss on early extinguishment of debt and write-off of unamortized<br>financing costs                       | 5,969   |             |
| Perpetual preferred unit distributions of the Operating Partnership  | 4,818   | 4,973       |
| Minority interest of partially owned entities  | (3,883 )  | 274         |
| Net gains on dispositions of wholly owned and partially owned assets<br>other than depreciable real estate | (909 )  | (548 )      |
| Net gains on sale of real estate   |   | (16,160 )   |
| Other non-cash adjustments   | 6,699   |             |
| Changes in operating assets and liabilities:   |   |             |
| Accounts receivable, net   | (2,506 )  | 48,530      |
| Accounts payable and accrued expenses  | (70,674 )   | (44,238 )   |
| Other assets   | (46,913 )   | (5,935 )    |
| Other liabilities  | 1,037   | 12,561      |
| Net cash provided by operating activities  | 81,263  | 190,469     |
| <b>Cash Flows from Investing Activities:</b>   |   |             |
| Acquisitions of real estate and other  | (878,654 )  | (148,330 )  |
| Investments in notes and mortgage loans receivable   | (135,615 )  | (57,535 )   |
| Deposits in connection with real estate acquisitions, including pre-acquisition costs                      | (125,359 )  | 327         |
| Investments in partially owned entities  | (91,037 )   | (22,879 )   |
| Development costs and construction in progress   | (49,438 )   | (58,033 )   |
| Additions to real estate   | (38,204 )   | (41,574 )   |
| Purchases of marketable securities   | (43,685 )   | (46,475 )   |
| Proceeds received from repayment of notes and mortgage loans receivable                                    | 40,150  | 5,632       |
| Cash restricted, including mortgage escrows  | 9,117   | (11,050 )   |
| Distributions of capital from partially owned entities   | 2,812   | 2,542       |
| Proceeds from sales of, and return of investment in, marketable securities                                 | 2,217   | 5,392       |
| Proceeds received from Officer loan repayment  | 2,000   |             |
| Proceeds from sales of real estate   |   | 71,887      |
| Proceeds received on settlement of derivatives (primarily Sears Holdings)                                  |   | 135,028     |
| Net cash used in investing activities  | (1,305,696 )  | (165,068 )  |

See notes to consolidated financial statements.





## VORNADO REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(UNAUDITED)

| (Amounts in thousands)   | For The Three Months |            |
|--|----------------------|------------|
|  | Ended March 31,      |            |
|  | 2007                 | 2006       |
| <b>Cash Flows from Financing Activities:</b>                   |                      |            |
| Proceeds from borrowings                                       | 2,286,725            | 605,298    |
| Repayments of borrowings                                       | (156,759)            | (195,845)  |
| Dividends paid on common shares                                | (128,812)            | (113,024)  |
| Purchase of marketable securities in connection with the legal |                      |            |
| defeasance of mortgage notes payable                           | (86,653)             |            |
| Distributions to minority partners                             | (19,429)             | (17,725)   |
| Dividends paid on preferred shares                             | (14,349)             | (14,446)   |
| Debt issuance costs  | (6,768)              | (7,542)    |
| Proceeds from exercise of share options and other              | 1,835                | 3,309      |
| Net cash provided by financing activities                      | 1,875,790            | 260,025    |
| Net increase in cash and cash equivalents                      | 651,357              | 285,426    |
| Cash and cash equivalents at beginning of period               | 2,233,317            | 294,504    |
| Cash and cash equivalents at end of period                     | \$ 2,884,674         | \$ 579,930 |

**Supplemental Disclosure of Cash Flow Information:**

|   |            |           |
|---|------------|-----------|
| Cash payments for interest (including capitalized interest of \$10,368 and \$3,698) | \$ 123,753 | \$ 90,404 |
|---|------------|-----------|

**Non-Cash Transactions:**

|   |           |            |
|---|-----------|------------|
| Financing assumed in acquisitions   | \$ 25,228 | \$ 253,172 |
| Marketable securities transferred in connection with the legal defeasance of mortgage notes payable | 86,653    |            |
| Mortgage notes payable legally defeased   | 83,542    |            |
| Conversion of Class A Operating Partnership units to common shares                                  | 26,805    | 12,172     |
| Unrealized net gain on securities available for sale  | 4,124     | 12,312     |

See notes to consolidated financial statements.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**1. Organization**

Vornado Realty Trust is a fully-integrated real estate investment trust ( REIT ) and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the Operating Partnership ). All references to our, we, us, the Company and Vornado refer to Vornado Realty Trust and its consolidated subsidiaries. We are the sole general partner of, and owned approximately 90.0% of the common limited partnership interest in, the Operating Partnership at March 31, 2007.

Substantially all of Vornado Realty Trust's assets are held through subsidiaries of the Operating Partnership. Accordingly, Vornado Realty Trust's cash flow and ability to pay dividends to its shareholders is dependent upon the cash flow of the Operating Partnership and the ability of its direct and indirect subsidiaries to first satisfy their obligations to creditors.

**2. Basis of Presentation**

The accompanying consolidated financial statements are unaudited. 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 have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2007, are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and its majority-owned subsidiaries, including the Operating Partnership, as well as certain partially owned entities in which we own more than 50% unless a partner has shared board and management representation and substantive participation rights on all significant business decisions, or 50% or less when (i) we are the primary beneficiary and the entity qualifies as a variable interest entity under Financial Accounting Standards Board ( FASB ) Interpretation No. 46 (Revised) *Consolidation of Variable Interest Entities* ( FIN 46R ), or (ii) when we are a general partner that meets the criteria under Emerging Issues Task Force ( EITF ) Issue No. 04-5. We consolidate our 47.6% investment in AmeriCold Realty Trust because we have the contractual right to appoint three out of five members of its Board of Trustees, and therefore determined that we have a controlling interest. All significant inter-company amounts have been eliminated. Equity interests in partially owned entities are accounted for under the equity method of accounting when they do not meet the criteria for consolidation and our ownership interest is greater than 20%. When partially owned investments are in partnership form, the 20% threshold for equity method accounting is generally reduced to 3% to 5%, based on our ability to influence the operating and financial policies of the partnership. Investments accounted for under the equity method are initially recorded at cost and subsequently adjusted for our share of the net income or loss and cash contributions and distributions to or from these entities. Investments in partially-owned entities that do not meet the criteria for consolidation or for equity method accounting are accounted for on the cost method.

We have made estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Certain prior year balances related to discontinued operations have been reclassified in order to conform to current year presentation.



VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**3. Recently Issued Accounting Literature**

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ( SFAS No. 157 ). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. We believe that the adoption of this standard on January 1, 2008 will not have a material effect on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS No. 87, 88, 106 and 132R* ( SFAS No. 158 ). SFAS No. 158 requires an employer to (i) recognize in its statement of financial position an asset for a plan's over-funded status or a liability for a plan's under-funded status; (ii) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (iii) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The adoption of the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of December 31, 2006 did not have a material effect on our consolidated financial statements. The requirement to measure plan assets and benefit obligations to determine the funded status as of the end of the fiscal year and to recognize changes in the funded status in the year in which the changes occur is effective for fiscal years ending after December 15, 2008. The adoption of the measurement date provisions of this standard is not expected to have a material effect on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS No. 159 ). SFAS No. 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. We have not decided if we will choose to measure any financial assets and liabilities at fair value when we adopt SFAS No. 159 as of January 1, 2008.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 establishes new evaluation and measurement processes for all income tax positions taken. FIN 48 also requires expanded disclosures of income tax matters. The adoption of this standard on January 1, 2007 did not have a material effect on our consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**4. Acquisitions**

*100 West 33<sup>rd</sup> Street, New York City (the Manhattan Mall )*

On January 10, 2007, we acquired the Manhattan Mall for approximately \$689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32<sup>nd</sup> and 33<sup>rd</sup> Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a \$232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% (5.87% at March 31, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property will be included in the New York Office segment and the operations of the retail component will be included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

*Bruckner Plaza, Bronx, New York*

On January 11, 2007, we acquired the Bruckner Plaza shopping center, and an adjacent parcel containing 114,000 square feet which is ground leased to a third party, for approximately \$165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York and contains 386,000 square feet of retail space. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

*Filene s, Boston, Massachusetts*

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene s property located in the Downtown Crossing district of Boston, Massachusetts for approximately \$100,000,000 in cash, of which our share was \$50,000,000. This investment is accounted for under the equity method. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals.

*1290 Avenue of the Americas and 555 California Street*

On March 16, 2007, we entered into an agreement to acquire a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building, located on the block-front between 51<sup>st</sup> and 52<sup>nd</sup> Street on Avenue of the Americas, and the 555 California Street office complex containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco s financial district. The purchase price for our 70% interest in the real estate is approximately \$1.807 billion, consisting of \$1.010 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. The preliminary allocation of the purchase price is approximately \$775 per square foot for 1290 Avenue of the Americas and approximately \$575 per square foot for 555 California Street. Our 70% interest is being acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69%

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limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. This acquisition is expected to close in the second quarter of 2007, subject to customary closing conditions.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump's claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump's motions and ultimately dismissed all of Mr. Trump's claims, except for his claim seeking access to books and records, which remains pending. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. We have agreed that at closing we will indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we are acquiring did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

**4. Acquisitions - continued**

*H Street Building Corporation ( H Street )*

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately \$383,000,000, consisting of \$323,000,000 in cash and \$60,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia comprised of 34 acres of land leased to three residential and retail operators, a 1,670 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation has been dismissed. Further, we have agreed to sell approximately 19.6 of the 34 acres of land to the existing ground lessee in one or more closings over a two-year period for approximately \$220,000,000.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sale, is \$409,000,000, consisting of \$286,000,000 in cash and \$123,000,000 of existing mortgages.

Within the last two weeks we have received letters from the two remaining ground lessees claiming a right of first offer.

Beginning on April 30, 2007, we will consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

**5. Derivative Instruments and Related Marketable Securities**

*Investment in McDonald s Corporation ( McDonalds ) (NYSE: MCD)*

As of March 31, 2007, we own 858,000 common shares of McDonalds which we acquired in July 2005 for \$25,346,000, an average price of \$29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheets and are classified as available for sale. Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in accumulated other comprehensive income in the shareholders equity section of our consolidated balance sheet and not recognized in income. At March 31, 2007, based on McDonalds closing stock price of \$45.05 per share, \$13,306,000 of appreciation in the value of these shares was included in accumulated other comprehensive income on our consolidated balance sheet.

As of March 31, 2007, we own 13,696,000 McDonalds common shares ( option shares ) through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds



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common shares. The option shares have a weighted-average strike price of \$32.70 per share, or an aggregate of \$447,822,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on our consolidated statements of income.

For the three months ended March 31, 2007 and 2006, we recognized net gains of \$3,223,000, and \$2,546,000, respectively, representing the mark-to-market of the option shares to \$45.05 and \$34.36 per share, respectively, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through March 31, 2007 is \$172,397,000.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**6. Investments in Partially Owned Entities***Toys R Us ( Toys )*

As of March 31, 2007, we own 32.9% of Toys. Below is a summary of Toys' latest available financial information.

| (in thousands)    | <b>As of February 3, 2007</b>         | <b>As of January 28, 2006</b>         |
|-------------------|---------------------------------------|---------------------------------------|
| Balance Sheet:    |                                       |                                       |
| Total Assets      | \$ 11,790,000                         | \$ 11,655,000                         |
| Total Liabilities | \$ 10,637,000                         | \$ 10,347,000                         |
| Total Equity      | \$ 1,153,000                          | \$ 1,308,000                          |
|                   | <b>For the Three<br/>Months Ended</b> | <b>For the Three<br/>Months Ended</b> |
| Income Statement: | <b>February 3, 2007</b>               | <b>January 28, 2006</b>               |
| Total Revenues    | \$ 5,679,000                          | \$ 4,886,000                          |
| Net Income        | \$ 172,900                            | \$ 150,000                            |

*The Lexington Master Limited Partnership ( Lexington MLP )*

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington Corporate Properties Trust ( Lexington ) (NYSE: LXP), a real estate investment trust. We owned 10,186,991 limited partnership units (representing a 15.8% investment ownership interest) of Newkirk MLP, which was also acquired by Lexington as a subsidiary, and was renamed Lexington MLP. The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. The Lexington MLP units are exchangeable on a one-for-one basis into common shares of Lexington. We will record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our equity in net income or loss from partially owned entities for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.

As of March 31, 2007, the market value of our investment in Lexington MLP was \$172,201,000, based on Lexington's March 30, 2007 closing share price of \$21.13.

*GMH Communities L.P. ( GMH )*

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As of March 31, 2007, we own 7,337,857 limited partnership units (which are exchangeable on a one-for-one basis into common shares of GMH Communities Trust ( GCT ) (NYSE: GCT), a real estate investment trust that conducts its business through GMH and of which it is the sole general partner, and 2,517,247 common shares of GCT (1,817,247 shares were received upon exercise of our warrants discussed below), or 13.5% of the limited partnership interest of GMH. We account for our investment in GMH on the equity method and record our pro rata share of GMH's net income or loss on a one-quarter lag basis as we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements.

As of March 31, 2007, the market value of our investment in GMH and GCT was \$98,452,000, based on GCT's March 30, 2007 closing share price of \$9.99.

*Alexander's (NYSE: ALX):*

As of March 31, 2007, we own 32.8% of the outstanding common stock of Alexander's. We manage, lease and develop Alexander's properties pursuant to agreements, which expire in March of each year and are automatically renewable. As of March 31, 2007, Alexander's owed us \$36,311,000 for fees under these agreements.

As of March 31, 2007, the market value of our investment in Alexander's was \$680,980,000, based on Alexander's March 30, 2007 closing share price of \$411.70.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**6. Investments in Partially Owned Entities - continued**

The carrying amount of our investments in partially owned entities and income (loss) recognized from such investments are as follows:

| <b>Investments:</b>  | <b>As of</b>                | <b>As of</b>             |
|--|-----------------------------|--------------------------|
| (Amounts in thousands)                                       | <b>March 31, 2007</b>       | <b>December 31, 2006</b> |
|  | <b>2007</b>                 | <b>2006</b>              |
| Toys   | \$ 375,132                  | \$ 317,145               |
| H Street non-consolidated subsidiaries (see page 10)         | \$ 210,188                  | \$ 207,353               |
| Lexington MLP, formerly Newkirk MLP                          | 184,961                     | 184,961                  |
| Partially Owned Office Buildings (1)                         | 163,679                     | 150,954                  |
| GMH  | 101,363                     | 103,302                  |
| India Real Estate Ventures                                   | 95,271                      | 93,716                   |
| Alexander s  | 92,867                      | 82,114                   |
| Beverly Connection Joint Venture ( Beverly Connection )      | 84,193                      | 82,101                   |
| Other Equity Method Investments                              | 309,589                     | 231,168                  |
|  | <b>\$ 1,242,111</b>         | <b>\$ 1,135,669</b>      |
| <br>   |                             |                          |
| <b>Our Share of Net Income (Loss):</b>                       | <b>For the Three Months</b> |                          |
| (Amounts in thousands)                                       | <b>Ended March 31,</b>      |                          |
| <b>Toys:</b>   | <b>2007</b>                 | <b>2006</b>              |
| 32.9% share of equity in net income (2)                      | \$ 56,815                   | \$ 49,275                |
| Interest and other income                                    | 1,846                       | 3,485                    |
|  | <b>\$ 58,661</b>            | <b>\$ 52,760</b>         |
| <br>   |                             |                          |
| <b>Alexander s:</b>  |                             |                          |
| 32.8% in 2007 and 33.0% in 2006 share of:                    |                             |                          |
| Equity in net income before net gain on sale of condominiums |                             |                          |
| and stock appreciation rights compensation expense           | \$ 6,116                    | \$ 4,143                 |
| Stock appreciation rights compensation income (expense)      | 4,694                       | (12,395 )                |
| Net gain on sale of condominiums                             |                             | 1,858                    |
| Equity in net income (loss)                                  | 10,810                      | (6,394 )                 |
| Management and leasing fees                                  | 2,181                       | 2,588                    |
| Development and guarantee fees                               | 528                         | 211                      |
|  | <b>\$ 13,519</b>            | <b>\$ (3,595 )</b>       |
| <br>   |                             |                          |
| <b>H Street Non-Consolidated Subsidiaries:</b>               |                             |                          |
| 50% share of equity in income (loss) (3)                     | \$ 2,834                    | \$ (233 )                |
| <br>   |                             |                          |
| <b>Beverly Connection:</b>                                   |                             |                          |
| 50% share of equity in net loss                              | (1,327 )                    | (3,967 )                 |
| Interest and fee income                                      | 2,277                       | 2,932                    |
|  | 950                         | (1,035 )                 |
| <br>   |                             |                          |
| <b>GMH:</b>  |                             |                          |
| 13.5% in 2007 and 11.3% in 2006 share of equity in           |                             |                          |
| net loss (4)   | (312 )                      | )                        |
| <br>   |                             |                          |
| <b>Lexington MLP, formerly Newkirk MLP:</b>                  |                             |                          |
| 7.4% in 2007 and 15.8% in 2006 share of equity in net        |                             |                          |
| income (5)   |                             | 4,158                    |
| Interest and other income                                    |                             | 45                       |
|  |                             | <b>4,203</b>             |
| <br>   |                             |                          |
| <b>Other</b>   | 5,633                       | 3,116                    |

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\$ 9,105

\$ 6,051

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See notes on following page.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**6. Investments in Partially Owned Entities - continued**

**Notes to preceding tabular information:**

- (1) Includes interests in 330 Madison Avenue (25%), 825 Seventh Avenue (50%), Fairfax Square (20%), Kaempfer equity interests in three office buildings (2.5% to 5.0%), Rosslyn Plaza (46%) and West 57<sup>th</sup> Street properties (50%).
- (2) The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, we record our 32.9% share of Toys' net income or loss on a one-quarter lag basis.
- (3) Our share of H Street's non-consolidated subsidiaries' equity in net income was not included in the three months ended March 31, 2006, because prior to the quarter ended June 30, 2006, the two entities contesting our acquisition of H Street impeded our access to this financial information.
- (4) We record our pro rata share of GMH's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements. Our equity in net income or loss from partially owned entities for the three months ended March 31, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until May 15, 2006.
- (5) We record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our equity in net income or loss from partially owned entities for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**6. Investments in Partially Owned Entities - continued**

Below is a summary of the debt of partially owned entities as of March 31, 2007 and December 31, 2006, none of which is guaranteed by us.

|   | <b>100% of</b>                       |                     |
|---|--------------------------------------|---------------------|
|   | <b>Partially Owned Entities Debt</b> |                     |
|   | <b>March 31,</b>                     | <b>December 31,</b> |
|   | <b>2007</b>                          | <b>2006</b>         |
| (Amounts in thousands)  |                                      |                     |
| Toys (32.9% interest):  |                                      |                     |
| \$1.3 billion senior credit facility, due 2008, LIBOR plus 3.00%<br>(8.32% at March 31, 2007)   | \$ 1,300,000                         | \$ 1,300,000        |
| \$2.0 billion credit facility, due 2010, LIBOR plus 1.00%-3.75%   |                                      | 836,000             |
| \$804 million secured term loan facility, due 2012, LIBOR plus 4.25%<br>(9.61% at March 31, 2007)   | 800,000                              | 800,000             |
| Mortgage loan, due 2007, LIBOR plus 1.30% (6.62% at March 31, 2007)   | 800,000                              | 800,000             |
| Senior U.K. real estate facility, due 2013, 4.56% plus 0.28% to 1.50% (5.02% at March 31, 2007)   | 700,000                              | 676,000             |
| 7.625% bonds, due 2011 (Face value \$500,000)   | 478,000                              | 477,000             |
| 7.875% senior notes, due 2013 (Face value \$400,000)  | 370,000                              | 369,000             |
| 7.375% senior notes, due 2018 (Face value \$400,000)  | 329,000                              | 328,000             |
| \$181 million secured term loan facility, due 2013, LIBOR + 5.00% (10.35% at March 31, 2007)  | 180,000                              |                     |
| Toys R Us - Japan short-term borrowings, 2006, tiered rates<br>(weighted average rate of 0.86% at March 31, 2007)   | 151,000                              | 285,000             |
| 8.750% debentures, due 2021 (Face value \$200,000)  | 21,000                               | 193,000             |
| 4.51% Spanish real estate facility, due 2013  | 173,000                              | 171,000             |
| Toys R Us - Japan bank loans, due 2007-2014, 1.20%-2.80%  | 152,000                              | 156,000             |
| 6.81% Junior U.K. real estate facility, due 2013  | 121,000                              | 118,000             |
| 4.51% French real estate facility, due 2013   | 84,000                               | 83,000              |
| Note at an effective cost of 2.23% due in semi-annual installments through 2008   | 49,000                               | 50,000              |
| \$200 million asset sale facility, due 2008, LIBOR plus 3.00% - 4.00% (9.32% at March 31, 2007)   | 44,000                               | 44,000              |
| Multi-currency revolving credit facility, due 2010, LIBOR plus 1.50%-2.00%  |                                      | 190,000             |
| Other   | 42,000                               | 39,000              |
|   | 5,794,000                            | 6,915,000           |
| Alexander s (32.8% interest):   |                                      |                     |
| 731 Lexington Avenue mortgage note payable collateralized by the office space,<br>due in February 2014, with interest at 5.33% (prepayable without penalty)                     | 390,808                              | 393,233             |
| 731 Lexington Avenue mortgage note payable, collateralized by the retail space,<br>due in July 2015, with interest at 4.93% (prepayable without penalty)                        | 320,000                              | 320,000             |
| Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011,<br>with interest at 7.46% (prepayable with yield maintenance)                                     | 206,185                              | 207,130             |
| Rego Park mortgage note payable, due in June 2009, with interest at 7.25%<br>(prepayable without penalty after March 2009)  | 79,909                               | 80,135              |
| Paramus mortgage note payable, due in October 2011, with interest at 5.92%<br>(prepayable without penalty)  | 68,000                               | 68,000              |
|   | 1,064,902                            | 1,068,498           |
| Lexington MLP (formerly Newkirk MLP) (7.4% interest in 2007 and 15.8% interest in 2006):  |                                      |                     |
| Portion of first mortgages collateralized by the partnership s real estate,<br>due from 2006 to 2024, with a weighted average interest rate of 6.32% (various prepayment terms) | 2,129,025                            | 2,101,104           |
|   | 1,227,725                            | 957,788             |

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GMH (13.5% interest):

Mortgage notes payable, collateralized by 71 properties, due from 2007 to 2024, with a weighted average interest rate of 5.63% (various prepayment terms)

H Street non-consolidated entities (50% interest):

Mortgage notes payable, collateralized by 6 properties, due from 2007 to 2029 with a weighted average interest rate of 6.90% at March 31, 2007

348,929

351,584



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 6. Investments in Partially-Owned Entities - continued

| (Amounts in thousands)   | <b>100% of<br/>Partially Owned Entities Debt</b> |                              |
|--|--|------------------------------|
|  | <b>March 31,<br/>2007</b>                        | <b>December 31,<br/>2006</b> |
| Partially owned office buildings:  |  |                              |
| Kaempfer Properties (2.5% to 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due from 2011 to 2031, with a weighted average interest rate of 6.61% at March 31, 2007 (various prepayment terms) | \$ 145,300                                       | \$ 145,640                   |
| Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%  | 64,900   | 65,178                       |
| 330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52% (prepayable with yield maintenance)   | 60,000   | 60,000                       |
| 825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)   | 22,074   | 22,159                       |
| Rosslyn Plaza (46% interest) mortgage note payable, due in November 2007, with interest at 7.28% (prepayable without penalty)  | 57,219   | 57,396                       |
| West 57 <sup>th</sup> Street (50% interest) mortgage note payable, due in October 2009, with interest at 4.94% (prepayable without penalty after July 2009)  | 29,000   | 29,000                       |
| Verde Realty Master Limited Partnership (7.45% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2025, with a weighted average interest rate of 5.74% at March 31, 2007 (various prepayment terms)         | 289,289  | 311,133                      |
| Monmouth Mall (50% interest) mortgage note payable, due in September 2015, with interest at 5.44% (prepayable with yield maintenance)  | 165,000  | 165,000                      |
| Green Courte Real Estate Partners, LLC (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2015, with a weighted average interest rate of 5.58% (various prepayment terms)                             | 215,436  | 201,556                      |
| San Jose, California Ground-up Development (45% interest) construction loan, due in March 2009, with a one-year extension option and interest at 7.13% (LIBOR plus 1.75%)  | 44,077   | 50,659                       |
| Beverly Connection (50% interest) mortgage and mezzanine loans payable, due in February 2008 and July 2008, with a weighted average interest rate of 10.02%, \$70,000 of which is due to Vornado (prepayable with yield maintenance)                         | 170,000  | 170,000                      |
| TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate, due from 2008 to 2022, with a weighted average interest rate of 9.97% at March 31, 2007 (various prepayment terms)                      | 61,331   | 45,601                       |
| 478-486 Broadway (50% interest) mortgage note payable, due October 2007, with interest at 8.53% (LIBOR plus 3.15%) (prepayable with yield maintenance)   | 20,000   | 20,000                       |
| Wells/Kinzie Garage (50% interest) mortgage note payable, due in June 2009, with interest at 7.03%   | 14,674   | 14,756                       |

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|   |        |        |
|---|--------|--------|
| Orleans Hubbard Garage (50% interest) mortgage note payable, due in April 2009,<br>with interest at 7.03% | 9,206  | 9,257  |
| Other   | 33,464 | 23,656 |

Based on our ownership interest in the partially-owned entities above, our pro rata share of the debt of these partially-owned entities was \$2,997,428,000 and \$3,323,007,000 as of March 31, 2007 and December 31, 2006, respectively.

**VORNADO REALTY TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

**7. Notes and Mortgage Loans Receivable**

*Blackstone/Equity Office Properties Loan*

On March 29, 2007, we acquired a 9.4% interest in a \$772,600,000 mezzanine loan for \$72,400,000 in cash. The loan bears interest at LIBOR plus 2.85% (8.17% at March 31, 2007) and matures in February 2009 with three one-year extensions. The loan is subordinate to \$24.6 billion of other debt and is collateralized by a direct equity interest in an entity which has indirect equity and cash flow pledges from various levels of ownership of a portfolio of office buildings purchased by Blackstone from Equity Office Properties.

*Fortress Loan*

On March 30, 2007, we were repaid \$35,348,000 of the \$99,500,000 outstanding balance of the loan, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which we recognized as interest and other investment income in the three months ended March 31, 2007.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**8. Identified Intangible Assets, Intangible Liabilities and Goodwill**

The following summarizes our identified intangible assets, intangible liabilities (deferred credit) and goodwill as of March 31, 2007 and December 31, 2006.

| (Amounts in thousands)  | <b>March 31,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|---|---------------------------|------------------------------|
| <b>Identified intangible assets (included in other assets):</b>         |                           |                              |
| Gross amount  | \$ 484,158                | \$ 395,109                   |
| Accumulated amortization  | (100,672 )                | (90,857 )                    |
| Net   | \$ 383,486                | \$ 304,252                   |
| <b>Goodwill (included in other assets):</b>                             |                           |                              |
| Gross amount  | \$ 7,280                  | \$ 7,280                     |
| <b>Identified intangible liabilities (included in deferred credit):</b> |                           |                              |
| Gross amount  | \$ 639,986                | \$ 370,638                   |
| Accumulated amortization  | (77,831 )                 | (62,829 )                    |
| Net   | \$ 562,155                | \$ 307,809                   |

Amortization of acquired below market leases, net of acquired above market leases (a component of rental income) was \$14,005,000 and \$4,799,000 for the three months ended March 31, 2007 and March 31, 2006, respectively. The estimated annual amortization of acquired below market leases, net of acquired above market leases for each of the five succeeding years is as follows:

| (Amounts in thousands) |           |
|------------------------|-----------|
| 2008                   | \$ 51,760 |
| 2009                   | 45,452    |
| 2010                   | 34,807    |
| 2011                   | 32,018    |
| 2012                   | 30,432    |

The estimated annual amortization of all other identified intangible assets (a component of depreciation and amortization expense) including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years is as follows:

| (Amounts in thousands) |           |
|------------------------|-----------|
| 2008                   | \$ 30,953 |
| 2009                   | 30,182    |
| 2010                   | 28,579    |
| 2011                   | 27,215    |
| 2012                   | 23,592    |

We are a tenant under ground leases for certain properties acquired during 2006. Amortization of these acquired below market leases resulted in an increase to rent expense of \$384,000 for the three months ended March 31, 2007. The estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)

|      |          |
|------|----------|
| 2008 | \$ 1,535 |
| 2009 | 1,535    |
| 2010 | 1,535    |
| 2011 | 1,535    |
| 2012 | 1,535    |

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**9. Debt**

The following is a summary of our debt:

| (Amounts in thousands)   |                 | <b>Interest Rate</b> |                      |                     |
|--|-----------------|----------------------|----------------------|---------------------|
|  |                 | <b>as of</b>         | <b>Balance as of</b> |                     |
|  | <b>Maturity</b> | <b>March 31,</b>     | <b>March 31,</b>     | <b>December 31,</b> |
| <b>Notes and Mortgages Payable:</b>  |                 | <b>2007</b>          | <b>2007</b>          | <b>2006</b>         |
| <b>Fixed Interest:</b>   |                 |                      |                      |                     |
| Office:  |                 |                      |                      |                     |
| NYC Office:  |                 |                      |                      |                     |
| 350 Park Avenue  | 01/12           | 5.48%                | \$ 430,000           | \$ 430,000          |
| 770 Broadway   | 03/16           | 5.65%                | 353,000              | 353,000             |
| 888 Seventh Avenue   | 01/16           | 5.71%                | 318,554              | 318,554             |
| Two Penn Plaza   | 02/11           | 4.97%                | 295,291              | 296,428             |
| 909 Third Avenue   | 04/15           | 5.64%                | 219,526              | 220,314             |
| Eleven Penn Plaza  | 12/14           | 5.20%                | 212,800              | 213,651             |
| 866 UN Plaza   | 05/07           | 8.39%                | 45,102               | 45,467              |
| Washington DC Office:  |                 |                      |                      |                     |
| Skyline Place (1)  | 02/17           | 5.74%                | 678,000              | 155,358             |
| Warner Building  | 05/16           | 6.26%                | 292,700              | 292,700             |
| Crystal Gateway 1-4 and Crystal Square 5                                   | 07/12-07/19     | 6.75%-7.09%          | 206,473              | 207,389             |
| Crystal Park 1-4 (2)   | 09/08-08/13     | 6.66%-7.08%          | 152,849              | 201,012             |
| Crystal Square 2, 3 and 4  | 10/10-11/14     | 6.82%-7.08%          | 135,609              | 136,317             |
| Bowen Building   | 06/16           | 6.14%                | 115,022              | 115,022             |
| Reston Executive I, II and III   | 01/13           | 5.57%                | 93,000               | 93,000              |
| 1101 17 <sup>th</sup> , 1140 Connecticut, 1730 M and 1150 17 <sup>th</sup> | 08/10           | 6.74%                | 90,787               | 91,232              |
| Courthouse Plaza 1 and 2   | 01/08           | 7.05%                | 74,006               | 74,413              |
| Crystal Gateway N. and Arlington Plaza                                     | 11/07           | 6.77%                | 52,304               | 52,605              |
| 1750 Pennsylvania Avenue   | 06/12           | 7.26%                | 47,645               | 47,803              |
| Crystal Malls 1-4  | 12/11           | 6.91%                | 40,953               | 42,675              |
| Retail:  |                 |                      |                      |                     |
| Cross collateralized mortgages payable on                                  |                 |                      |                      |                     |
| 42 shopping centers  | 03/10           | 7.93%                | 461,379              | 463,135             |
| Springfield Mall (including present value of purchase option of \$69,507)  | 04/13           | 5.45%                | 261,412              | 262,391             |
| Green Acres Mall   | 02/08           | 6.75%                | 139,614              | 140,391             |
| Montehiedra Town Center  | 06/16           | 6.04%                | 120,000              | 120,000             |
| Broadway Mall  | 06/13           | 6.42%                | 98,615               | 99,154              |
| Westbury Retail Condominium  | 06/18           | 5.29%                | 80,000               | 80,000              |
| Las Catalinas Mall   | 11/13           | 6.97%                | 63,093               | 63,403              |
| Forest Plaza   | 05/09           | 4.00%                | 19,009               | 19,232              |
| The Cannery (acquired in March 2007)                                       | 09/11           | 7.40%                | 18,319               |                     |
| Rockville Town Center  | 12/10           | 5.52%                | 14,796               | 14,883              |
| Lodi Shopping Center   | 06/14           | 5.12%                | 11,428               | 11,522              |
| Hubbard s Path Shopping Center (acquired in March 2007)                    | 05/11           | 4.81%                | 6,909                |                     |
| 386 West Broadway  | 05/13           | 5.09%                | 4,776                | 4,813               |
| Merchandise Mart:  |                 |                      |                      |                     |
| Merchandise Mart   | 12/16           | 5.57%                | 550,000              | 550,000             |
| High Point Complex   | 08/16           | 6.34%                | 221,365              | 220,000             |
| Boston Design Center   | 09/15           | 5.02%                | 72,000               | 72,000              |
| Washington Design Center   | 11/11           | 6.95%                | 46,159               | 46,328              |
| Temperature Controlled Logistics:  |                 |                      |                      |                     |
| Cross collateralized mortgages payable on 50 properties                    | 02/11-12/16     | 5.48%                | 1,055,746            | 1,055,712           |

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|  |       |       |           |           |
|--|-------|-------|-----------|-----------|
| Other:   |       |       |           |           |
| Industrial Warehouses                            | 10/11 | 6.95% | 47,033    | 47,179    |
| Total Fixed Interest Notes and Mortgages Payable |       | 5.97% | 7,145,274 | 6,657,083 |

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See notes on page 20.

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

## 9. Debt - continued

| (Amounts in thousands)   |                      |                    | <b>Interest Rate</b> |                      |                     |
|--|----------------------|--------------------|----------------------|----------------------|---------------------|
|  | <b>Maturity</b>      | <b>Spread over</b> | <b>as of</b>         | <b>Balance as of</b> | <b>December 31,</b> |
| <b>Notes and Mortgages Payable:</b>  |                      | <b>LIBOR</b>       | <b>March 31,</b>     | <b>March 31,</b>     | <b>2006</b>         |
| <b>Variable Interest:</b>  |                      |                    | <b>2007</b>          | <b>2007</b>          |                     |
| Office:  |                      |                    |                      |                      |                     |
| New York Office:   |                      |                    |                      |                      |                     |
| 100 West 33 <sup>rd</sup> Street   | 02/09                | L+55               | 5.87%                | \$232,000            | \$                  |
| Washington, DC Office:   |                      |                    |                      |                      |                     |
| Commerce Executive III, IV and V   | 07/07                | L+70               | 6.02%                | 50,373               | 50,523              |
| 1925 K Street (3)  | N/A                  | N/A                | N/A                  |                      | 19,422              |
| Other:   |                      |                    |                      |                      |                     |
| 220 Central Park South   | 11/08                | L+235-L+245        | 7.69%                | 122,990              | 122,990             |
| Other  | 05/07-04/10          | Various            | 7.53%                | 40,223               | 36,866              |
| Total Variable Interest Notes and Mortgages Payable  |                      |                    | 6.54%                | 445,586              | 229,801             |
| Total Notes and Mortgages Payable  |                      |                    | 6.01%                | \$7,590,860          | \$6,886,884         |
| <b>Convertible Senior Debentures:</b>  |                      |                    |                      |                      |                     |
| Due 2027 (4)   | 04/12 <sup>(6)</sup> |                    | 2.85%                | \$1,372,078          | \$                  |
| Due 2026   | 11/11 <sup>(6)</sup> |                    | 3.63%                | 981,096              | 980,083             |
| Total Convertible Senior Debentures  |                      |                    |                      | \$2,353,174          | \$980,083           |
| <b>Senior Unsecured Notes:</b>   |                      |                    |                      |                      |                     |
| Senior unsecured notes due 2007 at fair value<br>(accreted carrying amounts of \$499,838<br>and \$499,673) (5)               | 06/07                | L+77               | 6.12%                | \$499,261            | \$498,562           |
| Senior unsecured notes due 2009  | 08/09                |                    | 4.50%                | 249,080              | 248,984             |
| Senior unsecured notes due 2010  | 12/10                |                    | 4.75%                | 199,294              | 199,246             |
| Senior unsecured notes due 2011  | 02/11                |                    | 5.60%                | 249,820              | 249,808             |
| Total senior unsecured notes   |                      |                    | 5.45%                | \$1,197,455          | \$1,196,600         |
| <b>Exchangeable Senior Debentures due 2025</b>   | 04/12 <sup>(6)</sup> |                    | 3.88%                | \$491,639            | \$491,231           |
| <b>\$1 billion unsecured revolving credit facility</b><br>(\$26,779 reserved for outstanding<br>letters of credit)           | 06/10                | L+55               | N/A                  | \$                   | \$                  |
| <b>AmeriCold \$30 million secured revolving<br/>credit facility</b> (\$17,500 reserved for<br>outstanding letters of credit) | 10/08                | L+175              | N/A                  | \$                   | \$                  |



See notes on following page.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**9. Debt - continued**

**Notes to preceding tabular information:**

(\$ in thousands, except per share amounts)

- (1) On January 26, 2007, we completed a \$678,000 financing of our Skyline Complex in Fairfax Virginia, consisting of eight office buildings containing 2,560,000 square feet. This loan bears interest only at 5.74% and matures in February 2017. We retained net proceeds of approximately \$515,000 after repaying existing loans and closing costs, including \$5,771 for prepayment penalties and defeasance costs, which, is included in interest and debt expense in the quarter ended March 31, 2007.
- (2) On March 30, 2007, we repaid the \$47,011 balance of the Crystal Park 2 mortgage.
- (3) On March 1, 2007, we repaid the \$19,394 balance of the 1925 K Street mortgage.
- (4) On March 21, 2007, Vornado Realty Trust sold \$1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters discounts and expenses, were approximately \$1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per \$1,000 of principal amount of debentures. The initial conversion price is \$162.46, which represents a premium of 30% over the March 21, 2007 closing price of \$124.97 for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

We are amortizing the underwriters discount on a straight-line basis (which approximates the interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures when analyzed as a freestanding instrument meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19

*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Common Stock*, separate accounting for the conversion option under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* is not appropriate.

The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures.

- (5) On April 10, 2007, we called for the redemption of our \$500,000 5.625% senior unsecured notes at the face amount plus accrued interest. The notes, which were due on June 15, 2007, will be redeemed on May 11, 2007.
- (6) Represents the earliest date the bond holders can require us to repurchase the debentures.



## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**10. Fee and Other Income**

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

| (Amounts in thousands)      | For the Three Months |           |
|-----------------------------|----------------------|-----------|
|                             | Ended March 31,      |           |
|                             | 2007                 | 2006      |
| Tenant cleaning fees        | \$ 9,843             | \$ 8,142  |
| Management and leasing fees | 7,199                | 2,648     |
| Lease termination fees      | 3,441                | 4,482     |
| Other income                | 8,580                | 6,385     |
|                             | \$ 29,063            | \$ 21,657 |

Fee and other income above include management fee income from Interstate Properties, a related party, of \$206,000 and \$188,000 in the three months ended March 31, 2007 and 2006, respectively. The above table excludes fee income from partially-owned entities, which is included in income from partially-owned entities (see Note 6 Investments in Partially-Owned Entities).

**11. Discontinued Operations**

The following table sets forth the assets and liabilities related to discontinued operations at March 31, 2007 and December 31, 2006, which consist primarily of the net book value of real estate of properties available for sale.

|                      | Assets related to       |              | Liabilities related to  |              |
|----------------------|-------------------------|--------------|-------------------------|--------------|
|                      | Discontinued Operations |              | Discontinued Operations |              |
|                      | as of                   |              | as of                   |              |
|                      | March 31,               | December 31, | March 31,               | December 31, |
|                      | 2007                    | 2006         | 2007                    | 2006         |
| Vineland, New Jersey | \$ 908                  | \$ 908       | \$                      | \$           |

The following table sets forth the combined results of operations related to discontinued operations for the three months ended March 31, 2007 and 2006.

| (Amounts in thousands)                       | For the Three Months |          |
|--|----------------------|----------|
|  | Ended March 31,      |          |
|  | 2007                 | 2006     |
| Revenues                                     | \$ 23                | \$ 2,128 |
| Expenses                                     | 54                   | 1,553    |
| Net (loss) income                            | (31)                 | 575      |
| Net gain on sale of 424 Sixth Avenue         |                      | 9,218    |
| Net gain on sale of 33 North Dearborn Street |                      | 4,835    |
| Net gain on disposition of other real estate |                      | 2,107    |

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(Loss) income from discontinued operations,  
net of minority interest                                      \$ (31 ) \$ 16,735

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**12. Income Per Share**

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 utilizes 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 potentially dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable senior debentures due 2025 as well as Operating Partnership convertible preferred units.

| (Amounts in thousands, except per share amounts)  | For The Three Months    |            |
|---|-------------------------|------------|
|   | Ended March 31,<br>2007 | 2006       |
| <b>Numerator:</b>   |                         |            |
| Income from continuing operations, net of minority interest in the Operating Partnership          | \$ 166,962              | \$ 132,477 |
| (Loss) income from discontinued operations, net of minority interest                              | (31 )                   | 16,735     |
| Net income  | 166,931                 | 149,212    |
| Preferred share dividends   | (14,296 )               | (14,407 )  |
| Numerator for basic income per share net income applicable to common shares                       | 152,635                 | 134,805    |
| Impact of assumed conversions:  |                         |            |
| Interest on 3.875% exchangeable senior debentures   | 5,309                   |            |
| Convertible preferred share dividends   | 73                      | 191        |
| Numerator for diluted income per share net income applicable to common shares                     | \$ 158,017              | \$ 134,996 |
| <b>Denominator:</b>   |                         |            |
| Denominator for basic income per share weighted average shares                                    | 151,428                 | 141,150    |
| Effect of dilutive securities (1):  |                         |            |
| Employee stock options and restricted share awards  | 6,888                   | 7,488      |
| 3.875% exchangeable senior debentures   | 5,560                   |            |
| Convertible preferred shares  | 125                     | 326        |
| Denominator for diluted income per share adjusted weighted average shares and assumed conversions | 164,001                 | 148,964    |
| <b>INCOME PER COMMON SHARE BASIC:</b>   |                         |            |
| Income from continuing operations   | \$ 1.01                 | \$ 0.84    |
| Income from discontinued operations, net of minority interest                                     |                         | 0.12       |
| Net income per common share   | \$ 1.01                 | \$ 0.96    |
| <b>INCOME PER COMMON SHARE DILUTED:</b>   |                         |            |
| Income from continuing operations   | \$ 0.96                 | \$ 0.80    |
| Income from discontinued operations, net of minority interest                                     |                         | 0.11       |
| Net income per common share   | \$ 0.96                 | \$ 0.91    |

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- (1) The effect of dilutive securities in the three months ended March 31, 2007 and 2006 excludes an aggregate of 1,684,178 and 6,959,915 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**13. Comprehensive Income**

| (Amounts in thousands)     | For The Three Months |            |
|----------------------------|----------------------|------------|
|                            | Ended March 31,      |            |
|                            | 2007                 | 2006       |
| Net income                 | \$ 166,931           | \$ 149,212 |
| Other comprehensive income | 6,761                | 15,184     |
| Comprehensive income       | \$ 173,692           | \$ 164,396 |

Substantially all of other comprehensive income for the three months ended March 31, 2007 and 2006 relates to income from the mark-to-market of marketable equity securities classified as available-for-sale.

**14. Stock-based Compensation**

Our Share Option Plan (the Plan) provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights, performance shares and limited partnership units to certain of our employees and officers.

We account for stock-based compensation in accordance with SFAS No. 123: *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148: *Accounting for Stock-Based Compensation - Transition and Disclosure* and as revised by SFAS No. 123R: *Share-Based Payment* (SFAS No. 123R). We adopted SFAS No. 123R, using the modified prospective application, on January 1, 2006. Stock based compensation expense for the three months ended March 31, 2007 and 2006 consists of stock option awards, restricted common share and Operating Partnership unit awards and our 2006 Out-Performance Plan awards.

During the three months ended March 31, 2007 and 2006, we recognized \$5,647,000 and \$1,241,000 of stock-based compensation expense, respectively, of which \$3,163,000 in 2007 relates to our 2006 Out-Performance Plan.

**15. Commitments and Contingencies**

At March 31, 2007, our \$1 billion revolving credit facility, which expires in June 2010, had a zero outstanding balance and \$26,779,000 was reserved for outstanding letters of credit. This facility contains financial covenants, which require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provides for higher interest rates in the event of a decline in our ratings below Baa3/BBB. At March 31, 2007, AmeriCold's \$30,000,000 revolving credit facility had a zero outstanding balance and \$17,500,000 was reserved for outstanding letters of credit. This facility requires AmeriCold to maintain, on a trailing four-quarter basis, a minimum of \$30,000,000 of free cash flow, as defined. Both of these facilities 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.

We have made acquisitions and investments in partially owned entities for which we are committed to fund additional capital aggregating \$66,261,000. Of this amount, \$25,000,000 relates to capital expenditures to be funded over the next six years at the Springfield Mall, in which we have a 97.5% interest.



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On November 10, 2005, we committed to fund the junior portion of up to \$30,530,000 of a \$173,000,000 construction loan to an entity developing a mixed-use building complex in Boston, Massachusetts, at the north end of the Boston Harbor. We will earn current-pay interest at 30-day LIBOR plus 11%. The loan will mature in November 2008, with a one-year extension option. As of March 31, 2007, we have funded \$5,471,000 of this commitment.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements, contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**15. Commitments and Contingencies - continued**

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 costs to us.

We enter into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in our name by various money center banks. We have the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon. We had \$44,430,000 and \$219,990,000 of cash invested in these agreements at March 31, 2007 and December 31, 2006, respectively.

From time to time, we have disposed of substantial amounts of real estate to third parties for which, as to certain properties, we remain contingently liable for rent payments or mortgage indebtedness that cannot be quantified.

*Litigation*

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey claiming we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007 we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. On April 16, 2007, the Court directed that discovery should be completed by December 2007, with a trial date to be determined thereafter. We intend to vigorously pursue our claims against Stop & Shop.

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that we encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of our acquisition of H Street. On September 12, 2005, we filed a complaint against each of those corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. In addition, on July 29, 2005, a tenant under ground leases for which one of these 50%-owned corporations is the landlord brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the acquisition of H Street violated a provision giving them a right of first offer and seeks rescission of our acquisition, the right to acquire H Street for the price paid by us and/or damages. On July 14, 2006, we filed a counterclaim against the tenant asserting that the tenant and the other owner of the 50%-owned ground landlord deliberately excluded H Street from negotiating and executing a purported amendment to the agreement to lease when H Street's consent and execution was required and, consequently, that the amended agreement and the related ground leases are invalid, the tenant is in default under the ground leases and the ground leases are void and without any effect. All of these legal actions were dismissed in connection with our acquisition of these corporations on April 30, 2007.

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There are various other legal actions against us in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flow.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**16. Retirement Plans**

The following table sets forth the components of net periodic benefit costs:

| (Amounts in thousands)         | For The Three Months |          |
|--------------------------------|----------------------|----------|
|                                | Ended March 31,      |          |
|                                | 2007                 | 2006     |
| Service cost                   | \$ 116               | \$ 168   |
| Interest cost                  | 1,197                | 1,206    |
| Expected return on plan assets | (1,594 )             | (1,474 ) |
| Amortization of net loss       | 67                   | 73       |
| Net periodic benefit cost      | \$ (214 )            | \$ (27 ) |

*Employer Contributions*

We made contributions of \$366,000 and \$265,000 to the plans during the three months ended March 31, 2007 and 2006, respectively. We anticipate additional contributions of \$3,446,000 to the plans during the remainder of 2007.

**17. Costs of Acquisition Not Consummated**

In the first quarter of 2007, the Company wrote-off \$8,807,000 of costs associated with the Equity Office Properties Trust acquisition not consummated.

**18. Related Party Transactions***Transactions with Affiliates and Officers and Trustees of the Company*

On March 13, 2007, Michael Fascitelli, our President and President of Alexander's, exercised 350,000 of his Alexander's stock appreciation rights (SARS), which were scheduled to expire on March 14, 2007 and received \$144.18 for each SAR exercised, representing the difference between Alexander's stock price of \$388.01 (the average of the high and low market price) on the date of exercise and the exercise price of \$243.83.

On March 26, 2007, Joseph Macnow, Executive Vice President Finance and Administration and Chief Financial Officer, repaid to the Company his \$2,000,000 outstanding loan which was scheduled to mature in June 2007.

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Effective as of April 19, 2007, the Company entered into a new employment agreement with Mitchell Schear, the President of our Washington, DC Office Division. This agreement, which replaced his prior agreement, was approved by the Compensation Committee of our Board of Trustees and provides for a term of five years and is automatically renewable for one-year terms thereafter. The agreement also provides for a minimum salary of \$1,000,000 per year and bonuses and other customary benefits. Pursuant to the terms of the agreement, on April 19, 2007, the Compensation Committee granted an option to Mr. Schear to acquire 200,000 of our common shares at an exercise price of \$119.94 per share. These options vest ratably over three years beginning in 2010 and accelerate on a change of control or if his employment is terminated by the Company without cause or by him for breach by the Company. The agreement also provides that if Mr. Schear's employment is terminated by the Company without cause or by him for breach by the Company, he will receive a lump-sum payment equal to one time salary and bonus, up to a maximum of \$2,000,000.

## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**19. Segment Information**

Below is a summary of net income and a reconciliation of net income to EBITDA<sup>(1)</sup> by segment for the three months ended March 31, 2007 and 2006.

| (Amounts in thousands)               | For the Three Months Ended March 31, 2007 |                   |            |           |                     |                           |        |           |
|--------------------------------------|---|-------------------|------------|-----------|---------------------|---------------------------|--------|-----------|
|                                      | Total                                     | Office            |            |           | Merchandise<br>Mart | Temperature<br>Controlled |        |           |
| New<br>York                          |   | Washington,<br>DC | Retail     | Logistics |                     | Toys                      |        |           |
| Property rentals                     | \$ 400,887                                | \$ 137,648        | \$ 103,179 | \$ 77,721 | \$ 64,108           | \$                        | \$     | \$ 18,231 |
| Straight-line rents:                 |   |                   |            |           |                     |                           |        |           |
| Contractual rent increases           | 14,586                                    | 10,414            | 479        | 2,897     | 654                 |                           |        | 142       |
| Amortization of free rent            | 5,889                                     | 398               | 4,849      | 272       | 370                 |                           |        |           |
| Amortization of acquired below-      |   |                   |            |           |                     |                           |        |           |
| market leases, net                   | 14,005                                    | 7,292             | 973        | 5,239     | 30                  |                           |        | 471       |
| Total rentals                        | 435,367                                   | 155,752           | 109,480    | 86,129    | 65,162              |                           |        | 18,844    |
| Temperature Controlled Logistics     | 200,093                                   |                   |            |           |                     | 200,093                   |        |           |
| Tenant expense reimbursements        | 72,533                                    | 28,708            | 8,933      | 28,697    | 5,283               |                           |        | 912       |
| Fee and other income:                |   |                   |            |           |                     |                           |        |           |
| Tenant cleaning fees                 | 9,843                                     | 12,086            |            |           |                     |                           |        | (2,243 )  |
| Management and leasing fees          | 7,199                                     | 855               | 6,561      | 344       | 22                  |                           |        | (583 )    |
| Lease termination fees               | 3,441                                     | 1,798             | 95         | 1,505     | 43                  |                           |        |           |
| Other                                | 8,580                                     | 3,781             | 2,827      | 354       | 1,562               |                           |        | 56        |
| Total revenues                       | 737,056                                   | 202,980           | 127,896    | 117,029   | 72,072              | 200,093                   |        | 16,986    |
| Operating expenses                   | 370,966                                   | 88,252            | 38,759     | 40,517    | 33,068              | 157,528                   |        | 12,842    |
| Depreciation and amortization        | 108,806                                   | 29,805            | 25,348     | 17,283    | 11,676              | 19,423                    |        | 5,271     |
| General and administrative           | 53,063                                    | 3,946             | 8,087      | 7,002     | 7,810               | 12,572                    |        | 13,646    |
| Costs of acquisition not consummated | 8,807                                     |                   |            |           |                     |                           |        | 8,807     |
| Total expenses                       | 541,642                                   | 122,003           | 72,194     | 64,802    | 52,554              | 189,523                   |        | 40,566    |
| Operating income (loss)              | 195,414                                   | 80,977            | 55,702     | 52,227    | 19,518              | 10,570                    |        | (23,580 ) |
| Income applicable to Alexander's     | 13,519                                    | 188               |            | 209       |                     |                           |        | 13,122    |
| Income applicable to Toys R Us       | 58,661                                    |                   |            |           |                     |                           | 58,661 |           |
| Income from partially owned entities | 9,105                                     | 1,287             | 3,692      | 1,295     | 339                 | 410                       |        | 2,082     |
| Interest and other investment income | 54,479                                    | 673               | 317        | 75        | 95                  | 971                       |        | 52,348    |
| Interest and debt expense            | (147,013 )                                | (29,468 )         | (34,315 )  | (20,008 ) | (12,847 )           | (16,522 )                 |        | (33,853 ) |
| Net gain on disposition of wholly    |   |                   |            |           |                     |                           |        |           |
| owned and partially owned            |   |                   |            |           |                     |                           |        |           |
| assets other than depreciable        |   |                   |            |           |                     |                           |        |           |
| real estate                          | 909                                       |                   |            |           |                     |                           |        | 909       |
| Minority interest of partially owned |   |                   |            |           |                     |                           |        |           |
| entities                             | 3,883                                     |                   |            | 47        |                     | 3,533                     |        | 303       |
| Income (loss) from continuing        |   |                   |            |           |                     |                           |        |           |
| operations                           | 188,957                                   | 53,657            | 25,396     | 33,845    | 7,105               | (1,038 )                  | 58,661 | 11,331    |
| (Loss) income from discontinued      |   |                   |            |           |                     |                           |        |           |
| operations, net                      | (31 )                                     |                   |            | (34 )     |                     |                           |        | 3         |
| Income (loss) before allocation to   |   |                   |            |           |                     |                           |        |           |
| minority limited partners            | 188,926                                   | 53,657            | 25,396     | 33,811    | 7,105               | (1,038 )                  | 58,661 | 11,334    |
| Minority limited partners' interest  |   |                   |            |           |                     |                           |        |           |
| in the Operating Partnership         | (17,177 )                                 |                   |            |           |                     |                           |        | (17,177 ) |
| Perpetual preferred unit             |   |                   |            |           |                     |                           |        |           |
| distributions of the                 |   |                   |            |           |                     |                           |        |           |
| Operating Partnership                | (4,818 )                                  |                   |            |           |                     |                           |        | (4,818 )  |

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|  |            |            |           |           |           |           |            |           |
|--|------------|------------|-----------|-----------|-----------|-----------|------------|-----------|
| Net income (loss)                            | 166,931    | 53,657     | 25,396    | 33,811    | 7,105     | (1,038    | ) 58,661   | (10,661 ) |
| Interest and debt expense <sup>(1)</sup>     | 198,771    | 30,138     | 35,908    | 22,797    | 13,064    | 7,861     | 46,634     | 42,369    |
| Depreciation and amortization <sup>(1)</sup> | 163,151    | 30,742     | 28,259    | 18,286    | 11,822    | 9,268     | 55,396     | 9,378     |
| Income tax expense <sup>(1)</sup>            | 55,584     |            | 1,615     |           | 330       | 53        | 53,397     | 189       |
| EBITDA                                       | \$ 584,437 | \$ 114,537 | \$ 91,178 | \$ 74,894 | \$ 32,321 | \$ 16,144 | \$ 214,088 | \$ 41,275 |

Other segment EBITDA includes a \$9,380 net gain on mark-to-market of derivative instruments, \$8,807 for costs of acquisition not consummated and a \$909 net gain on sale of marketable equity securities. The Washington, DC Office segment includes \$1,891 of expense for H Street litigation costs.

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See notes on page 28.

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**19. Segment Information continued**

(Amounts in thousands)

|  | For the Three Months Ended March 31, 2006 |            |                |           |             |             |            |                      |
|--|---|------------|----------------|-----------|-------------|-------------|------------|----------------------|
|  | Total                                     | Office     |                | Retail    | Merchandise | Temperature |            | Other <sup>(2)</sup> |
|  |   | New York   | Washington, DC |           |             | Controlled  | Toys       |                      |
| Property rentals                             | \$ 350,734                                | \$ 119,702 | \$ 99,863      | \$ 60,984 | \$ 53,960   | \$          | \$         | \$ 16,225            |
| Straight-line rents:                         |   |            |                |           |             |             |            |                      |
| Contractual rent increases                   | 5,260                                     | 160        | 1,549          | 1,984     | 1,595       |             |            | (28 )                |
| Amortization of free rent                    | 7,310                                     | 1,867      | 3,534          | 1,358     | 551         |             |            |                      |
| Amortization of acquired below-              |   |            |                |           |             |             |            |                      |
| market leases, net                           | 4,799                                     | (11 )      | 1,184          | 2,209     | 115         |             |            | 1,302                |
| Total rentals                                | 368,103                                   | 121,718    | 106,130        | 66,535    | 56,221      |             |            | 17,499               |
| Temperature Controlled Logistics             | 195,850                                   |            |                |           |             | 195,850     |            |                      |
| Tenant expense reimbursements                | 61,727                                    | 24,547     | 7,845          | 23,551    | 4,954       |             |            | 830                  |
| Fee and other income:                        |   |            |                |           |             |             |            |                      |
| Tenant cleaning fees                         | 8,142                                     | 10,011     |                |           |             |             |            | (1,869 )             |
| Management and leasing fees                  | 2,648                                     | 230        | 2,045          | 360       | 13          |             |            |                      |
| Lease termination fees                       | 4,482                                     | 3,771      | 61             | 371       | 279         |             |            |                      |
| Other  | 6,385                                     | 2,550      | 1,125          | 871       | 1,838       |             |            | 1                    |
| Total revenues                               | 647,337                                   | 162,827    | 117,206        | 91,688    | 63,305      | 195,850     |            | 16,461               |
| Operating expenses                           | 331,915                                   | 74,087     | 35,011         | 28,476    | 28,405      | 154,332     |            | 11,604               |
| Depreciation and amortization                | 90,305                                    | 22,761     | 25,112         | 10,407    | 11,095      | 17,069      |            | 3,861                |
| General and administrative                   | 45,864                                    | 3,873      | 8,150          | 4,923     | 6,021       | 10,260      |            | 12,637               |
| Total expenses                               | 468,084                                   | 100,721    | 68,273         | 43,806    | 45,521      | 181,661     |            | 28,102               |
| Operating income (loss)                      | 179,253                                   | 62,106     | 48,933         | 47,882    | 17,784      | 14,189      |            | (11,641 )            |
| (Loss) income applicable to Alexander s      | (3,595 )                                  | 213        |                | 180       |             |             |            | (3,988 )             |
| Income applicable to Toys R Us               | 52,760                                    |            |                |           |             |             | 52,760     |                      |
| Income from partially owned entities         | 6,051                                     | 644        | 666            | 42        | 334         | 395         |            | 3,970                |
| Interest and other investment income         | 22,475                                    | 188        | 315            | 120       | 60          | 632         |            | 21,160               |
| Interest and debt expense                    | (103,894 )                                | (20,274 )  | (22,850 )      | (19,661 ) | (3,527)     | (14,262 )   |            | (23,320 )            |
| Net gain on disposition of wholly            |   |            |                |           |             |             |            |                      |
| owned and partially owned                    |   |            |                |           |             |             |            |                      |
| assets other than depreciable                |   |            |                |           |             |             |            |                      |
| real estate                                  | 548                                       |            |                |           |             |             |            | 548                  |
| Minority interest of partially owned         |   |            |                |           |             |             |            |                      |
| entities                                     | (274 )                                    |            |                |           | 3           | (468 )      |            | 191                  |
| Income (loss) from continuing operations     | 153,324                                   | 42,877     | 27,064         | 28,563    | 14,654      | 486         | 52,760     | (13,080 )            |
| Income (loss) from discontinued              |   |            |                |           |             |             |            |                      |
| operations, net                              | 16,735                                    |            | (451 )         | 9,340     | 5,739       | 2,107       |            |                      |
| Income (loss) before allocation to           |   |            |                |           |             |             |            |                      |
| minority limited partners                    | 170,059                                   | 42,877     | 26,613         | 37,903    | 20,393      | 2,593       | 52,760     | (13,080 )            |
| Minority limited partners interest           |   |            |                |           |             |             |            |                      |
| in the Operating Partnership                 | (15,874 )                                 |            |                |           |             |             |            | (15,874 )            |
| Perpetual preferred unit                     |   |            |                |           |             |             |            |                      |
| distributions of the                         |   |            |                |           |             |             |            |                      |
| Operating Partnership                        | (4,973 )                                  |            |                |           |             |             |            | (4,973 )             |
| Net income (loss)                            | 149,212                                   | 42,877     | 26,613         | 37,903    | 20,393      | 2,593       | 52,760     | (33,927 )            |
| Interest and debt expense <sup>(1)</sup>     | 170,461                                   | 20,911     | 24,084         | 22,338    | 3,749       | 6,786       | 61,101     | 31,492               |
| Depreciation and amortization <sup>(1)</sup> | 125,431                                   | 23,364     | 26,661         | 13,246    | 11,236      | 8,148       | 34,164     | 8,612                |
| Income tax expense <sup>(1)</sup>            | 25,738                                    |            | 233            |           | 41          | 408         | 24,966     | 90                   |
| EBITDA                                       | \$ 470,842                                | \$ 87,152  | \$ 77,591      | \$ 73,487 | \$ 35,419   | \$ 17,935   | \$ 172,991 | \$ 6,267             |



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EBITDA includes net gains on sale of real estate of \$16,160, of which \$9,218 is included in the Retail segment, \$4,835 is included in the Merchandise Mart segment and \$2,107 is included in the Temperature Controlled Logistics segment. In addition, EBITDA of the Washington, DC Office Segment and the Other Segment include \$1,468 and \$6,101 of expense, net, that affect comparability.

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See notes on the following page.

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## VORNADO REALTY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

**19. Segment Information continued**  
**Notes to preceding tabular information**

- (1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other EBITDA is comprised of:

| (Amounts in thousands)  | For the Three Months |          |
|---|----------------------|----------|
|   | Ended March 31,      |          |
|   | 2007                 | 2006     |
| Alexander s (see page 11)   | \$20,333             | \$3,536  |
| Lexington MLP, formerly Newkirk MLP (see page 11)                   |                      | 8,270    |
| Hotel Pennsylvania  | 3,604                | 2,687    |
| GMH (see page 11)   | 4,168                |          |
| Industrial warehouses   | 1,373                | 1,512    |
| Other investments   | 3,911                | 2,614    |
|   | 33,389               | 18,619   |
| Minority limited partners' interest in the Operating Partnership    | (17,177)             | (15,874) |
| Perpetual preferred unit distributions of the Operating Partnership | (4,818)              | (4,973)  |
| Corporate general and administrative expenses                       | (12,374)             | (11,512) |
| Costs of acquisition not consummated                                | (8,807)              |          |
| Investment income and other   | 51,062               | 20,007   |
|   | \$41,275             | \$6,267  |

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust as of March 31, 2007, and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

May 1, 2007

**Item 2.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2006 under "Forward Looking Statements" and "Item 1. Business - Certain Factors That May Adversely Affect Our Business and Operations." For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Management's Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three months ended March 31, 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Critical Accounting Policies*

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2006 in Management's Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2007.

**Overview**

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value. We measure our success in meeting this objective by our total return to shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index ( RMS ) for the following periods ending March 31, 2007:

|             | <b>Total Return <sup>(1)</sup></b> |            |
|-------------|------------------------------------|------------|
|             | <b>Vornado</b>                     | <b>RMS</b> |
| One-year    | 28.6%                              | 22.1%      |
| Three-years | 123.4%                             | 85.0%      |
| Five-years  | 247.5%                             | 171.0%     |
| Ten-years   | 503.0%                             | 294.5%     |

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(1) Past performance is not necessarily indicative of how we will perform in the future.

We intend to achieve our business objective by continuing to pursue our investment philosophy and executing our operating strategies through:

Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;

Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;

Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;

Investing in retail properties in select under-stored locations such as the New York City metropolitan area;

Investing in fully-integrated operating companies that have a significant real estate component;

Developing and redeveloping our existing properties to increase returns and maximize value; and

Providing specialty financing to real estate related companies.

Competition

We compete with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. Our success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. Economic growth has been fostered, in part, by low interest rates, Federal tax cuts, and increases in government spending. To the extent economic growth stalls, we may experience lower occupancy rates, which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in our net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, we may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in our weighted average cost of capital and a corresponding effect on our net income, funds from operations and cash flow. Our net income and funds from operations will also be affected by the seasonality of Toys business and competition from discount and mass merchandisers.



**Overview continued**Quarter Ended March 31, 2007 Financial Results Summary

Net income applicable to common shares for the quarter ended March 31, 2007 was \$152,635,000, or \$0.96 per diluted share, versus \$134,805,000, or \$0.91 per diluted share, for the quarter ended March 31, 2006. Net income for the quarters ended March 31, 2007 and 2006 include certain items that affect comparability which are listed in the table on the following page. Net income for the quarter ended March 31, 2006 also includes \$16,160,000 for our share of net gains on sale of real estate. The aggregate of these items, net of minority interest, decreased net income applicable to common shares for the quarter ended March 31, 2007 by \$2,255,000, or \$0.01 per diluted share and increased net income for the quarter ended March 31, 2006 by \$6,759,000, or \$0.04 per diluted share.

Funds from operations applicable to common shares plus assumed conversions ( FFO ) for the quarter ended March 31, 2007 was \$270,165,000, or \$1.65 per diluted share, compared to \$211,916,000, or \$1.37 per diluted share, for the prior year's quarter. FFO for the quarters ended March 31, 2007 and 2006 include certain items that affect comparability which are listed in the table on the following page. The aggregate of these items, net of minority interest, decreased FFO for the quarter ended March 31, 2007 by \$2,255,000, or \$0.01 per diluted share and decreased FFO for the quarter ended March 31, 2006 by \$6,993,000, or \$0.05 per diluted share.

Net income per diluted share and FFO per diluted share for the quarter ended March 31, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year's quarter of 15,037,000 and 9,506,000, respectively.

We did not recognize income on certain assets with an aggregate carrying amount of \$909,000,000 during the quarter ended March 31, 2007, because they were out of service for redevelopment. Assets under development include all or portions of the Bergen Town Center, 2101 L Street, Crystal Mall Two, Crystal Plaza Two, 220 Central Park South, 40 East 66<sup>th</sup> Street, and investments in joint ventures including our Beverly Connection and Wasserman ventures.

The percentage increase (decrease) in the same-store Earnings Before Interest, Taxes, Depreciation and Amortization ( EBITDA ) of our operating segments for the quarter ended March 31, 2007 over the quarter ended March 31, 2006 and the trailing quarter ended December 31, 2006 are summarized below.

|                                      | <b>Office</b>   | <b>Washington,</b> | <b>Merchandise</b>           | <b>Temperature</b> |
|--------------------------------------|-----------------|--------------------|------------------------------|--------------------|
|                                      | <b>New York</b> | <b>DC</b>          | <b>Retail</b>                | <b>Controlled</b>  |
| Quarter Ended:                       |                 |                    | <b>Mart</b>                  | <b>Logistics</b>   |
| March 31, 2007 vs. March 31, 2006    | 9.3%            | 6.0%               | 1.6% <sup>(1)</sup> (3.5%)   | (0.5%)             |
| March 31, 2007 vs. December 31, 2006 | (0.1%)          | %                  | (2.6%) <sup>(2)</sup> (4.5%) | (0.6%)             |

(1) The same store increase would be 5.1% exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.

(2) The same store decrease would be (0.1%) exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.

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Calculations of same-store EBITDA, reconciliations of net income to EBITDA and FFO and the reasons we consider these non-GAAP financial measures useful are provided in the following pages of Management's Discussion and Analysis of the Financial Condition and Results of Operations.

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## Overview continued

| (Amounts in thousands)  | For the Three Months Ended |             |
|---|----------------------------|-------------|
|   | March 31,<br>2007          | 2006        |
| <b>Items that affect comparability (income)/expense:</b>          |                            |             |
| Derivatives:  |                            |             |
| McDonalds common shares   | \$ (3,223 )                | \$ (6,300 ) |
| Sears Holdings common shares                                      |                            | (18,611 )   |
| GMH warrants  |                            | 20,475      |
| Other   | (6,157 )                   |             |
| Alexander s:  |                            |             |
| Stock appreciation rights   | (4,694 )                   | 12,395      |
| Net gain on sale of 731 Lexington Avenue condominiums             |                            | (1,858 )    |
| Other:  |                            |             |
| Costs of acquisition not consummated                              | 8,807                      |             |
| Prepayment penalties and write-off of unamortized financing costs | 5,861                      |             |
| H Street litigation costs   | 1,891                      | 1,468       |
| Other, net  |                            |             |
|   | 2,485                      | 7,569       |
| Minority limited partners share of above adjustments              | (230 )                     | (576 )      |
| Total items that affect comparability                             | \$ 2,255                   | \$ 6,993    |

**Overview - continued**

2007 Acquisitions and Significant Investments

*100 West 33<sup>rd</sup> Street, New York City (the Manhattan Mall )*

On January 10, 2007, we acquired the Manhattan Mall for approximately \$689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32<sup>nd</sup> and 33<sup>rd</sup> Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a \$232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% (5.87% at March 31, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property will be included in the New York Office segment and the operations of the retail component will be included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

*Bruckner Plaza, Bronx, New York*

On January 11, 2007, we acquired the Bruckner Plaza shopping center, and an adjacent parcel containing 114,000 square feet which is ground leased to a third party, for approximately \$165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York and contains 386,000 square feet of retail space. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

*Filene s, Boston, Massachusetts*

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene s property located in the Downtown Crossing district of Boston, Massachusetts for approximately \$100,000,000 in cash, of which our share was \$50,000,000. This investment is accounted for under the equity method. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals.

*1290 Avenue of the Americas and 555 California Street*

On March 16, 2007, we entered into an agreement to acquire a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building, located on the block-front between 51<sup>st</sup> and 52<sup>nd</sup> Street on Avenue of the Americas, and the 555 California Street office complex containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco s financial district. The purchase price for our 70% interest in the real estate is approximately \$1.807 billion, consisting of \$1.010 billion of cash and \$797,000,000 of existing debt. Our share of the debt is comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. The preliminary allocation of the purchase price is approximately \$775 per square foot for 1290 Avenue of the Americas and approximately \$575 per square foot for 555 California Street, based on current measurement of the building. Our 70% interest is being acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. This acquisition is expected to close in the second quarter of 2007, subject to customary closing conditions.

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In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump's claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump's motions and ultimately dismissed all of Mr. Trump's claims, except for his claim seeking access to books and records, which remains pending. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. We have agreed that at closing we will indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we are acquiring did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims.

**Overview continued**

*H Street Building Corporation ( H Street )*

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately \$383,000,000, consisting of \$323,000,000 in cash and \$60,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia comprised of 34 acres of land leased to three residential and retail operators, a 1,670 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation has been dismissed. Further, we have agreed to sell approximately 19.6 of the 34 acres of land to the existing ground lessee in one or more closings over a two-year period for approximately \$220,000,000.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sale, is \$409,000,000, consisting of \$286,000,000 in cash and \$123,000,000 of existing mortgages.

Within the last two weeks we have received letters from the two remaining ground lessees claiming a right of first offer.

Beginning on April 30, 2007, we will consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

*Investment in McDonald's Corporation ( McDonalds ) (NYSE: MCD)*

In July 2005, we acquired an aggregate of 858,000 common shares of McDonalds for \$25,346,000, an average price of \$29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheet and are classified as available for sale. Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in accumulated other comprehensive income in the shareholders equity section of our consolidated balance sheets and not recognized in income. At March 31, 2007, based on McDonalds closing stock price of \$45.05 per share, \$13,306,000 of appreciation in the value of these shares was included in accumulated other comprehensive income.

As of March 31, 2007 we own 13,696,000 McDonalds common shares ( option shares ) through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds common shares. The option shares have a weighted-average strike price of \$32.70 per share, or an aggregate of \$447,822,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on our consolidated statements of income.

For the three months ended March 31, 2007 and 2006, we recognized net gains of \$3,223,000, and \$2,546,000, respectively, representing the mark-to-market of the shares in the derivative to \$45.05 and \$34.36 per share, respectively, net of the expense resulting from the LIBOR charges.

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Our aggregate net gain from inception of this investment in 2005 through March 31, 2007 is \$172,397,000.

*Investment in The Lexington Master Limited Partnership ( Lexington MLP ) formerly The Newkirk Master Limited Partnership ( Newkirk MLP )*

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington Corporate Properties Trust ( Lexington ) (NYSE: LXP), a real estate investment trust. We owned 10,186,991 limited partnership units (representing a 15.8% investment ownership interest) of Newkirk MLP, which was also acquired by Lexington as a subsidiary, and was renamed Lexington MLP. The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. The Lexington MLP units are exchangeable on a one-for-one basis into common shares of Lexington. We will record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our equity in net income or loss from partially owned entities for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.

**Overview continued**

2007 Mezzanine Loan Activity:

*Blackstone/Equity Office Properties Loan*

On March 29, 2007, we acquired a 9.4% interest in a \$772,600,000 mezzanine loan for \$72,400,000 in cash. The loan bears interest at LIBOR plus 2.85% (8.17% at March 31, 2007) and matures in February 2009 with three one-year extensions. The loan is subordinate to \$24.6 billion of other debt and is collateralized by a direct equity interest in an entity which has indirect equity and cash flow pledges from various levels of ownership of a portfolio of office buildings purchased by Blackstone from Equity Office Properties.

*Fortress Loan*

On March 30, 2007, we were repaid \$35,348,000 of the \$99,500,000 outstanding balance of the loan, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which we recognized as interest and other investment income in the three months ended March 31, 2007.

2007 Financings:

On January 26, 2007, we completed a \$678,000,000 financing of our Skyline Complex in Fairfax Virginia, consisting of eight office buildings containing 2,560,000 square feet. This loan bears interest only at 5.74% and matures in February 2017. We retained net proceeds of approximately \$515,000,000 after repaying existing loans and closing costs, including \$5,771,000 for prepayment penalties and defeasance costs, which, is included in interest and debt expense in the quarter ended March 31, 2007.

On April 10, 2007 we called for the redemption of our \$500,000,000 5.625% senior unsecured notes at the face amount plus accrued interest. The notes, which were scheduled to mature on June 15, 2007, will be redeemed on May 11, 2007.

*2.85% Convertible Senior Debentures due 2027*

On March 21, 2007, Vornado Realty Trust sold \$1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters' discounts and expenses, were approximately \$1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per \$1,000 of principal amount of debentures. The initial conversion price is \$162.46, which represents a premium of 30% over the March 21, 2007 closing price of \$124.97 for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

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We are amortizing the underwriters' discount on a straight-line basis (which approximates the interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures when analyzed as a freestanding instrument meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Common Stock*, separate accounting for the conversion option under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* is not appropriate.

The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures. The Operating Partnership will use the net proceeds primarily for acquisitions and investments and for general corporate purposes.

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Overview - continued

The following table sets forth certain information for the properties we own directly or indirectly, including leasing activity. Tenant improvements and leasing commissions are presented below based on square feet leased during the period and on a per annum basis based on the weighted average term of the leases.

| (Square feet and cubic feet in thousands)        | Office   |                |                       | Merchandise |          | Temperature |            |
|--|----------|----------------|-----------------------|-------------|----------|-------------|------------|
|  | New York | Washington, DC | Retail                | Mart Office | Showroom | Logistics   | Controlled |
| <b>As of March 31, 2007:</b>                     |          |                |                       |             |          |             |            |
| Square feet/ cubic feet                          | 14,553   | 17,216         | 20,158                | 2,731       | 6,366    | 18,940      | 497,700    |
| Number of properties                             | 27       | 86             | 163                   | 9           | 9        | 91          |            |
| Occupancy rate                                   | 97.9 %   | 92.0 %         | 93.5 %                | 96.8 %      | 92.4 %   | 71.0 %      |            |
| <b>Leasing Activity:</b>                         |          |                |                       |             |          |             |            |
| <b>Quarter Ended March 31, 2007:</b>             |          |                |                       |             |          |             |            |
| Square feet                                      | 244      | 655            | 223                   | 6           | 322      |             |            |
| Initial rent (1)                                 | \$ 60.12 | \$ 38.25       | \$ 40.22              | \$ 37.10    | \$ 24.46 |             |            |
| Weighted average lease terms (years)             | 7.5      | 7.3            | 8.0                   | 8.6         | 4.5      |             |            |
| Rent per square foot on relet space:             |          |                |                       |             |          |             |            |
| Square feet                                      | 235      | 411            | 120                   | 6           | 322      |             |            |
| Initial Rent (1)                                 | \$ 60.74 | \$ 34.29       | \$ 53.56              | \$ 37.10    | \$ 24.46 |             |            |
| Prior escalated rent                             | \$ 45.57 | \$ 33.80       | \$ 27.54              | \$ 31.90    | \$ 24.68 |             |            |
| Percentage increase (decrease):                  |          |                |                       |             |          |             |            |
| Cash basis                                       | 33.3 %   | 1.4 %          | 94.5 % <sup>(2)</sup> | 16.0 %      | 0.9 %    |             |            |
| GAAP basis                                       | 43.6 %   | 0.6 %          | 47.3 % <sup>(2)</sup> | 2.2 %       | 8.7 %    |             |            |
| Rent per square foot on space previously vacant: |          |                |                       |             |          |             |            |
| Square feet                                      | 9        | 244            | 103                   |             |          |             |            |
| Initial rent (1)                                 | \$ 43.93 | \$ 44.90       | \$ 24.21              | \$          | \$       |             |            |
| Tenant improvements and leasing commissions:     |          |                |                       |             |          |             |            |
| Per square foot                                  | \$ 41.67 | \$ 14.32       | \$ 12.48              | \$ 21.33    | \$ 4.77  |             |            |
| Per square foot per annum                        | \$ 5.58  | \$ 1.96        | \$ 1.57               | \$ 2.48     | \$ 1.06  |             |            |
| <b>As of December 31, 2006:</b>                  |          |                |                       |             |          |             |            |
| Square feet/ cubic feet                          | 13,692   | 17,201         | 19,264                | 2,714       | 6,370    | 18,941      | 497,800    |
| Number of properties                             | 25       | 86             | 158                   | 9           | 9        | 91          |            |
| Occupancy rate                                   | 97.5 %   | 92.2 %         | 92.7 %                | 97.4 %      | 93.6 %   | 77.4 %      |            |
| <b>As of March 31, 2006:</b>                     |          |                |                       |             |          |             |            |
| Square feet/ cubic feet                          | 13,021   | 16,951         | 17,470                | 2,703       | 6,361    | 17,212      | 436,800    |
| Number of properties                             | 21       | 86             | 119                   | 9           | 9        | 84          |            |
| Occupancy rate                                   | 96.1 %   | 91.0 %         | 94.5 %                | 97.4 %      | 93.0 %   | 77.0 %      |            |

- (1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
- (2) Of the 120 square feet relet during the quarter, 4 square feet represent Manhattan retail leases that were acquired in real estate acquisitions. Because generally accepted accounting principles require tenant leases to be marked to fair value when they are acquired, the cash basis increase is greater than the GAAP basis rent increase when the acquired space is relet.



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Reconciliation of Net Income and EBITDA

Below is a summary of net income and a reconciliation of net income to EBITDA<sup>(1)</sup> by segment for the three months ended March 31, 2007 and 2006.

| (Amounts in thousands)                       | For the Three Months Ended March 31, 2007 |                   |            |           |                     |                           |            |                      |
|--|---|-------------------|------------|-----------|---------------------|---------------------------|------------|----------------------|
|  | Total                                     | Office            |            | Retail    | Merchandise<br>Mart | Temperature<br>Controlled |            | Other <sup>(2)</sup> |
| New<br>York                                  |   | Washington,<br>DC | Logistics  |           |                     | Toys                      |            |                      |
| Property rentals                             | \$ 400,887                                | \$ 137,648        | \$ 103,179 | \$ 77,721 | \$ 64,108           | \$                        | \$         | \$ 18,231            |
| Straight-line rents:                         |   |                   |            |           |                     |                           |            |                      |
| Contractual rent increases                   | 14,586                                    | 10,414            | 479        | 2,897     | 654                 |                           |            | 142                  |
| Amortization of free rent                    | 5,889                                     | 398               | 4,849      | 272       | 370                 |                           |            |                      |
| Amortization of acquired below-              |   |                   |            |           |                     |                           |            |                      |
| market leases, net                           | 14,005                                    | 7,292             | 973        | 5,239     | 30                  |                           |            | 471                  |
| Total rentals                                | 435,367                                   | 155,752           | 109,480    | 86,129    | 65,162              |                           |            | 18,844               |
| Temperature Controlled Logistics             | 200,093                                   |                   |            |           |                     | 200,093                   |            |                      |
| Tenant expense reimbursements                | 72,533                                    | 28,708            | 8,933      | 28,697    | 5,283               |                           |            | 912                  |
| Fee and other income:                        |   |                   |            |           |                     |                           |            |                      |
| Tenant cleaning fees                         | 9,843                                     | 12,086            |            |           |                     |                           |            | (2,243 )             |
| Management and leasing fees                  | 7,199                                     | 855               | 6,561      | 344       | 22                  |                           |            | (583 )               |
| Lease termination fees                       | 3,441                                     | 1,798             | 95         | 1,505     | 43                  |                           |            |                      |
| Other  | 8,580                                     | 3,781             | 2,827      | 354       | 1,562               |                           |            | 56                   |
| Total revenues                               | 737,056                                   | 202,980           | 127,896    | 117,029   | 72,072              | 200,093                   |            | 16,986               |
| Operating expenses                           | 370,966                                   | 88,252            | 38,759     | 40,517    | 33,068              | 157,528                   |            | 12,842               |
| Depreciation and amortization                | 108,806                                   | 29,805            | 25,348     | 17,283    | 11,676              | 19,423                    |            | 5,271                |
| General and administrative                   | 53,063                                    | 3,946             | 8,087      | 7,002     | 7,810               | 12,572                    |            | 13,646               |
| Costs of acquisition not consummated         | 8,807                                     |                   |            |           |                     |                           |            | 8,807                |
| Total expenses                               | 541,642                                   | 122,003           | 72,194     | 64,802    | 52,554              | 189,523                   |            | 40,566               |
| Operating income (loss)                      | 195,414                                   | 80,977            | 55,702     | 52,227    | 19,518              | 10,570                    |            | (23,580 )            |
| Income applicable to Alexander's             | 13,519                                    | 188               |            | 209       |                     |                           |            | 13,122               |
| Income applicable to Toys R Us               | 58,661                                    |                   |            |           |                     |                           | 58,661     |                      |
| Income from partially owned entities         | 9,105                                     | 1,287             | 3,692      | 1,295     | 339                 | 410                       |            | 2,082                |
| Interest and other investment income         | 54,479                                    | 673               | 317        | 75        | 95                  | 971                       |            | 52,348               |
| Interest and debt expense                    | (147,013 )                                | (29,468 )         | (34,315 )  | (20,008 ) | (12,847 )           | (16,522 )                 |            | (33,853 )            |
| Net gain on disposition of wholly            |   |                   |            |           |                     |                           |            |                      |
| owned and partially owned                    |   |                   |            |           |                     |                           |            |                      |
| assets other than depreciable                |   |                   |            |           |                     |                           |            |                      |
| real estate                                  | 909                                       |                   |            |           |                     |                           |            | 909                  |
| Minority interest of partially owned         |   |                   |            |           |                     |                           |            |                      |
| entities                                     | 3,883                                     |                   |            | 47        |                     | 3,533                     |            | 303                  |
| Income (loss) from continuing                |   |                   |            |           |                     |                           |            |                      |
| operations                                   | 188,957                                   | 53,657            | 25,396     | 33,845    | 7,105               | (1,038 )                  | 58,661     | 11,331               |
| (Loss) income from discontinued              |   |                   |            |           |                     |                           |            |                      |
| operations, net                              | (31 )                                     |                   |            | (34 )     |                     |                           |            | 3                    |
| Income (loss) before allocation to           |   |                   |            |           |                     |                           |            |                      |
| minority limited partners                    | 188,926                                   | 53,657            | 25,396     | 33,811    | 7,105               | (1,038 )                  | 58,661     | 11,334               |
| Minority limited partners' interest          |   |                   |            |           |                     |                           |            |                      |
| in the Operating Partnership                 | (17,177 )                                 |                   |            |           |                     |                           |            | (17,177 )            |
| Perpetual preferred unit                     |   |                   |            |           |                     |                           |            |                      |
| distributions of the                         |   |                   |            |           |                     |                           |            |                      |
| Operating Partnership                        | (4,818 )                                  |                   |            |           |                     |                           |            | (4,818 )             |
| Net income (loss)                            | 166,931                                   | 53,657            | 25,396     | 33,811    | 7,105               | (1,038 )                  | 58,661     | (10,661 )            |
| Interest and debt expense <sup>(1)</sup>     | 198,771                                   | 30,138            | 35,908     | 22,797    | 13,064              | 7,861                     | 46,634     | 42,369               |
| Depreciation and amortization <sup>(1)</sup> | 163,151                                   | 30,742            | 28,259     | 18,286    | 11,822              | 9,268                     | 55,396     | 9,378                |
| Income tax expense <sup>(1)</sup>            | 55,584                                    |                   | 1,615      |           | 330                 | 53                        | 53,397     | 189                  |
| EBITDA                                       | \$ 584,437                                | \$ 114,537        | \$ 91,178  | \$ 74,894 | \$ 32,321           | \$ 16,144                 | \$ 214,088 | \$ 41,275            |

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Other segment EBITDA includes a \$9,380 net gain on mark-to-market of derivative instruments, \$8,807 for costs of acquisition not consummated, and a \$909 net gain on sale of marketable equity securities. The Washington, DC Office segment includes \$1,891 of expense for H Street litigation costs. Excluding these items, the percentages of EBITDA by segment are 19.7% for New York Office, 16.0% for Washington, DC Office, 12.9% for Retail, 5.6% for Merchandise Mart, 2.8% for Temperature Controlled Logistics, 36.8% for Toys and 6.2% for Other.

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See notes on page 40.

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| (Amounts in thousands)                       | For the Three Months Ended March 31, 2006 |             |                   |           |                     |                           |            |                      |
|--|---|-------------|-------------------|-----------|---------------------|---------------------------|------------|----------------------|
|  | Total                                     | Office      |                   |           | Merchandise<br>Mart | Temperature<br>Controlled |            |                      |
|  |   | New<br>York | Washington,<br>DC | Retail    |                     | Logistics                 | Toys       | Other <sup>(2)</sup> |
| Property rentals                             | \$ 350,734                                | \$ 119,702  | \$ 99,863         | \$ 60,984 | \$ 53,960           | \$                        | \$         | \$ 16,225            |
| Straight-line rents:                         |   |             |                   |           |                     |                           |            |                      |
| Contractual rent increases                   | 5,260                                     | 160         | 1,549             | 1,984     | 1,595               |                           |            | (28 )                |
| Amortization of free rent                    | 7,310                                     | 1,867       | 3,534             | 1,358     | 551                 |                           |            |                      |
| Amortization of acquired below-              |   |             |                   |           |                     |                           |            |                      |
| market leases, net                           | 4,799                                     | (11 )       | 1,184             | 2,209     | 115                 |                           |            | 1,302                |
| Total rentals                                | 368,103                                   | 121,718     | 106,130           | 66,535    | 56,221              |                           |            | 17,499               |
| Temperature Controlled Logistics             | 195,850                                   |             |                   |           |                     | 195,850                   |            |                      |
| Tenant expense reimbursements                | 61,727                                    | 24,547      | 7,845             | 23,551    | 4,954               |                           |            | 830                  |
| Fee and other income:                        |   |             |                   |           |                     |                           |            |                      |
| Tenant cleaning fees                         | 8,142                                     | 10,011      |                   |           |                     |                           |            | (1,869 )             |
| Management and leasing fees                  | 2,648                                     | 230         | 2,045             | 360       | 13                  |                           |            |                      |
| Lease termination fees                       | 4,482                                     | 3,771       | 61                | 371       | 279                 |                           |            |                      |
| Other  | 6,385                                     | 2,550       | 1,125             | 871       | 1,838               |                           |            | 1                    |
| Total revenues                               | 647,337                                   | 162,827     | 117,206           | 91,688    | 63,305              | 195,850                   |            | 16,461               |
| Operating expenses                           | 331,915                                   | 74,087      | 35,011            | 28,476    | 28,405              | 154,332                   |            | 11,604               |
| Depreciation and amortization                | 90,305                                    | 22,761      | 25,112            | 10,407    | 11,095              | 17,069                    |            | 3,861                |
| General and administrative                   | 45,864                                    | 3,873       | 8,150             | 4,923     | 6,021               | 10,260                    |            | 12,637               |
| Total expenses                               | 468,084                                   | 100,721     | 68,273            | 43,806    | 45,521              | 181,661                   |            | 28,102               |
| Operating income (loss)                      | 179,253                                   | 62,106      | 48,933            | 47,882    | 17,784              | 14,189                    |            | (11,641 )            |
| (Loss) income applicable to Alexander s      | (3,595 )                                  | 213         |                   | 180       |                     |                           |            | (3,988 )             |
| Income applicable to Toys R Us               | 52,760                                    |             |                   |           |                     |                           | 52,760     |                      |
| Income from partially owned entities         | 6,051                                     | 644         | 666               | 42        | 334                 | 395                       |            | 3,970                |
| Interest and other investment income         | 22,475                                    | 188         | 315               | 120       | 60                  | 632                       |            | 21,160               |
| Interest and debt expense                    | (103,894 )                                | (20,274 )   | (22,850 )         | (19,661 ) | (3,527)             | (14,262 )                 |            | (23,320 )            |
| Net gain on disposition of wholly            |   |             |                   |           |                     |                           |            |                      |
| owned and partially owned                    |   |             |                   |           |                     |                           |            |                      |
| assets other than depreciable                |   |             |                   |           |                     |                           |            |                      |
| real estate                                  | 548                                       |             |                   |           |                     |                           |            | 548                  |
| Minority interest of partially owned         |   |             |                   |           |                     |                           |            |                      |
| entities                                     | (274 )                                    |             |                   |           | 3                   | (468 )                    |            | 191                  |
| Income (loss) from continuing operations     | 153,324                                   | 42,877      | 27,064            | 28,563    | 14,654              | 486                       | 52,760     | (13,080 )            |
| Income (loss) from discontinued              |   |             |                   |           |                     |                           |            |                      |
| operations, net                              | 16,735                                    |             | (451 )            | 9,340     | 5,739               | 2,107                     |            |                      |
| Income (loss) before allocation to           |   |             |                   |           |                     |                           |            |                      |
| minority limited partners                    | 170,059                                   | 42,877      | 26,613            | 37,903    | 20,393              | 2,593                     | 52,760     | (13,080 )            |
| Minority limited partners interest           |   |             |                   |           |                     |                           |            |                      |
| in the Operating Partnership                 | (15,874 )                                 |             |                   |           |                     |                           |            | (15,874 )            |
| Perpetual preferred unit                     |   |             |                   |           |                     |                           |            |                      |
| distributions of the                         |   |             |                   |           |                     |                           |            |                      |
| Operating Partnership                        | (4,973 )                                  |             |                   |           |                     |                           |            | (4,973 )             |
| Net income (loss)                            | 149,212                                   | 42,877      | 26,613            | 37,903    | 20,393              | 2,593                     | 52,760     | (33,927 )            |
| Interest and debt expense <sup>(1)</sup>     | 170,461                                   | 20,911      | 24,084            | 22,338    | 3,749               | 6,786                     | 61,101     | 31,492               |
| Depreciation and amortization <sup>(1)</sup> | 125,431                                   | 23,364      | 26,661            | 13,246    | 11,236              | 8,148                     | 34,164     | 8,612                |
| Income tax expense <sup>(1)</sup>            | 25,738                                    |             | 233               |           | 41                  | 408                       | 24,966     | 90                   |
| EBITDA                                       | \$ 470,842                                | \$ 87,152   | \$ 77,591         | \$ 73,487 | \$ 35,419           | \$ 17,935                 | \$ 172,991 | \$ 6,267             |

EBITDA includes net gains on sale of real estate of \$16,160, of which \$9,218 is included in the Retail segment, \$4,835 is included in the Merchandise Mart segment and \$2,107 is included in the Temperature Controlled Logistics segment. In addition, EBITDA of the Washington, DC Office segment and the Other segment include \$1,468 and \$6,101 of expense, net, that affect comparability. Excluding these items, the percentages of EBITDA by segment are 18.9% for New York Office, 17.1% for Washington, DC Office, 13.9% for Retail, 6.4% for Merchandise Mart, 3.7% for Temperature Controlled Logistics, 37.4% for Toys and 2.6% for Other.

See notes on following page.

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**Notes:**

(1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

| (Amounts in thousands)  | <b>For the Three Months</b> |                 |
|---|-----------------------------|-----------------|
|   | <b>Ended March 31,</b>      |                 |
|   | <b>2007</b>                 | <b>2006</b>     |
| Alexander s (see page 43)   | \$ 20,333                   | \$ 3,536        |
| Lexington MLP, formerly Newkirk MLP (see page 35)                   |                             | 8,270           |
| Hotel Pennsylvania  | 3,604                       | 2,687           |
| GMH (see page 43)   | 4,168                       |                 |
| Industrial warehouses   | 1,373                       | 1,512           |
| Other investments   | 3,911                       | 2,614           |
|   | 33,389                      | 18,619          |
| Minority limited partners' interest in the Operating Partnership    | (17,177)                    | (15,874)        |
| Perpetual preferred unit distributions of the Operating Partnership | (4,818)                     | (4,973)         |
| Corporate general and administrative expenses                       | (12,374)                    | (11,512)        |
| Costs of acquisition not consummated                                | (8,807)                     | )               |
| Investment income and other   | 51,062                      | 20,007          |
|   | <b>\$ 41,275</b>            | <b>\$ 6,267</b> |

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**Results of Operations**

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, Temperature Controlled Logistics revenues, hotel revenues, trade shows revenues, amortization of acquired below market leases, net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were \$737,056,000 for the quarter ended March 31, 2007, compared to \$647,337,000 in the prior year's first quarter, an increase of \$89,719,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands)                            |              |               |                    |               |                    |                    |              |
|---|--------------|---------------|--------------------|---------------|--------------------|--------------------|--------------|
|   |              | <b>Office</b> |                    |               | <b>Merchandise</b> | <b>Temperature</b> |              |
|   | <b>Total</b> | <b>New</b>    | <b>Washington,</b> | <b>Retail</b> | <b>Mart</b>        | <b>Controlled</b>  | <b>Other</b> |
| <b>Property rentals:</b>                          |              | <b>York</b>   | <b>DC</b>          |               |                    | <b>Logistics</b>   |              |
| Increase (decrease) due to:                       |              |               |                    |               |                    |                    |              |
| Acquisitions:                                     |              |               |                    |               |                    |                    |              |
| Manhattan Mall                                    | \$ 11,707    | \$ 7,959      | \$                 | \$ 3,748      | \$                 | \$                 | \$           |
| 350 Park Avenue                                   | 7,745        | 7,745         |                    |               |                    |                    |              |
| Former Toys 'R Us stores                          | 4,448        |               |                    | 4,448         |                    |                    |              |
| 1540 Broadway                                     | 1,742        | 193           |                    |               |                    |                    |              |
| Bruckner Plaza                                    | 1,787        |               |                    | 1,787         |                    |                    |              |
| Other   | 5,313        |               | 1,655              | 1,493         | 2,128              |                    | 37           |
| Development/Redevelopment:                        |              |               |                    |               |                    |                    |              |
| 2101 L Street taken out of service                | (2,734 )     |               | (2,734 )           |               |                    |                    |              |
| Crystal Mall 2 taken out of service               | (1,942 )     |               | (1,942 )           |               |                    |                    |              |
| Bergen Town Center partially taken out of service | (117 )       |               |                    | (117 )        |                    |                    |              |
| Springfield Mall partially taken out of service   | 1,165        |               |                    | 1,165         |                    |                    |              |
| Other   | (109 )       |               | 39                 | (148 )        |                    |                    |              |
| Amortization of acquired below market leases, net | 9,206        | 7,303         | (211 )             | 3,030         | (85 )              |                    | (831 )       |
| Operations:                                       |              |               |                    |               |                    |                    |              |
| Hotel Pennsylvania                                | 1,460        |               |                    |               |                    |                    | 1,460 (1)    |
| Trade shows                                       | 6,211        |               |                    |               | 6,211 (2)          |                    |              |
| Leasing activity (see page 37)                    | 21,382       | 10,834        | 6,543              | 2,639         | 687                |                    | 679          |
| Total increase in property rentals                | 67,264       | 34,034        | 3,350              | 19,594        | 8,941              |                    | 1,345        |
| <b>Temperature Controlled Logistics:</b>          |              |               |                    |               |                    |                    |              |
| Increase due to acquisitions                      |              |               |                    |               |                    |                    |              |
| (ConAgra warehouses)                              | 6,056        |               |                    |               |                    | 6,056              |              |
| Decrease due to operations                        | (1,813 )     |               |                    |               |                    | (1,813 )           | (3)          |
| Total increase                                    | 4,243        |               |                    |               |                    | 4,243              |              |
| <b>Tenant expense reimbursements:</b>             |              |               |                    |               |                    |                    |              |
| Increase due to:                                  |              |               |                    |               |                    |                    |              |
| Acquisitions/development                          | 4,951        | 2,287         | 170                | 2,494         |                    |                    |              |
| Operations  | 5,855        | 1,874         | 918                | 2,652         | 329                |                    | 82           |
| Total increase in tenant expense reimbursements   | 10,806       | 4,161         | 1,088              | 5,146         | 329                |                    | 82           |
| <b>Fee and other income:</b>                      |              |               |                    |               |                    |                    |              |
| Increase (decrease) in:                           |              |               |                    |               |                    |                    |              |
| Lease cancellation fee income                     | (1,041 )     | (1,973 )      | 34                 | 1,134         | (236 )             |                    |              |
| Management and leasing fees                       | 4,551        | 625           | 4,516 (4)          | (16 )         | 9                  |                    | (583 )       |
| BMS Cleaning fees                                 | 1,701        | 2,075         |                    |               |                    |                    | (374 )       |
| Other   | 2,195        | 1,231         | 1,702              | (517 )        | (276 )             |                    | 55           |
| Total increase (decrease) in fee and other income | 7,406        | 1,958         | 6,252              | 601           | (503 )             |                    | (902 )       |
| Total increase in revenues                        | \$ 89,719    | \$ 40,153     | \$ 10,690          | \$ 25,341     | \$ 8,767           | \$ 4,243           | \$ 525       |

(1) Revenue per available room ( REVPAR ) was \$89.14 for the three months ended March 31, 2007 compared to \$82.02 for the prior year's quarter.

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- (2) Primarily from the timing of the semi-annual High Point trade show which was held in March this year and in April last year.
- (3) Primarily from (i) a \$2,709 decrease in owned warehouses operations, (ii) a \$286 decrease in quarry operations, (iii) a \$102 decrease in managed warehouse operations, partially offset by, (iv) a \$1,457 increase in transportation operations. See page 42 for a discussion of AmeriCold's gross margin.
- (4) Primarily from leasing fees in connection with our management of a development project.

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Expenses

Our expenses, which consist of operating, depreciation and amortization and general and administrative expenses, were \$541,642,000 for the quarter ended March 31, 2007, compared to \$468,084,000 in the prior year's quarter, an increase of \$73,558,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands)                                      |              | <b>Office<br/>New<br/>York</b> | <b>Washington,<br/>DC</b> |               | <b>Merchandise<br/>Mart</b> | <b>Temperature<br/>Controlled<br/>Logistics</b> |     | <b>Other</b> |
|---|--------------|--------------------------------|---------------------------|---------------|-----------------------------|---|-----|--------------|
|   | <b>Total</b> |                                |                           | <b>Retail</b> |                             |   |     |              |
| <b>Operating:</b>   |              |                                |                           |               |                             |   |     |              |
| Increase (decrease) due to:                                 |              |                                |                           |               |                             |   |     |              |
| Acquisitions:   |              |                                |                           |               |                             |   |     |              |
| Manhattan Mall  | \$ 4,929     | \$ 2,924                       | \$                        | \$ 2,005      | \$                          | \$  |     | \$           |
| 350 Park Avenue   | 4,133        | 4,133                          |                           |               |                             |   |     |              |
| Former Toys stores  | 3,460        |                                |                           | 3,460         |                             |   |     |              |
| 1540 Broadway   | 986          | 314                            |                           | 672           |                             |   |     |              |
| Bruckner Plaza  | 583          |                                |                           | 583           |                             |   |     |              |
| Other   | 8,207        |                                | 972                       | 323           | 1,378                       | 5,500   |     | 34           |
| Development/Redevelopment:                                  |              |                                |                           |               |                             |   |     |              |
| Springfield Mall partially taken out of service             | 1,110        |                                |                           | 1,110         |                             |   |     |              |
| 2101 L Street taken out of service                          | (1,099 )     |                                | (1,099 )                  |               |                             |   |     |              |
| Crystal Mall 2 taken out of service                         | (329 )       |                                | (329 )                    |               |                             |   |     |              |
| Bergen Town Center partially taken out of service           | (132 )       |                                |                           | (132 )        |                             |   |     |              |
| Other   | (1,676 )     |                                | 4                         | 24            |                             | (1,704 )  |     |              |
| Hotel activity  | 460          |                                |                           |               |                             |   |     | 460          |
| Trade shows activity  | 2,094        |                                |                           |               | 2,094                       | (1)   |     |              |
| Operations  | 16,325       | 6,794 (2)                      | 4,200 (3)                 | 3,996         | 1,191                       | (600 )  | (4) | 744          |
| Total increase in operating expenses                        | 39,051       | 14,165                         | 3,748                     | 12,041        | 4,663                       | 3,196   |     | 1,238        |
| <b>Depreciation and amortization:</b>                       |              |                                |                           |               |                             |   |     |              |
| Increase due to:  |              |                                |                           |               |                             |   |     |              |
| Acquisitions/Development                                    | 13,387       | 6,368                          | 20                        | 5,513         |                             | 1,471   |     | 15           |
| Operations (due to additions to buildings and improvements) | 5,114        | 676                            | 216                       | 1,363         | 581                         | 883   |     | 1,395        |
| Total increase in depreciation and amortization             | 18,501       | 7,044                          | 236                       | 6,876         | 581                         | 2,354   |     | 1,410        |
| <b>General and administrative:</b>                          |              |                                |                           |               |                             |   |     |              |
| Increase (decrease) due to:                                 |              |                                |                           |               |                             |   |     |              |
| Acquisitions/Development and Other                          | 3,587        | 419                            | (295 )                    | 1,759         |                             | 1,704   |     |              |
| Operations  | 3,612        | (346 )                         | 232                       | 320           | 1,789                       | (5) 608   |     | 1,009 (6)    |
| Total increase (decrease) in general and administrative     | 7,199        | 73                             | (63 )                     | 2,079         | 1,789                       | 2,312   |     | 1,009        |
| <b>Costs of acquisition not consummated</b>                 | 8,807        |                                |                           |               |                             |   |     | 8,807        |
| Total increase in expenses                                  | \$ 73,558    | \$ 21,282                      | \$ 3,921                  | \$ 20,996     | \$ 7,033                    | \$ 7,862  |     | \$ 12,464    |

(1) Primarily from the timing of the semi-annual High Point trade show which was held in March this year and in April last year and higher gift show promotional expenses.

(2) Primarily due to a \$1,612 increase in BMS operating expenses as a direct result of an increase in BMS revenues, a \$1,444 increase in utilities and a \$1,124 increase in real estate taxes.

(3) Primarily due to a \$1,711 increase in utilities and a \$1,230 increase in real estate taxes.

(4) AmeriCold's gross margin from owned warehouses was \$39,098 or 30.8%, for the quarter ended March 31, 2007, compared to \$39,183 or 33.4% for the quarter ended March 31, 2006, a decrease of \$85. Gross margin from transportation management services, managed warehouses and other non-warehouse activities was \$3,877 for the quarter ended March 31, 2007, compared to \$4,437 for the quarter ended March 31, 2006, a decrease of \$560, primarily due to the acquisition of three ConAgra managed warehouses during December 2006 and January 2007.



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- (5) Primarily from an \$825 increase in payroll , benefits and stock-based compensation amortization, \$322 for severance payments and a \$267 increase in income taxes resulting from the operations of a new trade show.
  
- (6) Primarily from a \$3,156 increase in amortization of stock-based compensation, including \$2,309 from the 2006 Out-Performance Plan which was approved in April 2006, partially offset by lower professional fees.

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### Income (Loss) Applicable to Alexander's

Our 32.8% share of Alexander's net income (comprised of equity in net income or loss, management, leasing, development and commitment fees) was \$13,519,000 for the three months ended March 31, 2007, compared to our share of net loss of \$3,595,000 for the prior year's first quarter, an increase of \$17,114,000. This increase was primarily due to \$4,694,000 of income in the current quarter for the reversal of accrued stock appreciation rights compensation expense as compared to \$12,395,000 for our share of expense in the prior year's quarter, partially offset by \$1,858,000 for our share of Alexander's net gain on sale of 731 Lexington Avenue condominiums in the prior year's quarter.

### Income Applicable to Toys

Our 32.9% share of Toys' net income (comprised of equity in net income, interest income on loans receivable, and management fees) was \$58,661,000 for the three months ended March 31, 2007, compared to \$52,760,000 for the prior year's quarter, an increase of \$5,901,000.

### Income from Partially Owned Entities

Summarized below are the components of income from partially owned entities for the three months ended March 31, 2007 and 2006.

| <b>Equity in Net Income (Loss):</b><br>(Amounts in thousands)                                    | <b>For The Three Months</b> |                         |
|--|-----------------------------|-------------------------|
|  | <b>Ended March 31,</b>      |                         |
|  | <b>2007</b>                 | <b>2006</b>             |
| H Street non-consolidated subsidiaries:<br>50% share of equity in income (1)                     | \$ 2,834                    | \$ (233 )               |
| Beverly Connection:<br>50% share of equity in net loss   | (1,327 )                    | (3,967 )                |
| Interest and fee income  | 2,277                       | 2,932                   |
|  | 950                         | (1,035 ) <sup>(2)</sup> |
| GMH Communities L.P:<br>13.5% in 2007 and 11.3% in 2006 share of equity in net loss (3)          | (312 )                      |                         |
| Lexington MLP (see page 35):<br>7.4% in 2007 and 15.8% in 2006 share of equity in net income (4) |                             | 4,158                   |
| Interest and other income  |                             | 45                      |
|  |                             | 4,203                   |
| Other (5)  | 5,633                       | 3,116                   |
|  | <b>\$ 9,105</b>             | <b>\$ 6,051</b>         |

(1) Our share of H Street's non-consolidated subsidiaries' equity in net income was not included in the three months ended March 31, 2006, because prior to the quarter ended June 30, 2006, the two entities contesting our acquisition of H Street impeded our access to this financial information.

(2) Includes our \$2,062 share of accelerated depreciation expense upon the write-off of one of the ventures assets.

(3) We record our pro rata share of GMH's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that GCT files its financial statements. Our equity in net income or loss from partially owned entities for the three months ended March 31, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until May 15,

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2006.

- (4) We will record our pro rata share of Lexington MLP's net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements. Accordingly, our equity in net income or loss from partially owned entities for the three months ended March 31, 2007 does not include our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.
- (5) Includes our equity in net earnings of partially owned entities including, partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Group LLC, and others.

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### Interest and Other Investment Income (expense)

Interest and other investment income (mark-to-market of derivative positions, interest income on mortgage loans receivable, other interest income and dividend income) was \$54,479,000 for the three months ended March 31, 2007, compared to expense of \$22,475,000 in the prior year's quarter, an increase of \$32,004,000. This increase resulted primarily from:

(Amounts in thousands)

|  |           |
|--|-----------|
| GMH warrants derivative position net loss of \$20,475 in the prior year's quarter (investment converted to common shares of GCT in the second quarter of 2006) | \$ 20,475 |
| Increase in interest income on higher average cash balance (\$1,684,244 in this quarter compared to \$290,563 in the prior year's quarter)                     | 18,578    |
| Sears Holdings derivative position net gain of \$18,611 in the prior year's quarter (investment sold in the first quarter of 2006)                             | (18,611 ) |
| Other derivatives net gain of \$6,157 this quarter   | 6,157     |
| McDonalds derivative position net gain of \$3,223 this quarter compared to a net gain of \$6,300 in the prior year's quarter                                   | (3,077 )  |
| Other, net primarily due to interest earned on higher average loans receivable and from prepayment premiums received upon loan repayments                      | 8,482     |
|  | \$ 32,004 |

### Interest and Debt Expense

Interest and debt expense was \$147,013,000 for the three months ended March 31, 2007, compared to \$103,894,000 in the prior year's quarter, an increase of \$43,119,000. This increase was primarily due to (i) \$30,900,000 from a \$2.5 billion increase in outstanding debt due to property acquisitions and refinancings, (ii) \$10,700,000 from the November 20, 2006 issuance of \$1 billion convertible senior debentures due 2026 and the March 21, 2007 issuance of \$1.4 billion convertible senior debentures due 2027, (iii) \$5,771,000 for the cost of the Skyline mortgage loan defeasance, partially offset by (iv) a \$6,700,000 increase in the amount of capitalized interest.

### Net Gain on Disposition of Wholly Owned and Partially Owned Assets Other than Depreciable Real Estate

Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate was \$909,000 and \$548,000 for the three months ended March 31, 2007, and 2006, respectively, and represent net gains on sale of marketable securities in each period.

### Minority Interest of Partially Owned Entities

Minority interest of partially owned entities represents the minority partners' pro rata share of the net income or loss of consolidated partially owned entities, including AmeriCold, 220 Central Park South, Wasserman and the Springfield Mall. In the three months ended March 31, 2007 we recorded \$3,883,000 of income as compared to \$274,000 of expense in the prior year's quarter. The increase of \$4,157,000 over the prior year's quarter relates primarily to a reduction in AmeriCold's minority interest expense as a result of lower net income.

### Income From Discontinued Operations

The combined results of operations of the assets related to discontinued operations for the three months ended March 31, 2007 and 2006 include the operating results of Vineland, New Jersey; 33 North Dearborn Street in Chicago, Illinois, which was sold on March 14, 2006; 424 Sixth Avenue in New York City, which was sold on March 13, 2006 and 1919 South Eads Street in Arlington, Virginia, which was sold on June 22, 2006.

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| (Amounts in thousands)                     | <b>For the Three Months</b> |             |
|--|-----------------------------|-------------|
|  | <b>Ended March 31,</b>      |             |
|  | <b>2007</b>                 | <b>2006</b> |
| Revenues                                   | \$ 23                       | \$ 2,128    |
| Expenses                                   | 54                          | 1,553       |
| Net (loss) income                          | (31 )                       | 575         |
| Net gains on sale of real estate           |                             | 16,160      |
| (Loss) income from discontinued operations | \$ (31 )                    | \$ 16,735   |

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### Minority Limited Partners Interest in the Operating Partnership

Minority limited partners interest in the Operating Partnership was \$17,177,000 for the three months ended March 31, 2007, compared to \$15,874,000 for the prior year's first quarter, an increase of \$1,303,000. This increase results primarily from higher net income subject to allocation to the minority limited partners.

### Perpetual Preferred Unit Distributions of the Operating Partnership

Perpetual preferred unit distributions of the Operating Partnership were \$4,818,000 for the three months ended March 31, 2007, compared to \$4,973,000 for the prior year's quarter, a decrease of \$155,000. This decrease resulted primarily from the redemption of the D-9 perpetual preferred units in September 2006, partially offset by the issuance of the D-15 units in May and August 2006.

### Preferred Share Dividends

Preferred share dividends were \$14,296,000 for the three months ended March 31, 2007, compared to \$14,407,000 for the prior year's first quarter, a decrease of \$111,000. This decrease resulted primarily from the conversion of Series A preferred shares to common shares during the 2006 and 2007.

### EBITDA by Segment

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2007 from the three months ended March 31, 2006.

| (Amounts in thousands)  | <b>Total</b> | <b>Office<br/>New York</b> | <b>Washington,<br/>DC</b> | <b>Retail</b> | <b>Merchandise<br/>Mart</b> | <b>Temperature<br/>Controlled<br/>Logistics</b> | <b>Toys</b> | <b>Other</b> |
|---|--------------|----------------------------|---------------------------|---------------|-----------------------------|---|-------------|--------------|
| Three Months ended<br>March 31, 2006                                    | \$ 470,842   | \$ 87,152                  | \$ 77,591                 | \$ 73,487     | \$ 35,419                   | \$ 17,935                                       | \$ 172,991  | \$ 6,267     |
| 2007 Operations:  |              |                            |                           |               |                             |   |             |              |
| Same store operations <sup>(1)</sup>                                    |              | 8,229                      | 4,862                     | 941 (2)       | (1,269 ) <sup>(3)</sup>     | (104 )  |             |              |
| Acquisitions, dispositions and<br>non-same store<br>income and expenses |              | 19,156                     | 8,725                     | 466           | (1,829 )                    | (1,687 )  |             |              |
| Three Months ended<br>March 31, 2007                                    | \$ 584,437   | \$ 114,537                 | \$ 91,178                 | \$ 74,894     | \$ 32,321                   | \$ 16,144                                       | \$ 214,088  | \$ 41,275    |
| % increase (decrease) in<br>same store operations                       |              | 9.3%                       | 6.0%                      | 1.6%          | (3.5% )                     | (0.5% )   |             |              |

(1) Represents the increase (decrease) in property-level operations which were owned for the same period in each year and excludes the effect of property acquisitions, dispositions and other non-operating items that affect comparability, including divisional general and administrative expenses. We utilize this measure to make decisions on whether to buy or sell properties as well as to compare the performance of our properties to that of our peers. Same store operations may not be comparable to similarly titled measures employed by other companies.

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- (2) The same store increase would be 5.1% exclusive of the effect of tenants vacating 44,425 square feet of New York City retail space in December 2006.
  
- (3) Primarily from higher promotional expenses and lower booth sales for the Chicago and Los Angeles Gift shows.

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## LIQUIDITY AND CAPITAL RESOURCES

### *Cash Flows for the Three Months Ended March 31, 2007*

Our cash and cash equivalents was \$2,884,674,000 at March 31, 2007, a \$651,357,000 increase over the balance at December 31, 2006. This increase resulted from \$81,263,000 of net cash provided by operating activities, \$1,875,790,000 of net cash provided by financing activities, partially offset by \$1,305,696,000 of net cash used in investing activities. Property rental income represents our primary source of net cash provided by operating activities. Our property rental income is primarily dependent upon the occupancy and rental rates of our properties. Other sources of liquidity to fund our cash requirements include proceeds from debt financings, including mortgage loans and corporate level unsecured borrowings; our \$1 billion revolving credit facility; proceeds from the issuance of common and preferred equity; and asset sales. Our cash requirements include property operating expenses, capital improvements, tenant improvements, leasing commissions, distributions to our common and preferred shareholders, as well as acquisition and development costs.

Our consolidated outstanding debt was \$11,633,128,000 at March 31, 2007, a \$2,078,330,000 increase over the balance at December 31, 2006. This increase resulted primarily from the issuance of \$1.4 billion of convertible senior debentures due 2026 and from debt associated with asset acquisitions and property refinancings during the current quarter. As of March 31, 2007 and December 31, 2006, our revolving credit facility had a zero outstanding balance. During 2007 and 2008, \$678,848,000 and \$396,178,000 of our outstanding debt matures, respectively. We may refinance such debt or choose to repay all or a portion, using existing cash balances or our revolving credit facility.

Our share of debt of unconsolidated subsidiaries was \$2,997,428,000 at March 31, 2007, a \$325,579,000 decrease from the balance at December 31, 2006. This decrease resulted primarily from our \$368,800,000 share of an decrease in Toys R Us outstanding debt.

Cash flows provided by operating activities of \$81,263,000 was primarily comprised of (i) net income of \$166,931,000, after adjustments of \$12,284,000 for non-cash items, including depreciation and amortization expense, the effect of straight-lining of rental income, equity in net income of partially owned entities, minority interest expense, (ii) distributions of income from partially-owned entities of \$6,902,000, partially offset by, (iii) the net change in operating assets and liabilities of \$119,056,000.

Net cash used in investing activities of \$1,305,696,000 was primarily comprised of (i) acquisitions of real estate of \$878,654,000, (ii) investments in notes and mortgage loans receivable of \$135,615,000, (iii) deposits in connection with real estate acquisitions, including pre-acquisition costs, of \$125,359,000, (iv) investments in partially-owned entities of \$91,037,000, (v) development and redevelopment expenditures of \$49,438,000, (vi) investments in marketable securities of \$43,685,000, partially offset by, (ix) proceeds received from repayments on mortgage loans receivable of \$40,150,000.

Net cash provided by financing activities of \$1,875,790,000 was primarily comprised of (i) proceeds from borrowings of \$2,286,725,000, of which \$1,372,078,000 were proceeds received from the offering of the 2.85% convertible senior debentures due 2027, partially offset by, (ii) repayments of borrowings of \$156,759,000, (iii) dividends paid on common shares of \$128,812,000, (iv) purchases of marketable securities in connection with the legal defeasance of mortgage notes payable of \$86,653,000, (v) distributions to minority partners of \$19,429,000, and (vi) dividends paid on preferred shares of \$14,349,000.

### *Capital Expenditures*

Our capital expenditures consist of expenditures to maintain assets, tenant improvements and leasing commissions. Recurring capital improvements include expenditures to maintain a property's competitive position within the market and tenant improvements and leasing commissions necessary to re-lease expiring leases or renew or extend existing leases. Non-recurring capital improvements include expenditures completed in the year of acquisition and the following two years that were planned at the time of acquisition as well as tenant improvements and leasing commissions for space that was vacant at the time of acquisition of a property. Our development and redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing



commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

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Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2007.

| (Amounts in thousands)   | Total     | Office<br>New<br>York | Washington,<br>DC | Retail    | Merchandise<br>Mart | Temperature<br>Controlled<br>Logistics | Other    |
|--|-----------|-----------------------|-------------------|-----------|---------------------|--|----------|
| <b>Capital Expenditures</b>  |           |                       |                   |           |                     |  |          |
| (Accrual basis):   |           |                       |                   |           |                     |  |          |
| Expenditures to maintain the assets:                               |           |                       |                   |           |                     |  |          |
| Recurring  | \$ 11,007 | \$ 2,234              | \$ 2,788          | \$ 326    | \$ 2,211            | \$ 3,448                               | \$       |
| Non-recurring  |           |                       |                   |           |                     |  |          |
| Total  | 11,007    | 2,234                 | 2,788             | 326       | 2,211               | 3,448                                  |          |
| Tenant improvements:   |           |                       |                   |           |                     |  |          |
| Recurring  | 17,029    | 6,853                 | 7,871             | 680       | 1,625               |  |          |
| Non-recurring  |           |                       |                   |           |                     |  |          |
| Total  | 17,029    | 6,853                 | 7,871             | 680       | 1,625               |  |          |
| Leasing Commissions:   |           |                       |                   |           |                     |  |          |
| Recurring  | 7,745     | 3,347                 | 2,249             | 2,104     | 45                  |  |          |
| Non-recurring  |           |                       |                   |           |                     |  |          |
| Total  | 7,745     | 3,347                 | 2,249             | 2,104     | 45                  |  |          |
| Tenant improvements and leasing commissions:                       |           |                       |                   |           |                     |  |          |
| Per square foot  | \$ 16.55  | \$ 41.67              | \$ 14.32          | \$ 12.48  | \$ 5.07             | \$                                     | \$       |
| Per square foot per annum  | \$ 2.31   | \$ 5.58               | \$ 1.96           | \$ 1.57   | \$ 1.09             | \$                                     | \$       |
| Total Capital Expenditures and Leasing Commissions (accrual basis) |           |                       |                   |           |                     |  |          |
|  | \$ 35,781 | \$ 12,434             | \$ 12,908         | \$ 3,110  | \$ 3,881            | \$ 3,448                               | \$       |
| Adjustments to reconcile accrual basis to cash basis:              |           |                       |                   |           |                     |  |          |
| Expenditures in the current year applicable to prior periods       |           |                       |                   |           |                     |  |          |
|  | 17,721    | 3,504                 | 9,304             | 419       | 4,494               |  |          |
| Expenditures to be made in future periods for the current period   |           |                       |                   |           |                     |  |          |
|  | (20,513 ) | (9,867 )              | (7,018 )          | (2,784 )  | (844 )              |  |          |
| Total Capital Expenditures and Leasing Commissions (Cash basis)    |           |                       |                   |           |                     |  |          |
|  | \$ 32,989 | \$ 6,071              | \$ 15,194         | \$ 745    | \$ 7,531            | \$ 3,448                               | \$       |
| <b>Development and Redevelopment Expenditures (1):</b>             |           |                       |                   |           |                     |  |          |
| Crystal Mall Two   | \$ 9,235  | \$                    | \$ 9,235          | \$        | \$                  | \$                                     | \$       |
| Bergen Town Center   | 7,119     |                       |                   | 7,119     |                     |  |          |
| 2101 L Street  | 6,353     |                       | 6,353             |           |                     |  |          |
| North Bergen, New Jersey   |           |                       |                   |           |                     |  |          |
| (Ground-up development)  | 5,324     |                       |                   | 5,324     |                     |  |          |
| Green Acres Mall   | 4,689     |                       |                   | 4,689     |                     |  |          |
| Wasserman venture  | 3,559     |                       |                   |           |                     |  | 3,559    |
| 220 Central Park South   | 2,189     |                       |                   |           |                     |  | 2,189    |
| 40 East 66 <sup>th</sup> Street                                    | 1,178     |                       |                   |           |                     |  | 1,178    |
| Other  | 9,792     | 1,995                 | 2,533             | 2,693     |                     |  | 2,571    |
|  | \$ 49,438 | \$ 1,995              | \$ 18,121         | \$ 19,825 | \$                  | \$                                     | \$ 9,497 |

- (1) Excludes development expenditures of partially owned, non-consolidated investments.

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### *Cash Flows for the Three Months Ended March 31, 2006*

Cash flows provided by operating activities of \$190,469,000 was primarily comprised of (i) net income of \$149,212,000, (ii) adjustments for non-cash items of \$22,053,000, (iii) distributions of income from partially-owned entities of \$8,286,000, and (iii) the net change in operating assets and liabilities of \$10,918,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$94,181,000, (ii) allocation of income to minority limited partners of the Operating Partnership of \$15,874,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$4,973,000, partially offset by, (iv) net gains from derivative positions of \$3,953,000, (v) equity in net income of partially-owned entities (including Toys and Alexander's) of \$55,216,000, (vi) net gains on sale of real estate of \$16,160,000, (vii) amortization of acquired below market leases net of above market leases of \$4,808,000 (viii) the effect of straight-lining of rental income of \$12,564,000 and (ix) net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate of \$548,000.

Net cash used in investing activities of \$165,068,000 was primarily comprised of (i) investments in notes and mortgage loans receivable of \$57,535,000, (ii) capital expenditures of \$41,574,000, (iii) development and redevelopment expenditures of \$58,033,000, (iv) investments in partially-owned entities of \$22,879,000, (v) acquisitions of real estate of \$148,330,000, (vi) investments in marketable securities of \$46,475,000, partially offset by, (vii) proceeds received on the settlement of derivatives (primarily Sears Holdings) of \$135,028,000, (viii) proceeds from the sale of real estate of \$71,887,000, (ix) restricted cash of \$11,050,000, (x) distributions of capital from partially-owned entities of \$2,542,000, (xi) proceeds from the sale of marketable securities of \$5,392,000, and (xii) repayments on notes and mortgages receivable of \$5,632,000.

Net cash provided by financing activities of \$260,025,000 was primarily comprised of (i) proceeds from borrowings of \$605,298,000, (ii) proceeds of \$3,309,000 from the exercise by employees of share options, partially offset by, (iii) dividends paid on common shares of \$113,024,000, (iv) repayments of borrowings of \$195,845,000, (v) dividends paid on preferred shares of \$14,446,000, (vi) distributions to minority partners of \$17,725,000 and (vii) debt issuance costs of \$7,542,000.

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Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the three months ended March 31, 2006.

| (Amounts in thousands)   | Total     | Office<br>New York | Washington,<br>DC | Retail    | Merchandise<br>Mart | Temperature<br>Controlled<br>Logistics | Other    |
|--|-----------|--------------------|-------------------|-----------|---------------------|--|----------|
| <b>Capital Expenditures</b>  |           |                    |                   |           |                     |  |          |
| (Accrual basis):   |           |                    |                   |           |                     |  |          |
| Expenditures to maintain the assets:                               |           |                    |                   |           |                     |  |          |
| Recurring  | \$ 12,059 | \$ 2,290           | \$ 2,187          | \$ 335    | \$ 2,764            | \$ 1,870                               | \$ 2,613 |
| Non-recurring  |           |                    |                   |           |                     |  |          |
| Total  | 12,059    | 2,290              | 2,187             | 335       | 2,764               | 1,870                                  | 2,613    |
| Tenant improvements:   |           |                    |                   |           |                     |  |          |
| Recurring  | 18,847    | 9,241              | 5,375             | 1,278     | 2,953               |  |          |
| Non-recurring  | 89        |                    | 89                |           |                     |  |          |
| Total  | 18,936    | 9,241              | 5,464             | 1,278     | 2,953               |  |          |
| Leasing Commissions:   |           |                    |                   |           |                     |  |          |
| Recurring  | 5,708     | 3,432              | 1,227             | 764       | 285                 |  |          |
| Non-recurring  | 32        |                    | 32                |           |                     |  |          |
| Total  | 5,740     | 3,432              | 1,259             | 764       | 285                 |  |          |
| Tenant improvements and leasing commissions:                       |           |                    |                   |           |                     |  |          |
| Per square foot  | \$ 16.94  | \$ 27.83           | \$ 13.32          | \$ 11.94  | \$ 9.89             | \$                                     | \$       |
| Per square foot per annum  | \$ 2.35   | \$ 3.45            | \$ 2.14           | \$ 1.64   | \$ 1.52             | \$                                     | \$       |
| Total Capital Expenditures and Leasing Commissions (accrual basis) |           |                    |                   |           |                     |  |          |
|  | \$ 36,735 | \$ 14,963          | \$ 8,910          | \$ 2,377  | \$ 6,002            | \$ 1,870                               | \$ 2,613 |
| Adjustments to reconcile accrual basis to cash basis:              |           |                    |                   |           |                     |  |          |
| Expenditures in the current year applicable to prior periods       |           |                    |                   |           |                     |  |          |
|  | 21,117    | 6,595              | 10,522            | 203       | 3,797               |  |          |
| Expenditures to be made in future periods for the current period   |           |                    |                   |           |                     |  |          |
|  | (22,196 ) | (12,942 )          | (6,137 )          | (1,867 )  | (1,250 )            |  |          |
| Total Capital Expenditures and Leasing Commissions (Cash basis)    |           |                    |                   |           |                     |  |          |
|  | \$ 35,656 | \$ 8,616           | \$ 13,295         | \$ 713    | \$ 8,549            | \$ 1,870                               | \$ 2,613 |
| <b>Development and Redevelopment Expenditures (1):</b>             |           |                    |                   |           |                     |  |          |
| North Bergen, New Jersey   |           |                    |                   |           |                     |  |          |
| (Ground-up development)  |           |                    |                   |           |                     |  |          |
|  | \$ 25,039 | \$                 | \$                | \$ 25,039 | \$                  | \$                                     | \$       |
| Bergen Town Center   | 5,443     |                    |                   | 5,443     |                     |  |          |
| 7 W. 34 <sup>th</sup> Street                                       | 4,148     |                    |                   |           | 4,148               |  |          |
| Crystal Plazas (PTO)   | 4,049     |                    | 4,049             |           |                     |  |          |
| 1740 Broadway  | 1,817     | 1,817              |                   |           |                     |  |          |
| Green Acres Mall   | 1,697     |                    |                   | 1,697     |                     |  |          |
| 640 Fifth Avenue   | 867       | 867                |                   |           |                     |  |          |
| Other  | 14,973    | 311                | 1,875             | 4,452     |                     |  | 8,335    |
|  | \$ 58,033 | \$ 2,995           | \$ 5,924          | \$ 36,631 | \$ 4,148            | \$                                     | \$ 8,335 |

(1) Reflects reimbursements from tenants for expenditures incurred in the prior year.



## SUPPLEMENTAL INFORMATION

## Three Months Ended March 31, 2007 vs. Three Months Ended December 31, 2006

Below are the details of the changes in EBITDA by segment for the three months ended March 31, 2007 from the three months ended December 31, 2006.

| (Amounts in thousands)  | Total      | Office<br>New<br>York  | Washington,<br>DC | Retail                  | Merchandise<br>Mart     | Temperature<br>Controlled<br>Logistics | Toys       | Other     |
|---|------------|------------------------|-------------------|-------------------------|-------------------------|--|------------|-----------|
| For the three months ended  |            |                        |                   |                         |                         |  |            |           |
| December 31, 2006   | \$ 435,109 | \$ 104,537             | \$ 86,674         | \$ 72,022               | \$ 36,098               | \$ 15,348                              | \$ 20,988  | \$ 99,442 |
| 2007 Operations:  |            |                        |                   |                         |                         |  |            |           |
| Same store operations <sup>(1)</sup>                                    |            | (96 )                  | 38                | (1,757 ) <sup>(3)</sup> | (1,881 ) <sup>(4)</sup> | (116 )                                 |            |           |
| Acquisitions, dispositions<br>and non-same store<br>income and expenses |            | 10,096                 | 4,466             | 4,629                   | (1,896 )                | 912                                    |            |           |
| For the three months ended  |            |                        |                   |                         |                         |  |            |           |
| March 31, 2007  | \$ 584,437 | \$ 114,537             | \$ 91,178         | \$ 74,894               | \$ 32,321               | \$ 16,144                              | \$ 214,088 | \$ 41,275 |
| % increase (decrease) in<br>same store operations                       |            | (0.1% ) <sup>(2)</sup> | %                 | (2) (2.6% )             | (4.5% )                 | (0.6% ) <sup>(4)</sup>                 |            |           |

(1) Represents the increase (decrease) in property-level operations which were owned for the same period in each year and excludes the effect of property acquisitions, dispositions and other non-operating items that affect comparability, including divisional general and administrative expenses. We utilize this measure to make decisions on whether to buy or sell properties as well as to compare the performance of our properties to that of our peers. Same store operations may not be comparable to similarly titled measures employed by other companies.

(2) Reflects a seasonal increase in heating costs in the first quarter of \$2,335 for New York Office and \$1,589 for Washington, DC Office. The same store increases exclusive of this seasonal increase in heating costs was 2.3% for New York Office and 1.7% for Washington, DC Office.

(3) The same store decrease would be (0.1%) exclusive of the effect of tenants vacating 44,425 square feet of New York City retail in December 2006.

(4) Results primarily from seasonality of operations.

The following table reconciles Net income to EBITDA for the quarter ended December 31, 2006.

| (Amounts in thousands) | Total      | Office<br>New<br>York | Washington,<br>DC | Retail    | Merchandise<br>Mart | Temperature<br>Controlled<br>Logistics | Toys         | Other     |
|------------------------|------------|-----------------------|-------------------|-----------|---------------------|--|--------------|-----------|
|                        | \$ 119,776 | \$ 51,093             | \$ 28,774         | \$ 37,519 | \$ 16,239           | \$ (10,899 )                           | \$ (51,697 ) | \$ 48,747 |

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|  |            |            |           |           |           |           |           |           |
|--|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net income (loss) for the three months ended |            |            |           |           |           |           |           |           |
| December 31, 2006                            |            |            |           |           |           |           |           |           |
| Interest and debt expense                    | 181,393    | 22,861     | 25,304    | 20,038    | 8,865     | 16,716    | 47,462    | 40,147    |
| Depreciation and amortization                | 142,501    | 30,583     | 30,694    | 14,465    | 11,769    | 9,253     | 35,539    | 10,198    |
| Income tax (benefit) expense                 | (8,561 )   |            | 1,902     |           | (775 )    | 278       | (10,316 ) | 350       |
| EBITDA for the three months ended            |            |            |           |           |           |           |           |           |
| December 31, 2006                            | \$ 435,109 | \$ 104,537 | \$ 86,674 | \$ 72,022 | \$ 36,098 | \$ 15,348 | \$ 20,988 | \$ 99,442 |



**FUNDS FROM OPERATIONS ( FFO )**

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ( NAREIT ). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles ( GAAP ), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in our Consolidated Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flows as a measure of liquidity.

FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. We believe that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs.

The calculations of both the numerator and denominator used in the computation of income per share are disclosed in footnote 12 - Income Per Share, in the notes to our consolidated financial statements on page 22 of this Quarterly Report on Form 10-Q.

*FFO for the Three Months Ended March 31, 2007, and 2006*

FFO applicable to common shares plus assumed conversions was \$270,165,000, or \$1.65 per diluted share for the three months ended March 31, 2007, compared to \$211,916,000, or \$1.37 per diluted share for the prior year's quarter. Details of certain items that affect comparability are discussed in the financial results summary of our Overview.

| (Amounts in thousands except per share amounts)  | <b>For The Three Months</b> |             |
|--|-----------------------------|-------------|
|  | <b>2007</b>                 | <b>2006</b> |
| <b>Reconciliation of Net Income to FFO:</b>  |                             |             |
| Net income   | \$ 166,931                  | \$ 149,212  |
| Depreciation and amortization of real property   | 93,665                      | 76,443      |
| Net gains on sale of real estate   |                             | (16,160 )   |
| Proportionate share of adjustments to equity in net income of partially owned entities to arrive at FFO: |                             |             |
| Depreciation and amortization of real property   | 42,984                      | 25,009      |
| Net gains on sale of real estate   |                             | (329 )      |
| Income tax effect of Toys adjustments included above   | (11,883 )                   | (5,913 )    |
| Minority limited partners' share of above adjustments  | (12,618 )                   | (7,224 )    |
| FFO  | 279,079                     | 221,038     |
| Preferred share dividends  | (14,296 )                   | (14,407 )   |
| FFO applicable to common shares  | 264,783                     | 206,631     |
| Interest on 3.875% exchangeable senior debentures  | 5,309                       | 5,094       |
| Series A convertible preferred dividends   | 73                          | 191         |
| FFO applicable to common shares plus assumed conversions   | \$ 270,165                  | \$ 211,916  |

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**Reconciliation of Weighted Average Shares:**

|  |         |         |
|--|---------|---------|
| Weighted average common shares outstanding               | 151,428 | 141,150 |
| Effect of dilutive securities:                           |         |         |
| Employee stock options and restricted share awards       | 6,888   | 7,488   |
| 3.875% exchangeable senior debentures                    | 5,560   | 5,531   |
| Series A convertible preferred shares                    | 125     | 326     |
| Denominator for diluted FFO per share                    | 164,001 | 154,495 |
| FFO applicable to common shares plus assumed conversions |         |         |
| per diluted share  | \$ 1.65 | \$ 1.37 |

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### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors that are beyond our control. Our exposure to a change in interest rates on our consolidated and non-consolidated debt (all of which arises out of non-trading activity) is as follows:

| (Amounts in thousands, except per share amounts)                                  | As at March 31, 2007 |                                      |   | 2006                    |                                      |
|---|----------------------|--------------------------------------|---|-------------------------|--------------------------------------|
|   | Balance              | Weighted<br>Average<br>Interest Rate | Effect of 1%<br>Change In<br>Base Rates | December 31,<br>Balance | Weighted<br>Average<br>Interest Rate |
| Consolidated debt:  |                      |                                      |   |                         |                                      |
| Variable rate <sup>(1)</sup>  | \$ 944,847           | 6.32%                                | \$ 9,449                                | \$ 728,363              | 6.48%                                |
| Fixed rate  | 10,688,281           | 5.19%                                |   | 8,826,435               | 5.56%                                |
|   | \$ 11,633,128        | 5.29%                                | 9,449                                   | \$ 9,554,798            | 5.63%                                |
| Pro-rata share of debt of non-consolidated entities (non-recourse):               |                      |                                      |   |                         |                                      |
| Variable rate excluding Toys  | \$ 175,011           | 7.16%                                | 1,750                                   | \$ 162,254              | 7.31%                                |
| Variable rate Toys  | 892,263              | 7.65%                                | 8,922                                   | 1,213,479               | 7.03%                                |
| Fixed rate (including \$1,010,487, and \$1,057,422 of Toys debt in 2007 and 2006) | 1,930,154            | 6.86%                                |   | 1,947,274               | 6.95%                                |
|   | \$ 2,997,428         | 7.11%                                | 10,672                                  | \$ 3,323,007            | 7.00%                                |
| Minority limited partners share of above  |                      |                                      | (2,013 )                                |                         |                                      |
| Total change in annual net income   |                      |                                      | \$ 18,108                               |                         |                                      |
| Per share-diluted   |                      |                                      | \$ 0.11                                 |                         |                                      |

(1) Includes \$497,977 for our senior unsecured notes due 2007, as we entered into an interest rate swap that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus 0.7725%, based upon the trailing three-month LIBOR rate (6.12% if set on March 31, 2007). In accordance with SFAS No. 133, as amended, we are required to record the fair value of this derivative instrument at each reporting period. At March 31, 2007, the fair value adjustment was a reduction of \$577, and is included in the balance of the senior unsecured notes above.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. In addition, we have notes and mortgage loans receivables aggregating \$306,042,000, as of March 31, 2007, which are based on variable rates and partially mitigate our exposure to a change in interest rates.

#### *Fair Value of Our Debt*

The carrying amount of our debt exceeds its aggregate fair value, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, by approximately \$197,237,000 at March 31, 2007.

#### *Derivative Instruments*

We have, and may in the future enter into, derivative positions that do not qualify for hedge accounting treatment, including our economic interest in McDonald's common shares. Because these derivatives do not qualify for hedge accounting treatment, the gains or losses resulting

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from their mark-to-market at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on our consolidated statements of income. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative positions and a specified spread over LIBOR. Because the market value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our investment income or expense. During the three months ended March 31, 2007, we recognized net gains aggregating approximately \$9,380,000 from these positions, after all expenses and LIBOR charges.

**Item 4. Controls and Procedures**

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2007, such disclosure controls and procedures were effective.

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

**Item 1. Legal Proceedings**

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, including the matters referred to below, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

The following updates the discussion set forth under Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2006.

Stop & Shop

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ( USDC-NJ ) claiming we had no right to reallocate and therefore continue to collect \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze our right to re-allocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court's decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court's decision. On January 16, 2007 we filed a motion for the reconsideration of one aspect of the Appellate Court's decision which was denied on March 13, 2007. On April 16, 2007, the Court directed that discovery should be completed by December 2007, with a trial date to be determined thereafter. We intend to vigorously pursue our claims against Stop & Shop.

H Street Building Corporation ( H Street )

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that we encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of our acquisition of H Street. On September 12, 2005, we filed a complaint against each of those corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. In addition, on July 29, 2005, a tenant under ground leases for which one of these 50%-owned corporations is landlord brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the acquisition of H Street violated a provision giving them a right of first offer and seeks rescission of our acquisition, the right to acquire H Street for the price paid by us and/or damages. On July 14, 2006, we filed a counterclaim against the tenant asserting that the tenant and the other owner of the 50%-owned ground landlord deliberately excluded H Street from negotiating and executing a purported amendment to the agreement to lease when H Street's consent and execution was required and, consequently, that the amended agreement and the related ground leases are invalid, the tenant is in default under the ground leases and the ground leases are void and without any effect. All of these legal actions were dismissed in connection with our acquisition of these corporations on April 30, 2007.

**Item 1A. Risk Factors**

There were no material changes to the Risk Factors disclosed in our annual report on Form 10-K for the year ended December 31, 2006.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**VORNADO REALTY TRUST**  
(Registrant)

Date: May 1, 2007

By: /s/ Joseph Macnow  
Joseph Macnow, Executive Vice President -  
Finance and Administration and  
Chief Financial Officer (duly authorized officer  
and principal financial and accounting officer)



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### EXHIBIT INDEX

#### Exhibit No.

- |     |   |   |   |
|-----|---|---|---|
| 3.1 | - | Amended and Restated Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) to Vornado Realty Trust's Registration Statement on Form S-4/A (File No. 33-60286), filed on April 15, 1993   | * |
| 3.2 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996<br>Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002                       | * |
| 3.3 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997<br>Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002                      | * |
| 3.4 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 -<br>Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000   | * |
| 3.5 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 -<br>Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003                   | * |
| 3.6 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 -<br>Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000  | * |
| 3.7 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 -<br>Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000   | * |
| 3.8 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 -<br>Incorporated by reference to Exhibit 4.6 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001   | * |
| 3.9 | - | Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated May 31, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.9 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002 | * |

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\* Incorporated by reference.

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- 3.10 - Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated June 6, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002 \*
- 3.11 - Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated December 16, 2004, as filed with the State Department of Assessments and Taxation of Maryland on December 16, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004 \*
- 3.12 - Articles Supplementary Classifying Vornado Realty Trust's \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 3.11 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.13 - Articles Supplementary Classifying Vornado Realty Trust's \$3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997- Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002 \*
- 3.14 - Articles Supplementary Classifying Vornado Realty Trust's Series D-6 8.25% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed May 19, 2000 \*
- 3.15 - Articles Supplementary Classifying Vornado Realty Trust's Series D-8 8.25% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000 \*
- 3.16 - Articles Supplementary Classifying Vornado Realty Trust's Series D-9 8.75% Preferred Shares, liquidation preference \$25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.17 - Articles Supplementary Classifying Vornado Realty Trust's Series D-10 7.00% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on November 17, 2003 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 18, 2003 \*
- 3.18 - Articles Supplementary Classifying Vornado Realty Trust's Series D-11 7.20% Cumulative Redeemable Preferred Shares, liquidation preference \$25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 2004 - \*

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Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004

\* \_\_\_\_\_  
Incorporated by reference.

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- 3.19 - Articles Supplementary Classifying Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 20, 2004 \*
- 3.20 - Articles Supplementary Classifying Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.28 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on November 17, 2004 \*
- 3.21 - Articles Supplementary Classifying Vornado Realty Trust's 6.55% Series D-12 Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004 \*
- 3.22 - Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004 \*
- 3.23 - Articles Supplementary Classifying Vornado Realty Trust's 6.750% Series H Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.32 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on June 16, 2005 \*
- 3.24 - Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series I Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.33 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 30, 2005 \*
- 3.25 - Articles Supplementary Classifying Vornado Realty Trust's Series D-14 6.75% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on September 14, 2005 \*
- 3.26 - Articles Supplementary Classifying Vornado Realty Trust's Series D-15 6.875% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 3, 2006, and Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on August 23, 2006 \*
- 3.27 - Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 \*
- 3.28 - Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the Partnership Agreement) - Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*

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- 3.29 - Amendment to the Partnership Agreement, dated as of December 16, 1997 Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*

\* \_\_\_\_\_  
Incorporated by reference.

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- 3.30 - Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 \*
- 3.31 - Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998 \*
- 3.32 - Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999 \*
- 3.33 - Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999 \*
- 3.34 - Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 \*
- 3.35 - Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 \*
- 3.36 - Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 \*
- 3.37 - Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 \*
- 3.38 - Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 \*
- 3.39 - Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999 \*
- 3.40 - Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000 \*
- 3.41 - Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000 \*
- 3.42 - Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000 \*

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- 3.43 - Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - \*  
Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration  
Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001

\* \_\_\_\_\_  
Incorporated by reference.

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- 3.44 - Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.45 - Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 \*
- 3.46 - Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002 \*
- 3.47 - Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002 \*
- 3.48 - Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 \*
- 3.49 - Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003 \*
- 3.50 - Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 - Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004 \*
- 3.51 - Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 - Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 \*
- 3.52 - Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 - Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 \*
- 3.53 - Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 - Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 \*
- 3.54 - Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 \*
- 3.55 - Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 - Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 \*

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- 3.56 - Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - \*  
Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on  
Form 8-K (File No. 000-22685), filed on January 4, 2005

\* \_\_\_\_\_  
Incorporated by reference.

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- 3.57 - Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005 \*
- 3.58 - Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005 \*
- 3.59 - Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005 \*
- 3.60 - Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of December 19, 2005 - Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 000-22685), filed on May 8, 2006 \*
- 3.61 - Thirty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 25, 2006 - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006 \*
- 3.62 - Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006 \*
- 3.63 - Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on August 23, 2006 \*
- 3.64 - Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.'s Form 8-K (File No. 000-22685), filed on January 22, 2007 \*
- 4.1 - Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado Finance LLC, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 \*
- 4.2 - Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 24, 2002 \*
- 4.3 - Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005 \*
- 4.4 - Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee - Incorporated by \*

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reference to Exhibit 4.1 to Vornado Realty Trust's Current Report on Form 8-K  
(File No. 001-11954), filed on November 27, 2006

\* \_\_\_\_\_  
Incorporated by reference.

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*Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.*

- |       |    |   |  |   |
|-------|----|---|--|---|
| 10.1  | ** | - | Vornado Realty Trust's 1993 Omnibus Share Plan - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996  | * |
| 10.2  | ** | - | Vornado Realty Trust's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997  | * |
| 10.3  |    | - | Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992   | * |
| 10.4  | ** | - | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 10(C)(3) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997   | * |
| 10.5  |    | - | Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993   | * |
| 10.6  |    | - | Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993  | * |
| 10.7  |    | - | Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993  | * |
| 10.8  |    | - | Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993                                   | * |
| 10.9  |    | - | Amendment to Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated February 6, 1995 - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995 | * |
| 10.10 |    | - | Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994                                   | * |
| 10.11 | ** | - | Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to  | * |

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Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K  
(File No. 001-11954), filed on April 30, 1997

- 
- \* Incorporated by reference.
  - \*\* Management contract or compensatory agreement.

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- |       |    |   |   |   |
|-------|----|---|---|---|
| 10.12 |    | - | Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000   | * |
| 10.13 | ** | - | Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006   | * |
| 10.14 | ** | - | Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000   | * |
| 10.15 |    | - | Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002 | * |
| 10.16 |    | - | Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002   | * |
| 10.17 |    | - | Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002  | * |
| 10.18 | ** | - | Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002  | * |
| 10.19 | ** | - | First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002   | * |
| 10.20 |    | - | Registration Rights Agreement, dated as of July 21, 1999, by and between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002  | * |
| 10.21 |    | - | Form of Registration Rights Agreement between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002   | * |

- 
- \* Incorporated by reference.
  - \*\* Management contract or compensatory agreement.



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|-------|----|---|--|---|
| 10.22 |    | - | Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander s, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander s Inc. s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002   | * |
| 10.23 |    | - | 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander s Inc. s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002                              | * |
| 10.24 |    | - | Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander s, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander s Inc. s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 | * |
| 10.25 |    | - | 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander s Inc. s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002                    | * |
| 10.26 |    | - | Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002   | * |
| 10.27 | ** | - | Vornado Realty Trust s 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust s Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002   | * |
| 10.28 |    | - | Registration Rights Agreement by and between Vornado Realty Trust and Bel Holdings LLC dated as of November 17, 2003 Incorporated by reference to Exhibit 10.68 to Vornado Realty Trust s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004   | * |
| 10.29 |    | - | Registration Rights Agreement, dated as of May 27, 2004, by and between Vornado Realty Trust and 2004 Realty Corp. Incorporated by reference to Exhibit 10.75 to Vornado Realty Trust s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005   | * |
| 10.30 |    | - | Registration Rights Agreement, dated as of December 17, 2004, by and between Vornado Realty Trust and Montebello Realty Corp. 2002 Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005                                       | * |
| 10.31 | ** | - | Form of Stock Option Agreement between the Company and certain employees Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005   | * |
| 10.32 | ** | - |  | * |

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Form of Restricted Stock Agreement between the Company and certain employees  
Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on  
Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on  
February 25, 2005

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| 10.33 | ** | - | Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005 Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005   | * |
| 10.34 |    | - | Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust's affiliates Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006  | * |
| 10.35 | ** | - | Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006  | * |
| 10.36 | ** | - | Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006  | * |
| 10.37 | ** | - | Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement Incorporated by reference to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on May 1, 2006  | * |
| 10.38 | ** | - | Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership, the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Form 8-K (File No. 001-11954), filed on June 28, 2006 | * |
| 10.39 | ** | - | Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006   | * |
| 10.40 | ** | - | Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006   | * |
| 10.41 |    | - | Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006  | * |
| 10.42 | ** | - | Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006   | * |

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10.43      \*\*      -      Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc. Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007      \*

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\*      Incorporated by reference.  
\*\*      Management contract or compensatory agreement.

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- 10.44      \*\*      -      Amendment to 59<sup>th</sup> Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC.      Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007      \*
- 10.45      -      Stock Purchase Agreement between the Sellers identified and Vornado America LLC, as the Buyer, dated as of March 5, 2007
- 10.46      \*\*      -      Employment Agreement between Vornado Realty Trust and Mitchell Shear, as of April 19, 2007
- 15.1      -      Letter Regarded Unaudited Interim Financial Information
- 31.1      -      Rule 13a-14 (a) Certification of the Chief Executive Officer
- 31.2      -      Rule 13a-14 (a) Certification of the Chief Financial Officer
- 32.1      -      Section 1350 Certification of the Chief Executive Officer
- 32.2      -      Section 1350 Certification of the Chief Financial Officer

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\*      Incorporated by reference.

\*\*      Management contract or compensatory agreement.