

VORNADO REALTY TRUST
Form 10-Q
July 31, 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: **June 30, 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 June 30, 2007, 152,007,909 of the registrant's common shares of beneficial interest are outstanding.

| | | |
|-----------------|---------------------------------------------------------------------------------------------------------------------|-------------|
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Part I. Financial Information**Item 1. Financial Statements****VORNADO REALTY TRUST****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

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

| | June 30, 2007 | December 31, 2006 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| ASSETS | | |
| Real estate, at cost: | | |
| Land | \$ 4,507,532 | \$ 2,773,136 |
| Buildings and improvements | 12,819,785 | 9,967,415 |
| Development costs and construction in progress | 572,518 | 417,671 |
| Leasehold improvements and equipment | 395,911 | 372,432 |
| Total | 18,295,746 | 13,530,654 |
| Less accumulated depreciation and amortization | (2,190,858) | (1,968,678) |
| Real estate, net | 16,104,888 | 11,561,976 |
| Cash and cash equivalents | 743,506 | 2,233,317 |
| Escrow deposits and restricted cash | 355,074 | 140,351 |
| Marketable securities | 416,810 | 316,727 |
| Accounts receivable, net of allowance for doubtful accounts of \$19,401 and \$17,727 | 251,002 | 230,908 |
| Investments and advances to partially owned entities, including: | | |
| Alexander's of \$99,613 and \$82,114 | 1,151,879 | 1,135,669 |
| Investment in Toys 'R Us | 353,384 | 317,145 |
| Notes and mortgage loans receivable | 658,863 | 561,164 |
| Receivable arising from the straight-lining of rents, net of allowance of \$2,117 and \$2,334 | 485,722 | 441,345 |
| Due from officers | 13,187 | 15,197 |
| Assets related to discontinued operations | 223,908 | 24,604 |
| Other assets | 1,380,673 | 975,878 |
| | \$ 22,138,896 | \$ 17,954,281 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Notes and mortgages payable | \$ 8,932,484 | \$ 6,886,884 |
| Convertible senior debentures | 2,355,587 | 980,083 |
| Senior unsecured notes | 698,347 | 1,196,600 |
| Exchangeable senior debentures | 492,044 | 491,231 |
| Revolving credit facility debt | 94,000 | |
| Accounts payable and accrued expenses | 487,188 | 531,977 |
| Deferred credit | 923,542 | 331,760 |
| Officers' compensation payable | 65,679 | 60,955 |
| Deferred tax liabilities | 130,975 | 30,341 |
| Liabilities related to discontinued operations | 42,533 | 15,161 |
| Other liabilities | 167,553 | 150,315 |
| Total liabilities | 14,389,932 | 10,675,307 |
| Minority interest, including unitholders in the Operating Partnership | 1,538,116 | 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 33,983,977 and 34,051,635 shares | 825,276 | 828,660 |
| Common shares of beneficial interest: \$.04 par value per share; authorized 200,000,000 shares; issued and outstanding 152,007,909 and 151,093,373 shares | 6,120 | 6,083 |
| Additional capital | 5,331,692 | 5,287,923 |
| Earnings less than distributions | (22,862) | (69,188) |
| Accumulated other comprehensive income | 68,004 | 92,963 |
| Deferred compensation shares earned but not yet delivered | 2,618 | 4,329 |
| Total shareholders' equity | 6,210,848 | 6,150,770 |

\$ 22,138,896

\$ 17,954,281

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

| (Amounts in thousands, except per share amounts) | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------|----------------------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| REVENUES: | | | | |
| Property rentals | \$ 484,763 | \$ 393,476 | \$ 920,130 | \$ 761,579 |
| Temperature Controlled Logistics | 206,474 | 187,047 | 406,567 | 382,897 |
| Tenant expense reimbursements | 77,370 | 60,920 | 149,903 | 122,647 |
| Fee and other income | 24,850 | 21,589 | 53,913 | 43,246 |
| Total revenues | 793,457 | 663,032 | 1,530,513 | 1,310,369 |
| EXPENSES: | | | | |
| Operating | 392,757 | 319,851 | 763,701 | 651,766 |
| Depreciation and amortization | 132,457 | 98,880 | 241,263 | 189,185 |
| General and administrative | 59,555 | 51,715 | 112,439 | 96,447 |
| Costs of acquisitions not consummated | | | 8,807 | |
| Total expenses | 584,769 | 470,446 | 1,126,210 | 937,398 |
| Operating income | 208,688 | 192,586 | 404,303 | 372,971 |
| Income applicable to Alexander's | 9,484 | 14,750 | 23,003 | 11,155 |
| (Loss) income applicable to Toys 'R Us | (20,029) | (7,884) | 38,632 | 44,876 |
| Income from partially owned entities | 8,593 | 14,635 | 17,698 | 20,686 |
| Interest and other investment income | 120,513 | 16,623 | 174,992 | 39,098 |
| Interest and debt expense (including amortization of deferred financing costs of \$3,845 and \$3,559 in each three month period, respectively, and \$7,996 and \$7,134 in each six month period, respectively) | (156,179) | (120,822) | (303,192) | (224,716) |
| Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate | 15,778 | 56,947 | 16,687 | 57,495 |
| Minority interest of partially owned entities | 4,349 | 3,118 | 8,232 | 2,844 |
| Income before income taxes | 191,197 | 169,953 | 380,355 | 324,409 |
| Provision for income taxes | (3,566) | (848) | (3,767) | (1,980) |
| Income from continuing operations | 187,631 | 169,105 | 376,588 | 322,429 |
| (Loss) income from discontinued operations, net of minority interest | (40) | 16,762 | (71) | 33,497 |
| Income before allocation to minority limited partners | 187,591 | 185,867 | 376,517 | 355,926 |
| Minority limited partners' interest in the Operating Partnership | (16,852) | (17,324) | (34,029) | (33,198) |
| Perpetual preferred unit distributions of the Operating Partnership | (4,819) | (5,374) | (9,637) | (10,347) |
| Net income | 165,920 | 163,169 | 332,851 | 312,381 |
| Preferred share dividends | (14,295) | (14,404) | (28,591) | (28,811) |
| NET INCOME applicable to common shares | \$ 151,625 | \$ 148,765 | \$ 304,260 | \$ 283,570 |
| INCOME PER COMMON SHARE BASIC: | | | | |
| Income from continuing operations | \$ 1.00 | \$ 0.93 | \$ 2.01 | \$ 1.77 |
| Income from discontinued operations | | 0.12 | | 0.24 |
| Net income per common share | \$ 1.00 | \$ 1.05 | \$ 2.01 | \$ 2.01 |
| INCOME PER COMMON SHARE DILUTED: | | | | |
| Income from continuing operations | \$ 0.96 | \$ 0.88 | \$ 1.92 | \$ 1.68 |
| Income from discontinued operations | | 0.11 | | 0.22 |
| Net income per common share | \$ 0.96 | \$ 0.99 | \$ 1.92 | \$ 1.90 |
| DIVIDENDS PER COMMON SHARE | \$ 0.85 | \$ 0.80 | \$ 1.70 | \$ 1.60 |

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

| (Amounts in thousands) | For The Six Months Ended June 30, | |
|---------------------------------------------------------------------------------------|----------------------------------------------|-------------|
| | 2007 | 2006 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 332,851 | \$ 312,381 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including amortization of debt issuance costs) | 249,259 | 200,353 |
| Net (gains) losses from derivative positions | (81,454) | 5,076) |
| Equity in income of partially owned entities, including Alexander's and Toys | (79,333) | (76,717) |
| Straight-lining of rental income | (42,128) | (30,182) |
| Amortization of below market leases, net | (34,322) | (8,471) |
| Minority limited partners' interest in the Operating Partnership | 34,022 | 33,198 |
| Net gains on dispositions of wholly owned and partially owned assets | | |
| other than depreciable real estate | (16,687) | (57,495) |
| Distributions of income from partially owned entities | 11,767 | 19,318 |
| Perpetual preferred unit distributions of the Operating Partnership | 9,637 | 10,347 |
| Costs of acquisitions not consummated | 8,707 | |
| Minority interest of partially owned entities | (8,232) | (2,844) |
| Loss on early extinguishment of debt and write-off of unamortized financing costs | 5,969 | |
| Other non-cash adjustments | 10,481 | |
| Net gains on sale of real estate | | (33,769) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 4,744 | 44,364 |
| Accounts payable and accrued expenses | (78,829) | (69,495) |
| Other assets | (31,288) | (13,545) |
| Other liabilities | 4,274 | 26,722 |
| Net cash provided by operating activities | 299,438 | 359,241 |
| Cash Flows from Investing Activities: | | |
| Acquisitions of real estate | (2,585,928) | (244,938) |
| Investments in partially owned entities | (166,611) | (89,584) |
| Investments in notes and mortgage loans receivable | (204,914) | (260,667) |
| Purchases of marketable securities | (151,024) | (57,992) |
| Development costs and construction in progress | (140,253) | (112,650) |
| Proceeds received from repayment of notes and mortgage loans receivable | 113,291 | 20,248 |
| Additions to real estate | (76,164) | (90,443) |
| Proceeds from sales of, and return of investment in, marketable securities | 36,253 | 132,898 |
| Deposits in connection with real estate acquisitions, including pre-acquisition costs | (20,691) | (44,163) |
| Cash restricted, including mortgage escrows | 18,473 | (40,752) |
| Distributions of capital from partially owned entities | 8,997 | 29,703 |
| Proceeds received from Officer loan repayment | 2,000 | |
| Proceeds from sales of real estate | | 110,388 |
| Proceeds received on settlement of derivatives (primarily Sears Holdings) | | 135,028 |
| Net cash used in investing activities | (3,166,571) | (512,924) |

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(UNAUDITED)

| (Amounts in thousands) | For The Six Months Ended June 30, | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------|
| | 2007 | 2006 |
| Cash Flows from Financing Activities: | | |
| Proceeds from borrowings | 2,510,217 | 1,401,291 |
| Repayments of borrowings | (714,873) | (786,519) |
| Dividends paid on common shares | (257,943) | (226,310) |
| Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable | (86,653) | |
| Distributions to minority partners | (41,929) | (41,265) |
| Dividends paid on preferred shares | (28,645) | (28,853) |
| Debt issuance costs | (8,156) | (8,077) |
| Proceeds from exercise of share options and other | 5,304 | 9,157 |
| Proceeds from issuance of preferred shares and units | | 34,145 |
| Net cash provided by financing activities | 1,377,322 | 353,569 |
| Net (decrease) increase in cash and cash equivalents | (1,489,811) | 199,886 |
| Cash and cash equivalents at beginning of period | 2,233,317 | 294,504 |
| Cash and cash equivalents at end of period | \$ 743,506 | \$ 494,390 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash payments for interest (including capitalized interest of \$24,188 and \$6,094) | \$ 289,832 | \$ 216,824 |
| Non-Cash Transactions: | | |
| Financing assumed in acquisitions | \$ 1,296,398 | \$ 272,846 |
| 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 | 30,885 | 3,560 |
| Unrealized net (loss) gain on securities available for sale | (26,970) | 15,173 |
| Operating partnership units issued in connection with acquisitions | 22,382 | |
| Increases in assets and liabilities resulting from the consolidation of our 50% investment in H Street partially owned entities upon acquisition of the remaining 50% interest on April 30, 2007: | | |
| Real estate, net | 342,764 | |
| Restricted cash | 369 | |
| Other assets | 11,648 | |
| Notes and mortgages payable | 55,272 | |
| Accounts payable and accrued expenses | 3,101 | |
| Deferred credit | 2,407 | |
| Deferred tax liabilities | 112,797 | |
| Other liabilities | 71 | |

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 89.9% of the common limited partnership interest in, the Operating Partnership at June 30, 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 and six months ended June 30, 2007, are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and 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 and provision for income taxes 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 July 2006, the Financial Accounting Standards Board (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.

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 an 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 eligible financial assets and liabilities at fair value upon the adoption of this standard on January 1, 2008.

On July 25, 2007, the FASB authorized a FASB Staff Position (the proposed FSP) that, if issued, would affect the accounting for our convertible and exchangeable senior debentures. If issued in the form expected, the proposed FSP would require that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component. The resulting debt discount would be amortized over the period the debt is expected to be outstanding as additional interest expense. The proposed FSP is expected to be effective for fiscal years beginning after December 15, 2007, require retroactive application and result in approximately \$47,000,000 (\$42,000,000 net of minority interest) of additional interest expense per annum.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Acquisitions

100 West 33rd 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 32nd and 33rd 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 June 30, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property are included in the New York Office segment and the operations of the retail component are 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.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired 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 51st and 52nd Street on Avenue of the Americas, and the 3-building 555 California Street complex (555 California Street) 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 was approximately \$1.8 billion, consisting of \$1.0 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. Our 70% interest was 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. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

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.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired 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. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Acquisitions - continued*1290 Avenue of the Americas and 555 California Street - continued*

The following summarizes our allocation of the purchase price to the assets and liabilities acquired.

| | |
|----------------------------------------------------------------------------------------------|--------------|
| (Amounts in thousands) | |
| Land | \$ 652,144 |
| Building | 1,219,968 |
| Acquired above-market leases | 33,205 |
| Other assets | 223,083 |
| Acquired in-place leases | 173,922 |
| Assets acquired | 2,302,322 |
| Mortgage debt | 812,380 |
| Acquired below-market leases | 223,764 |
| Other liabilities | 40,784 |
| Liabilities acquired | 1,076,928 |
| Net assets acquired (\$1.0 billion excluding net working capital acquired and closing costs) | \$ 1,225,394 |

Our initial valuation of the assets and liabilities acquired (70% interest) is preliminary and subject to change within the one-year period from the date of closing, as additional valuation information becomes available.

The following table presents our pro forma condensed consolidated statements of income for the three and six months ended June 30, 2007 and 2006 as if the above transaction occurred on January 1, 2006. The unaudited pro forma information is not necessarily indicative of what our actual results would have been had the transaction been consummated on January 1, 2006, nor does it represent the results of operations for any future periods. In our opinion all adjustments necessary to reflect this transaction have been made.

| Condensed Consolidated Statements of Income (Amounts in thousands, except per share amounts) | Pro forma For the Three Months | | For the Six Months | |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------|--------------------------------|-------------|
| | Ended June 30, 2007 | 2006 | Ended June 30, 2007 | 2006 |
| Revenues | \$856,481 | \$754,571 | \$1,685,076 | \$1,493,447 |
| Income before allocation to limited partners | \$173,612 | \$174,936 | \$351,607 | \$334,065 |
| Minority limited partners' interest in the Operating Partnership | (16,547) | (17,324) | (33,724) | (33,198) |

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| | | | | |
|------------------------------------------------------------------------|------------|------------|------------|------------|
| Perpetual preferred unit distributions of the Operating Partnership | (4,819) | (5,374) | (9,637) | (10,347) |
| Net income | 152,246 | 152,238 | 308,246 | 290,520 |
| Preferred share dividends | (14,295) | (14,404) | (28,591) | (28,811) |
| Net income applicable to common shares | \$ 137,951 | \$ 137,834 | \$ 279,655 | \$ 261,709 |
| Net income per common share - basic | \$0.91 | \$0.97 | \$1.84 | \$1.85 |
| Net income per common share - diluted | \$0.87 | \$0.92 | \$1.77 | \$1.76 |

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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 \$333,000,000 in cash and \$50,000,000 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. Beginning on April 30, 2007, we consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

Further, we have agreed to sell approximately 19.6 of the 34 acres of land to one of the existing ground lessees in two closings over a two-year period for approximately \$220,000,000 in cash. The first closing was completed on May 11, 2007 for approximately \$104,000,000. Our net gain on sale of \$15,831,000 was deferred because the buyer's cash down payment was not sufficient for gain recognition pursuant to Statement of Financial Accounting Standards (SFAS) No. 66 *Accounting For Sales of Real Estate*, and will be recognized upon receipt of the remaining sale proceeds in the fourth quarter of 2007. In April 2007, we received letters from the two remaining ground lessees claiming a right of first offer on the sale of the land, one of which has since retracted its letter and reserved its rights under the lease.

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.

Toys R Us Stores

On May 31, 2007, we acquired four properties from Toys R Us (Toys) for \$12,242,000 in cash, which completed our September 2006 agreement to acquire 43 stores that were closed as part of Toys January 2006 store closing program. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. Our \$1,045,000 share of Toys net gain on this transaction was recorded as an adjustment to the basis of our investment in Toys and was not recorded as income.

India Property Fund LP

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In 2005 and 2006, we invested \$94,200,000 in two joint ventures established to acquire, manage and develop real estate in India. On June 14, 2007, we committed to contribute \$95,000,000 to a third venture, the India Property Fund, LP (the Fund), also established to acquire, manage and develop real estate in India. We satisfied \$77,000,000 of our commitment by contributing our interest in one of the above mentioned joint ventures to the Fund. The Fund will seek to raise additional equity; as of June 30, 2007, we own 95% of the Fund and therefore consolidate the accounts of the Fund into our consolidated financial statements, pursuant to the requirements of FIN 46 (R) - *Consolidation of Variable Interest Entities*.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Acquisitions - continued

Shopping Center Portfolio Acquisition

On June 26, 2007, we entered into an agreement to acquire a 15 shopping center portfolio aggregating approximately 1.9 million square feet. The properties are located primarily in Northern New Jersey and Long Island, New York. The purchase price is approximately \$351,000,000, consisting of approximately \$120,000,000 of cash, \$89,000,000 of newly issued Vornado Realty L.P. redeemable preferred and common units and \$142,000,000 of existing debt. On June 28, 2007, we completed the acquisition of five of the shopping centers for \$116,561,000, consisting of \$94,179,000 in cash, \$15,993,000 in Vornado Realty L.P. preferred units and \$6,389,000 of Vornado Realty L.P. common units. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. The closing of the remaining shopping centers is expected to occur in two additional tranches and be completed by the end of 2007, subject to customary closing conditions.

5. Derivative Instruments and Related Marketable Securities

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

As of June 30, 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 sheets and not recognized in income. At June 30, 2007, based on McDonalds' closing stock price of \$50.76 per share, \$18,207,000 of appreciation in the value of these shares was included in accumulated other comprehensive income on our consolidated balance sheet.

As of June 30, 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 and six months ended June 30, 2007, we recognized net gains of \$71,390,000, and \$74,613,000, respectively, representing the mark-to-market of the option shares to \$50.76 per share, net of the expense resulting from the LIBOR charges. For the three and six months ended June 30, 2006, we recognized a net loss of \$14,515,000 and \$8,215,000, respectively, representing the mark-to-market of the option shares to \$33.60 per share, 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 June 30, 2007 is \$248,687,000.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

As of June 30, 2007, we own 32.8% of Toys. Below is a summary of Toys' latest available financial information.

(Amounts in thousands)

| Balance Sheet: | As of May 5, 2007 | As of April 29, 2006 |
|-------------------|-------------------|----------------------|
| Total Assets | \$ 11,265,800 | \$ 12,385,000 |
| Total Liabilities | \$ 10,155,700 | \$ 11,138,000 |
| Total Equity | \$ 1,110,100 | \$ 1,247,000 |

| Income Statement: | For the Three Months Ended | | For the Six Months Ended | |
|-------------------|-------------------------------|-------------------|-----------------------------|----------------|
| | May 5, 2007 | April 29, 2006 | May 5, 2007 | April 29, 2006 |
| Total Revenues | \$ 2,581,000 | \$ 2,389,000 | \$ 8,260,000 | \$ 7,275,000 |
| Net (Loss) Income | \$ (61,800) | \$ (34,000) | \$ 111,100 | \$ 116,000 |

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 32.8% share of Toys' net income or loss on a one-quarter lag basis.

Alexander's (NYSE: ALX)

As of June 30, 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 June 30, 2007, Alexander's owed us \$37,998,000 for fees under these agreements.

As of June 30, 2007, the market value of our investment in Alexander's was \$668,657,000, based on Alexander's June 29, 2007 closing share price of \$404.25.

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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.

As of June 30, 2007, we own 8,149,593 limited partnership units of Lexington MLP, or a 7.1% ownership interest. 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 and six months ended June 30, 2007 includes our share of Lexington MLP's net income for its first quarter ended March 31, 2007.

As of June 30, 2007, the market value of our investment in Lexington MLP was \$169,512,000, based on Lexington's June 29, 2007 closing share price of \$20.80.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

6. Investments in Partially Owned Entities - continued

GMH Communities L.P. (GMH)

As of June 30, 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.

Our equity in net income or loss from partially owned entities for the three and six months ended June 30, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 or first quarter of 2006 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until July 31, 2006 and had delayed its quarterly report on Form 10-Q for the quarter ended March 31, 2006 until September 15, 2006.

As of June 30, 2007, the market value of our investment in GMH and GCT was \$95,496,000, based on GCT's June 29, 2007 closing share price of \$9.69.

Downtown Crossing Joint Venture

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. 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. Our investment in the joint venture is accounted for under the equity method.

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:

| | | | | |
|--------------------------------------------------------------|-----------------------------|---------------------------|--------------|--------------|
| Investments: | As of | As of | | |
| (Amounts in thousands) | June 30, 2007 | December 31, 2006 | | |
| Toys | \$ 353,384 | \$ 317,145 | | |
| H Street non-consolidated subsidiaries (see page 11) | \$ 35,968 | \$ 207,353 | | |
| Lexington MLP, formerly Newkirk MLP | 181,633 | 184,961 | | |
| Partially Owned Office Buildings (1) | 162,197 | 150,954 | | |
| Alexander s | 99,613 | 82,114 | | |
| GMH (see page 14) | 99,769 | 103,302 | | |
| India Real Estate Ventures | 98,775 | 93,716 | | |
| Beverly Connection Joint Venture | 86,595 | 82,101 | | |
| Other Equity Method Investments | 387,329 | 231,168 | | |
| | \$ 1,151,879 | \$ 1,135,669 | | |
| Our Share of Net Income (Loss): | For the Three Months | For the Six Months | | |
| (Amounts in thousands) | Ended June 30, | Ended June 30, | | |
| Toys: | 2007 | 2006 | 2007 | 2006 |
| 32.8% share of equity in net (loss) income | \$ (21,324) | \$ (11,169) | \$ 35,490 | \$ 38,106 |
| Interest and other income | 1,295 | 3,285 | 3,142 | 6,770 |
| | \$ (20,029) | \$ (7,884) | \$ 38,632 | \$ 44,876 |
| Alexander s: | | | | |
| 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 | \$ 4,865 | \$ 4,453 | \$ 10,981 | \$ 8,596 |
| Stock appreciation rights compensation income (expense) | 1,222 | 4,836 | 5,916 | (7,559) |
| Net gain on sale of condominiums | | 2,722 | | 4,580 |
| Equity in net income | 6,087 | 12,011 | 16,897 | 5,617 |
| Management and leasing fees | 2,129 | 2,545 | 4,310 | 5,133 |
| Development and guarantee fees | 1,268 | 194 | 1,796 | 405 |
| | \$ 9,484 | \$ 14,750 | \$ 23,003 | \$ 11,155 |
| H Street Non-Consolidated Subsidiaries: | | | | |
| 50% share of equity in net income | \$ 3,089 | (2) \$ 4,311 | (3) \$ 5,923 | \$ 4,311 (3) |
| Beverly Connection: | | | | |
| 50% share of equity in net loss | (1,062) | (2,056) | (2,389) | (6,023) |
| Interest and fee income | 2,330 | 3,405 | 4,607 | 6,337 |
| | 1,268 | 1,349 | 2,218 | 314 |
| GMH: | | | | |
| 13.5% in 2007 and 2006 share of equity in net income (loss) | 31 | | (281) | |
| Lexington MLP, formerly Newkirk MLP: | | | | |
| 7.1% in 2007 and 15.8% in 2006 share of equity in net (loss) | | | | |
| income | (242) | 4,370 | (242) | 8,573 |
| Other | 4,447 | 4,605 | 10,080 | 7,488 |

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\$ 8,593 \$ 14,635 \$ 17,698 \$ 20,686

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 57th Street properties (50%).
- (2) Represents our 50% share of equity in net income from January 1, 2007 through April 29, 2007. On April 30, 2007, we acquired the remaining 50% interest of these partially owned entities and began to consolidate the accounts into our consolidated financial statements and no longer account for this investment under the equity method on a one-quarter lag basis. For further details see footnote 4. Acquisitions.
- (3) Prior to the quarter ended June 30, 2006, two 50% owned entities that were contesting our acquisition of H Street impeded access to their financial information and accordingly, we were unable to record our pro rata share of their earnings. During the quarter ended June 30, 2006, we recognized equity in net income of \$4,311 from these entities of which \$2,731 was for the periods from July 20, 2005 (date of acquisition) to December 31, 2005 and \$1,580 was for the quarter ended March 31, 2006.

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 June 30, 2007 and December 31, 2006, none of which is guaranteed by us.

| | 100% of | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------|
| | Partially Owned Entities Debt | |
| | June 30, | December 31, |
| | 2007 | 2006 |
| (Amounts in thousands) | | |
| Toys (32.8% interest): | | |
| \$1.3 billion senior credit facility, due 2008, LIBOR plus 3.00% (8.32% at June 30, 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% (9.67% at June 30, 2007) | 800,000 | 800,000 |
| Mortgage loan, due 2007, LIBOR plus 1.30% (6.62% at June 30, 2007) | 800,000 | 800,000 |
| Senior U.K. real estate facility, due 2013, with interest at 5.02% | 708,000 | 676,000 |
| 7.625% bonds, due 2011 (Face value \$500,000) | 479,000 | 477,000 |
| 7.875% senior notes, due 2013 (Face value \$400,000) | 371,000 | 369,000 |
| 7.375% senior notes, due 2018 (Face value \$400,000) | 330,000 | 328,000 |
| \$181 million unsecured loan facility, due 2013, LIBOR + 5.00% (10.32% at June 30, 2007) | 180,000 | |
| Toys R Us - Japan short-term borrowings, 2006, tiered rates (weighted average rate of 0.84% at June 30, 2007) | 211,000 | 285,000 |
| 8.750% debentures, due 2021 (Face value \$22,000) | 21,000 | 193,000 |
| 4.51% Spanish real estate facility, due 2013 | 181,000 | 171,000 |
| Toys R Us - Japan bank loans, due 2007-2014, 1.30% - 2.80% | 139,000 | 156,000 |
| 6.81% Junior U.K. real estate facility, due 2013 | 127,000 | 118,000 |
| 4.51% French real estate facility, due 2013 | 87,000 | 83,000 |
| Note at an effective cost of 2.23% due in semi-annual installments through 2008 | 31,000 | 50,000 |
| \$200 million asset sale facility, due 2008, LIBOR plus 3.00% - 4.00% (9.32% at June 30, 2007) | 44,000 | 44,000 |
| Multi-currency revolving credit facility, due 2010, LIBOR plus 1.50% - 2.00% | | 190,000 |
| Other | 41,000 | 39,000 |
| | 5,850,000 | 6,915,000 |
| Alexander s (32.8% interest): | | |
| 731 Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33% (prepayable without penalty) | 388,487 | 393,233 |
| 731 Lexington Avenue mortgage note payable, collateralized by the retail space, 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, with interest at 7.46% (prepayable with yield maintenance) | 205,306 | 207,130 |
| Rego Park mortgage note payable, due in June 2009, with interest at 7.25% (prepayable without penalty after March 2009) | 79,710 | 80,135 |
| Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty) | 68,000 | 68,000 |
| | 1,061,503 | 1,068,498 |
| Lexington MLP (formerly Newkirk MLP) (7.1% interest in 2007 and 15.8% interest in 2006): | | |
| Portion of first mortgages collateralized by the partnership s real estate, due from 2007 to 2024, with a weighted average interest rate of 5.94% (various prepayment terms) | 2,188,402 | 2,101,104 |

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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 5.56% (various prepayment terms) | 1,238,637 | 957,788 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|

H Street non-consolidated entities (9.78% interest):

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Mortgage notes payable, collateralized by 3 properties, due from 2007 to 2029, with a weighted average interest rate of 7.31% (various prepayment terms) | 238,407 | 351,584 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

6. Investments in Partially Owned Entities - continued

| (Amounts in thousands) | 100% of Partially Owned Entities Debt | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------|
| | June 30, 2007 | December 31, 2006 |
| 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 June 30, 2007 (various prepayment terms) | \$ 144,980 | \$ 145,640 |
| Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50% | 64,620 | 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) | 21,987 | 22,159 |
| Rosslyn Plaza (46% interest) mortgage note payable, due in November 2007, with interest at 7.28% (prepayable without penalty) | 57,038 | 57,396 |
| West 57 th 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 2007 to 2025, with a weighted average interest rate of 5.68% at June 30, 2007 (various prepayment terms) | 332,068 | 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 2007 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 LIBOR plus 1.75% (7.13% at June 30, 2007) | 57,099 | 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 2007 to 2022, with a weighted average interest rate of 10.40% at June 30, 2007 (various prepayment terms) | 80,252 | 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% | 14,592 | 14,756 |

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| | | |
|-----------------------------------------------------------------------------------------------------------|--------|--------|
| Orleans Hubbard Garage (50% interest) mortgage note payable, due in April 2009, with interest at 7.03% | 9,153 | 9,257 |
| Other | 36,272 | 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 \$2,989,235,000 and \$3,323,007,000 as of June 30, 2007 and December 31, 2006, respectively.

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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. During April and May of 2007, we were repaid the \$72,400,000 outstanding balance of the mezzanine loan in multiple principal payments, together with accrued interest of \$506,000, which was recognized as interest and other investment income in the three months ended June 30, 2007.

Fortress Loan

In 2006, we acquired bonds for \$99,500,000 in cash, representing a 7% interest in two margin loans aggregating \$1.430 billion. On March 30, 2007, we were repaid \$35,348,000, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which was recognized as interest and other investment income in the three months ended March 31, 2007. On July 10, 2007, an additional \$13,221,000 was repaid, together with accrued interest of \$27,000. The remaining balance of our investment in the bonds of \$50,931,000, is due in December 2007.

MPH Mezzanine Loans

On June 5, 2007, we acquired a 42% interest in two mezzanine loans totaling \$158,700,000, for \$66,403,000 in cash. The loans bear interest at LIBOR plus 5.32% (10.64% at June 30, 2007) and mature in February 2008. The loans are subordinate to \$2.9 billion of other debt and are secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56.

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 (acquired above-market leases and in-place leases), intangible liabilities (acquired below market leases) and goodwill as of June 30, 2007 and December 31, 2006.

| (Amounts in thousands) | June 30, 2007 | December 31, 2006 |
|-------------------------------------------------------------------------|--------------------------|------------------------------|
| Identified intangible assets (included in other assets): | | |
| Gross amount | \$ 773,593 | \$ 395,109 |
| Accumulated amortization | (128,316) | (90,857) |
| Net | \$ 645,277 | \$ 304,252 |
| Goodwill (included in other assets): | | |
| Gross amount | \$ 7,280 | \$ 7,280 |
| Identified intangible liabilities (included in deferred credit): | | |
| Gross amount | \$ 987,805 | \$ 370,638 |
| Accumulated amortization | (110,152) | (62,829) |
| Net | \$ 877,653 | \$ 307,809 |

Amortization of acquired below market leases, net of acquired above market leases (a component of rental income) was \$20,317,000 and \$34,322,000 for the three and six months ended June 30, 2007 and \$3,672,000 and \$8,471,000 for the three and six months ended June 30, 2006. 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 | \$ 89,323 |
| 2009 | 76,490 |
| 2010 | 69,327 |
| 2011 | 65,911 |
| 2012 | 50,061 |

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 | \$ 61,752 |
| 2009 | 60,387 |
| 2010 | 58,286 |
| 2011 | 56,176 |
| 2012 | 50,952 |

We are a tenant under ground leases for certain properties acquired during 2006 and 2007. Amortization of these acquired below market leases net of acquired above market leases resulted in an increase to rent expense of \$393,000 and \$777,000 for the three and six months ended June

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30, 2007. The estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)

| | |
|------|----------|
| 2008 | \$ 1,577 |
| 2009 | 1,577 |
| 2010 | 1,577 |
| 2011 | 1,577 |
| 2012 | 1,577 |

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

9. Debt

| (Amounts in thousands) | Maturity | Interest Rate | Balance as of | |
|----------------------------------------------------------------------------|-------------|---------------|---------------|----------|
| | | as of | June 30, | December |
| Notes and Mortgages Payable: | | June 30, | 2007 | 31, |
| Fixed Interest: | | 2007 | 2007 | 2006 |
| NYC Office: | | | | |
| 1290 Avenue of the Americas | 09/12 | 5.97% | \$458,237 | \$ |
| 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% | 294,221 | 296,428 |
| 909 Third Avenue | 04/15 | 5.64% | 218,765 | 220,314 |
| Eleven Penn Plaza | 12/14 | 5.20% | 211,970 | 213,651 |
| 866 UN Plaza (1) | N/A | N/A | | 45,467 |
| Washington DC Office: | | | | |
| Skyline Place (2) | 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% | 205,562 | 207,389 |
| Crystal Park 1-4 (3) | 09/08-08/13 | 6.66%-7.08% | 151,947 | 201,012 |
| Crystal Square 2, 3 and 4 | 10/10-11/14 | 6.82%-7.08% | 134,900 | 136,317 |
| Bowen Building | 06/16 | 6.14% | 115,022 | 115,022 |
| H Street (4) | 06/29 | 4.88% | 110,974 | |
| Reston Executive I, II and III | 01/13 | 5.57% | 93,000 | 93,000 |
| 1101 17 th , 1140 Connecticut, 1730 M and 1150 17 th | 08/10 | 6.74% | 90,355 | 91,232 |
| Courthouse Plaza 1 and 2 | 01/08 | 7.05% | 73,594 | 74,413 |
| Crystal Gateway N. and Arlington Plaza | 11/07 | 6.77% | 51,999 | 52,605 |
| 1750 Pennsylvania Avenue | 06/12 | 7.26% | 47,504 | 47,803 |
| Crystal Malls 1-4 | 12/11 | 6.91% | 39,193 | 42,675 |
| Retail: | | | | |
| Cross collateralized mortgages payable on 42 shopping centers | 03/10 | 7.93% | 459,589 | 463,135 |
| Springfield Mall (including present value of purchase option of \$70,133) | 04/13 | 5.45% | 260,495 | 262,391 |
| Green Acres Mall | 02/08 | 6.75% | 138,874 | 140,391 |
| Montehiedra Town Center | 06/16 | 6.04% | 120,000 | 120,000 |
| Broadway Mall | 06/13 | 5.30% | 98,104 | 99,154 |
| 828-850 Madison Avenue Condominium | 06/18 | 5.29% | 80,000 | 80,000 |
| Las Catalinas Mall | 11/13 | 6.97% | 62,671 | 63,403 |
| Other Retail Properties | 05/09-10/18 | 4.00%-7.40% | 87,335 | 50,450 |
| Merchandise Mart: | | | | |
| Merchandise Mart | 12/16 | 5.57% | 550,000 | 550,000 |

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| | | | | |
|----------------------------------------------------------------------------------------------|-------------|-------|-----------|-----------|
| High Point Complex | 08/16 | 6.34% | 221,329 | 220,000 |
| Boston Design Center | 09/15 | 5.02% | 72,000 | 72,000 |
| Washington Design Center | 11/11 | 6.95% | 46,005 | 46,328 |
| Temperature Controlled Logistics: Cross collateralized mortgages payable on 50 properties | 02/11-12/16 | 5.48% | 1,055,746 | 1,055,712 |
| Other: | | | | |
| 555 California Street | 08/11 | 5.83% | 689,023 | |
| Industrial Warehouses | 10/11 | 6.95% | 46,837 | 47,179 |
| Total Fixed Interest Notes and Mortgages Payable | | 5.93% | 8,357,505 | 6,657,083 |

See notes on page 23.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

9. Debt - continued

| (Amounts in thousands) | | | Interest Rate | | |
|-----------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|----------------------------|------------------------------------|--------------------------|
| | Maturity | Spread over LIBOR | as of June 30, 2007 | Balance as of June 30, 2007 | December 31, 2006 |
| Notes and Mortgages Payable: | | | | | |
| Variable Interest: | | | | | |
| New York Office: | | | | | |
| 100 West 33 rd Street | 02/09 | L+55 | 5.87% | \$ 232,000 | \$ |
| 866 UN Plaza (1) | 05/09 | L+40 | 5.78% | 44,978 | |
| Washington, DC Office: | | | | | |
| Commerce Executive III, IV and V | 07/07 | L+70 | 6.02% | 50,272 | 50,523 |
| 1925 K Street (5) | 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 |
| India Property Fund \$82.5 million secured revolving credit facility | 03/08 | Prime | 8.25% | 80,000 | |
| Other | 07/07-04/10 | Various | 7.50% | 44,739 | 36,866 |
| Total Variable Interest Notes and Mortgages Payable | | | 6.78% | 574,979 | 229,801 |
| Total Notes and Mortgages Payable | | | 5.98% | \$ 8,932,484 | \$ 6,886,884 |
| Convertible Senior Debentures: | | | | | |
| Due 2027 (6) | 04/12 ⁽⁸⁾ | | 2.85% | \$ 1,373,478 | \$ |
| Due 2026 | 11/11 ⁽⁸⁾ | | 3.63% | 982,109 | 980,083 |
| Total Convertible Senior Debentures | | | 3.17% | \$ 2,355,587 | \$ 980,083 |
| Senior Unsecured Notes: | | | | | |
| Senior unsecured notes due 2009 | 08/09 | | 4.50% | \$ 249,174 | \$ 248,984 |
| Senior unsecured notes due 2010 | 12/10 | | 4.75% | 199,341 | 199,246 |
| Senior unsecured notes due 2011 | 02/11 | | 5.60% | 249,832 | 249,808 |
| Senior unsecured notes due 2007 at fair value (7) | N/A | N/A | N/A | | 498,562 |
| Total senior unsecured notes | | | 4.96% | \$ 698,347 | \$ 1,196,600 |
| Exchangeable Senior Debentures due 2025 | 04/12 ⁽⁸⁾ | | 3.88% | \$ 492,044 | \$ 491,231 |
| \$1 billion unsecured revolving credit facility | | | | | |
| (\$46,949 reserved for outstanding letters of credit) | 06/10 | L+30 | 5.64% | \$ 94,000 | \$ |
| AmeriCold \$30 million secured revolving credit facility (\$18,444 reserved for 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 May 14, 2007, we completed a \$44,978 financing of our 866 UN Plaza property. This interest only loan bears interest at LIBOR plus 0.40% and matures in May 2009. The net proceeds were used to repay the existing loan and closing costs.
- (2) 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. The 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 six months ended June 30, 2007.
- (3) On March 30, 2007, we repaid the \$47,011 balance of the Crystal Park 2 mortgage.
- (4) See Note 6. Investments in Partially Owned Entities for details.
- (5) On March 1, 2007, we repaid the \$19,394 balance of the 1925 K Street mortgage.
- (6) 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.

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(7) On May 11, 2007, we redeemed our \$500,000 5.625% senior unsecured notes at the face amount plus accrued interest.

(8) 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 | | For the Six Months | |
|-----------------------------|----------------------|-----------|--------------------|-----------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Tenant cleaning fees | \$ 10,527 | \$ 7,511 | \$ 20,370 | \$ 15,653 |
| Management and leasing fees | 2,804 | 2,534 | 10,003 | 5,182 |
| Lease termination fees | 1,294 | 5,907 | 4,735 | 10,389 |
| Other income | 10,225 | 5,637 | 18,805 | 12,022 |
| | \$ 24,850 | \$ 21,589 | \$ 53,913 | \$ 43,246 |

Fee and other income above include management fee income from Interstate Properties, a related party, of \$205,000 and \$194,000 in the three months ended June 30, 2007 and 2006, respectively and \$410,000 and \$382,000 in the six months ended June 30, 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 June 30, 2007 and December 31, 2006. Assets related to discontinued operations consist primarily of the net book value of real estate. Liabilities related to discontinued operations consist primarily of below market lease intangibles and deferred tax liabilities established at acquisition.

| (Amounts in thousands) | Assets related to | | Liabilities related to | |
|----------------------------------------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Discontinued Operations | | Discontinued Operations | |
| | as of | | as of | |
| | June 30, | December 31, | June 30, | December 31, |
| | 2007 | 2006 | 2007 | 2006 |
| H Street land subject to ground leases Vineland, New Jersey | \$ 223,000 | \$ 23,696 | \$ 42,533 | \$ 15,161 |
| | 908 | 908 | | |
| Total | \$ 223,908 | \$ 24,604 | \$ 42,533 | \$ 15,161 |

The following table sets forth the combined results of operations related to discontinued operations for the three and six months ended June 30, 2007 and 2006.

| (Amounts in thousands) | For the Three Months | | For the Six Months | |
|------------------------|----------------------|-------|--------------------|----------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$ | \$266 | \$ 20 | \$ 2,393 |
| Expenses | 40 | 1,113 | 91 | 2,665 |

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| | | | | |
|-------------------------------------------------------------------------|----------|-----------|----------|-----------|
| Net loss | (40) | (847) | (71) | (272) |
| Net gain on sale of 1919 South Eads Street | | 17,609 | | 17,609 |
| 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 |
| (Loss) income from discontinued operations, net of minority interest | \$ (40) | \$ 16,762 | \$ (71) | \$ 33,497 |

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 | | For The Six Months | |
|---------------------------------------------------------------------------------------------------|-----------------------------|-------------|---------------------------|-------------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Numerator: | | | | |
| Income from continuing operations, net of minority interest in the Operating Partnership | \$ 165,960 | \$ 146,407 | \$ 332,922 | \$ 278,884 |
| (Loss) income from discontinued operations, net of minority interest | (40) | 16,762 | (71) | 33,497 |
| Net income | 165,920 | 163,169 | 332,851 | 312,381 |
| Preferred share dividends | (14,295) | (14,404) | (28,591) | (28,811) |
| Numerator for basic income per share net income applicable to common shares | 151,625 | 148,765 | 304,260 | 283,570 |
| Impact of assumed conversions: | | | | |
| Interest on 3.875% exchangeable senior debentures | 5,203 | 5,094 | 10,512 | 10,188 |
| Convertible preferred share dividends | 69 | 179 | 143 | 370 |
| Numerator for diluted income per share net income applicable to common shares | \$ 156,897 | \$ 154,038 | \$ 314,915 | \$ 294,128 |
| Denominator: | | | | |
| Denominator for basic income per share weighted average shares | 151,794 | 141,418 | 151,612 | 141,275 |
| Effect of dilutive securities (1): | | | | |
| Employee stock options and restricted share awards | 6,770 | 7,640 | 6,916 | 7,529 |
| 3.875% exchangeable senior debentures | 5,559 | 5,531 | 5,559 | 5,531 |
| Convertible preferred shares | 118 | 304 | 122 | 315 |
| Denominator for diluted income per share adjusted weighted average shares and assumed conversions | 164,241 | 154,893 | 164,209 | 154,650 |
| INCOME PER COMMON SHARE BASIC: | | | | |
| Income from continuing operations | \$ 1.00 | \$ 0.93 | \$ 2.01 | \$ 1.77 |
| Income from discontinued operations, net of minority interest | | 0.12 | | 0.24 |
| Net income per common share | \$ 1.00 | \$ 1.05 | \$ 2.01 | \$ 2.01 |
| INCOME PER COMMON SHARE DILUTED: | | | | |
| Income from continuing operations | \$ 0.96 | \$ 0.88 | \$ 1.92 | \$ 1.68 |
| Income from discontinued operations, net of minority interest | | 0.11 | | 0.22 |
| Net income per common share | \$ 0.96 | \$ 0.99 | \$ 1.92 | \$ 1.90 |

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- (1) The effect of dilutive securities above excludes anti-dilutive weighted average common share equivalents. Substantially all of the anti-dilutive common share equivalents represent Class A common units of the Operating Partnership owned by minority partners. The three and six months ended June 30, 2007, exclude 16,511,521 and 16,600,981 weighted average common share equivalents, respectively. The three and six months ended June 30, 2006, exclude 16,443,457 and 16,551,507 weighted average common share equivalents, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

13. Comprehensive Income

| (Amounts in thousands) | For The Three Months | | For The Six Months | |
|--------------------------|----------------------|------------|--------------------|------------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Net income | \$ 165,920 | \$ 163,169 | \$ 332,851 | \$ 312,381 |
| Other comprehensive loss | (31,720) | (53,446) | (24,959) | (38,260) |
| Comprehensive income | \$ 134,200 | \$ 109,723 | \$ 307,892 | \$ 274,121 |

Substantially all of other comprehensive loss for the three and six months ended June 30, 2007 and 2006 relates to 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 and six months ended June 30, 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 June 30, 2007 and 2006, we recognized \$6,461,000 and \$2,873,000 of stock-based compensation expense, respectively and in the six months ended June 30, 2007 and 2006 we recognized \$12,620,000 and \$4,236,000 of stock-based compensation expense, respectively.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

15. Commitments and Contingencies

At June 30, 2007, our \$1 billion revolving credit facility, which expires in June 2010, had a \$94,000,000 outstanding balance and \$46,949,000 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 June 30, 2007, AmeriCold's \$30,000,000 revolving credit facility had a zero outstanding balance and \$18,444,000 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 \$171,655,000. Of this amount, \$95,000,000 relates to our equity commitment to the India Property Fund, LP, and \$23,500,000 relates to capital expenditures to be funded over the next five years at the Springfield Mall, in which we have a 97.5% interest.

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 earn current-pay interest at 30-day LIBOR plus 11%. The loan matures in November 2008, with a one-year extension option. As of June 30, 2007, we have funded \$8,952,000 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.

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 \$138,540,000 and \$219,990,000 of cash invested in these agreements at June 30, 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.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

15. Commitments and Contingencies - continued

Litigation

Stop & Shop

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.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and 555 California Street. Our 70% interest was 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.

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.

In connection with the acquisition, we have agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired 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. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

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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.

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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 | | For The Six Months | |
|--------------------------------|----------------------|----------|--------------------|----------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Service cost | \$ 231 | \$ 75 | \$ 347 | \$ 243 |
| Interest cost | 2,100 | 1,254 | 3,297 | 2,460 |
| Expected return on plan assets | (2,889) | (1,474) | (4,483) | (2,948) |
| Amortization of net loss | 73 | 108 | 140 | 181 |
| Net periodic benefit cost | \$ (485) | \$ (37) | \$ (699) | \$ (64) |

Employer Contributions

We made contributions of \$982,000 and \$4,272,000 to the plans during the six months ended June 30, 2007 and 2006, respectively. We anticipate additional contributions of \$1,482,000 to the plans during the remainder of 2007.

17. Costs of Acquisition Not Consummated

In the first quarter of 2007, we 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.

Effective as of April 19, 2007, we 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

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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 we terminate his employment without cause or by him for breach by us. The agreement also provides that if we terminate Mr. Schear's employment without cause or by him for breach by us, 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⁽¹⁾ by segment for the three months ended June 30, 2007 and 2006.

| (Amounts in thousands) | For the Three Months Ended June 30, 2007 | | | | | | | |
|--------------------------------------|------------------------------------------|------------|----------------|-----------|-------------|-----------|-------------|----------------------|
| | | Office | | | Merchandise | | Temperature | |
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 442,793 | \$ 152,850 | \$ 113,054 | \$ 80,070 | \$ 60,701 | \$ | \$ | \$ 36,118 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 11,156 | 4,526 | 2,915 | 2,911 | 619 | | | 185 |
| Amortization of free rent | 10,497 | 5,726 | 3,760 | 239 | 560 | | | 212 |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 20,317 | 10,387 | 1,150 | 7,608 | 90 | | | 1,082 |
| Total rentals | 484,763 | 173,489 | 120,879 | 90,828 | 61,970 | | | 37,597 |
| Temperature Controlled Logistics | 206,474 | | | | | 206,474 | | |
| Tenant expense reimbursements | 77,370 | 29,642 | 10,772 | 28,887 | 5,526 | | | 2,543 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 10,527 | 13,062 | | | | | | (2,535) |
| Management and leasing fees | 2,804 | 974 | 1,972 | 580 | (19) | | | (703) |
| Lease termination fees | 1,294 | 100 | 130 | 902 | 162 | | | |
| Other | 10,225 | 4,242 | 3,911 | 301 | 2,441 | | | (670) |
| Total revenues | 793,457 | 221,509 | 137,664 | 121,498 | 70,080 | 206,474 | | 36,232 |
| Operating expenses | 392,757 | 93,287 | 44,961 | 41,688 | 33,279 | 163,768 | | 15,774 |
| Depreciation and amortization | 132,457 | 36,744 | 29,219 | 22,109 | 11,391 | 20,412 | | 12,582 |
| General and administrative | 59,555 | 5,502 | 6,034 | 6,329 | 6,983 | 9,757 | | 24,950 |
| Total expenses | 584,769 | 135,533 | 80,214 | 70,126 | 51,653 | 193,937 | | 53,306 |
| Operating income (loss) | 208,688 | 85,976 | 57,450 | 51,372 | 18,427 | 12,537 | | (17,074) |
| Income applicable to Alexander's | 9,484 | 190 | | 164 | | | | 9,130 |
| Loss applicable to Toys R Us | (20,029) | | | | | | (20,029) | |
| Income from partially owned entities | 8,593 | 1,111 | 3,743 | 2,093 | 448 | 398 | | 800 |
| Interest and other investment income | 120,513 | 469 | 742 | 117 | 93 | 820 | | 118,272 |
| Interest and debt expense | (156,179) | (32,113) | (30,149) | (19,775) | (13,048) | (16,257) | | (44,837) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 15,778 | | | | | | | 15,778 |
| Minority interest of partially owned | | | | | | | | |
| entities | 4,349 | (569) | | 11 | | 3,003 | | 1,904 |
| Income (loss) before income taxes | 191,197 | 55,064 | 31,786 | 33,982 | 5,920 | 501 | (20,029) | 83,973 |
| Provision for income taxes | (3,566) | | (1,825) | (182) | (241) | (1,058) | | (260) |
| Income (loss) from | | | | | | | | |
| continuing operations | 187,631 | 55,064 | 29,961 | 33,800 | 5,679 | (557) | (20,029) | 83,713 |
| (Loss) income from discontinued | | | | | | | | |
| operations, net | (40) | | | (44) | | | | 4 |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 187,591 | 55,064 | 29,961 | 33,756 | 5,679 | (557) | (20,029) | 83,717 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (16,852) | | | | | | | (16,852) |
| Perpetual preferred unit | (4,819) | | | | | | | (4,819) |
| distributions of the | | | | | | | | |

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| | | | | | | | | | |
|----------------------------------------------|------------|------------|-----------|-----------|-----------|-----------|---|-----------|------------|
| Operating Partnership | | | | | | | | | |
| Net income (loss) | 165,920 | 55,064 | 29,961 | 33,756 | 5,679 | (557 |) | (20,029) | 62,046 |
| Interest and debt expense ⁽¹⁾ | 202,843 | 31,831 | 32,095 | 22,478 | 13,264 | 7,735 | | 40,984 | 54,456 |
| Depreciation and amortization ⁽¹⁾ | 165,990 | 36,600 | 32,831 | 22,912 | 11,525 | 9,740 | | 33,303 | 19,079 |
| Income tax (benefit) expense ⁽¹⁾ | (8,071) | 1,100 | 3,789 | 182 | 241 | 504 | | (14,934) | 1,047 |
| EBITDA | \$ 526,682 | \$ 124,595 | \$ 98,676 | \$ 79,328 | \$ 30,709 | \$ 17,422 | | \$ 39,324 | \$ 136,628 |

Other segment EBITDA includes a \$72,074 net gain on mark-to-market of derivative instruments, a \$15,778 net gain on sale of marketable equity securities and \$1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 34.

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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 June 30, 2006 | | | | | | | |
|------------------------------------------|------------------------------------------|--------------------|-------------------|-----------|---------------------|----------------------------------------|----------|----------------------|
| | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 372,192 | \$ 120,115 | \$ 103,010 | \$ 64,541 | \$ 61,885 | \$ | \$ | \$ 22,641 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 7,991 | 1,994 | 2,320 | 2,101 | 1,597 | | | (21) |
| Amortization of free rent | 9,621 | 1,927 | 6,089 | 1,263 | 342 | | | |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 3,672 | (11) | 946 | 2,338 | (93) | | | 492 |
| Total rentals | 393,476 | 124,025 | 112,365 | 70,243 | 63,731 | | | 23,112 |
| Temperature Controlled Logistics | 187,047 | | | | | 187,047 | | |
| Tenant expense reimbursements | 60,920 | 23,805 | 6,511 | 25,059 | 4,915 | | | 630 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 7,511 | 9,819 | | | | | | (2,308) |
| Management and leasing fees | 2,534 | 258 | 1,885 | 360 | 31 | | | |
| Lease termination fees | 5,907 | 5,388 | 5 | | 514 | | | |
| Other | 5,637 | 2,296 | 1,920 | 80 | 1,341 | | | |
| Total revenues | 663,032 | 165,591 | 122,686 | 95,742 | 70,532 | 187,047 | | 21,434 |
| Operating expenses | 319,851 | 72,046 | 36,494 | 31,688 | 22,514 | 145,896 | | 11,213 |
| Depreciation and amortization | 98,880 | 22,917 | 29,902 | 12,407 | 11,104 | 17,921 | | 4,629 |
| General and administrative | 51,715 | 4,140 | 7,846 | 5,294 | 7,045 | 9,606 | | 17,784 |
| Total expenses | 470,446 | 99,103 | 74,242 | 49,389 | 40,663 | 173,423 | | 33,626 |
| Operating income (loss) | 192,586 | 66,488 | 48,444 | 46,353 | 29,869 | 13,624 | | (12,192) |
| Income applicable to Alexander's | 14,750 | 186 | | 178 | | | | 14,386 |
| Loss applicable to Toys R Us | (7,884) | | | | | | (7,884) | |
| Income from partially owned entities | 14,635 | 1,166 | 5,058 | 2,188 | 445 | 369 | | 5,409 |
| Interest and other investment income | 16,623 | 180 | 378 | 353 | 66 | 1,364 | | 14,282 |
| Interest and debt expense | (120,822) | (20,848) | (26,187) | (24,131) | (3,542) | (18,452) | | (27,662) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 56,947 | | | | | | | 56,947 |
| Minority interest of partially owned | | | | | | | | |
| entities | 3,118 | | | 29 | 1 | 2,847 | | 241 |
| Income (loss) before income taxes | 169,953 | 47,172 | 27,693 | 24,970 | 26,839 | (248) | (7,884) | 51,411 |
| Provision for income taxes | (848) | | (602) | | (78) | (168) | | |
| Income (loss) from continuing operations | 169,105 | 47,172 | 27,091 | 24,970 | 26,761 | (416) | (7,884) | 51,411 |
| Income (loss) from discontinued | | | | | | | | |
| operations, net | 16,762 | | 16,807 | (42) | (3) | | | |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 185,867 | 47,172 | 43,898 | 24,928 | 26,758 | (416) | (7,884) | 51,411 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (17,324) | | | | | | | (17,324) |
| | (5,374) | | | | | | | (5,374) |

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Perpetual preferred unit
distributions of the

Operating Partnership

| | | | | | | | | | | |
|----------------------------------------------|------------|-----------|------------|-----------|-----------|-----------|---|-----------|---|-----------|
| Net income (loss) | 163,169 | 47,172 | 43,898 | 24,928 | 26,758 | (416 |) | (7,884 |) | 28,713 |
| Interest and debt expense ⁽¹⁾ | 171,778 | 21,523 | 30,315 | 27,118 | 3,762 | 8,779 | | 44,348 | | 35,933 |
| Depreciation and amortization ⁽¹⁾ | 133,377 | 23,850 | 34,724 | 13,320 | 11,245 | 8,553 | | 32,522 | | 9,163 |
| Income tax (benefit) expense ⁽¹⁾ | (28,642 |) | 3,620 | | 78 | 81 | | (32,522 |) | 101 |
| EBITDA | \$ 439,682 | \$ 92,545 | \$ 112,557 | \$ 65,366 | \$ 41,843 | \$ 16,997 | | \$ 36,464 | | \$ 73,910 |

Washington, DC office segment EBITDA includes net gains on sale of real estate of \$17,609. In addition, the Other Segment EBITDA includes a \$55,438 net gain on sale of marketable equity securities and \$10,410 net loss on mark-to-market of derivative instruments.

See notes on page 34.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

| 19. Segment Information | continued | | | | | | | |
|------------------------------------------|----------------------------------------|------------|----------------|-------------|------------|-------------|--------|----------------------|
| | For the Six Months Ended June 30, 2007 | | | | | | | |
| (Amounts in thousands) | Office | | | Merchandise | | Temperature | | Other ⁽²⁾ |
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Toys | |
| Property rentals | \$ 843,680 | \$ 290,498 | \$ 216,233 | \$ 157,791 | \$ 124,809 | \$ | \$ | \$ 54,349 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 18,681 | 7,879 | 3,394 | 5,808 | 1,273 | | | 327 |
| Amortization of free rent | 23,447 | 13,185 | 8,609 | 511 | 930 | | | 212 |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 34,322 | 17,679 | 2,123 | 12,847 | 120 | | | 1,553 |
| Total rentals | 920,130 | 329,241 | 230,359 | 176,957 | 127,132 | | | 56,441 |
| Temperature Controlled Logistics | 406,567 | | | | | 406,567 | | |
| Tenant expense reimbursements | 149,903 | 58,350 | 19,705 | 57,584 | 10,809 | | | 3,455 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 20,370 | 25,148 | | | | | | (4,778) |
| Management and leasing fees | 10,003 | 1,829 | 8,533 | 924 | 3 | | | (1,286) |
| Lease termination fees | 4,735 | 1,898 | 225 | 2,407 | 205 | | | |
| Other | 18,805 | 8,023 | 6,738 | 655 | 4,003 | | | (614) |
| Total revenues | 1,530,513 | 424,489 | 265,560 | 238,527 | 142,152 | 406,567 | | 53,218 |
| Operating expenses | 763,701 | 181,539 | 83,720 | 82,205 | 66,325 | 321,296 | | 28,616 |
| Depreciation and amortization | 241,263 | 66,549 | 54,567 | 39,392 | 23,067 | 39,835 | | 17,853 |
| General and administrative | 112,439 | 9,448 | 14,362 | 13,331 | 14,485 | 22,217 | | 38,596 |
| Costs of acquisition not consummated | 8,807 | | | | | | | 8,807 |
| Total expenses | 1,126,210 | 257,536 | 152,649 | 134,928 | 103,877 | 383,348 | | 93,872 |
| Operating income (loss) | 404,303 | 166,953 | 112,911 | 103,599 | 38,275 | 23,219 | | (40,654) |
| Income applicable to Alexander's | 23,003 | 378 | | 373 | | | | 22,252 |
| Income applicable to Toys R Us | 38,632 | | | | | | 38,632 | |
| Income from partially owned entities | 17,698 | 2,398 | 7,435 | 3,388 | 787 | 808 | | 2,882 |
| Interest and other investment income | 174,992 | 1,142 | 1,059 | 192 | 188 | 1,791 | | 170,620 |
| Interest and debt expense | (303,192) | (61,581) | (64,464) | (39,783) | (25,895) | (32,779) | | (78,690) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 16,687 | | | | | | | 16,687 |
| Minority interest of partially owned | | | | | | | | |
| entities | 8,232 | (569) | | 58 | | 6,536 | | 2,207 |
| Income (loss) before income taxes | 380,355 | 108,721 | 56,941 | 67,827 | 13,355 | (425) | 38,632 | 95,304 |
| Provision for income taxes | (3,767) | | (1,584) | (182) | (571) | (1,170) | | (260) |
| Income (loss) from continuing | | | | | | | | |
| operations | 376,588 | 108,721 | 55,357 | 67,645 | 12,784 | (1,595) | 38,632 | 95,044 |
| (Loss) income from discontinued | | | | | | | | |
| operations, net | (71) | | | (78) | | | | 7 |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 376,517 | 108,721 | 55,357 | 67,567 | 12,784 | (1,595) | 38,632 | 95,051 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (34,029) | | | | | | | (34,029) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (9,637) | | | | | | | (9,637) |
| Net income (loss) | 332,851 | 108,721 | 55,357 | 67,567 | 12,784 | (1,595) | 38,632 | 51,385 |
| Interest and debt expense ⁽¹⁾ | 401,614 | 61,969 | 68,003 | 45,275 | 26,328 | 15,596 | 87,618 | 96,825 |

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| | | | | | | | | |
|----------------------------------------------|--------------|------------|------------|------------|-----------|-----------|------------|------------|
| Depreciation and amortization ⁽¹⁾ | 329,141 | 67,342 | 61,090 | 41,198 | 23,347 | 19,008 | 88,699 | 28,457 |
| Income tax expense ⁽¹⁾ | 47,513 | 1,100 | 5,404 | 182 | 571 | 557 | 38,463 | 1,236 |
| EBITDA | \$ 1,111,119 | \$ 239,132 | \$ 189,854 | \$ 154,222 | \$ 63,030 | \$ 33,566 | \$ 253,412 | \$ 177,903 |

Other segment EBITDA includes an \$81,451 net gain on mark-to-market of derivative instruments, a \$16,687 net gain on sale of marketable equity securities, \$8,807 of expense for costs of an acquisition not consummated and \$1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 34.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

| 19. Segment Information | continued | | | | | | | |
|----------------------------------------------|----------------------------------------|------------|----------------|-------------|------------|-------------|----------|----------------------|
| | For the Six Months Ended June 30, 2006 | | | | | | | |
| (Amounts in thousands) | Office | | | Merchandise | | Temperature | | Other ⁽²⁾ |
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Toys | |
| Property rentals | \$ 722,926 | \$ 239,817 | \$ 202,873 | \$ 125,525 | \$ 115,845 | \$ | \$ | \$ 38,866 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 13,251 | 2,154 | 3,869 | 4,085 | 3,192 | | | (49) |
| Amortization of free rent | 16,931 | 3,794 | 9,623 | 2,621 | 893 | | | |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 8,471 | (22) | 2,130 | 4,547 | 22 | | | 1,794 |
| Total rentals | 761,579 | 245,743 | 218,495 | 136,778 | 119,952 | | | 40,611 |
| Temperature Controlled Logistics | 382,897 | | | | | 382,897 | | |
| Tenant expense reimbursements | 122,647 | 48,352 | 14,356 | 48,610 | 9,869 | | | 1,460 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 15,653 | 19,830 | | | | | | (4,177) |
| Management and leasing fees | 5,182 | 488 | 3,930 | 720 | 44 | | | |
| Lease termination fees | 10,389 | 9,159 | 66 | 371 | 793 | | | |
| Other | 12,022 | 4,846 | 3,045 | 951 | 3,179 | | | 1 |
| Total revenues | 1,310,369 | 328,418 | 239,892 | 187,430 | 133,837 | 382,897 | | 37,895 |
| Operating expenses | 651,766 | 146,133 | 71,505 | 60,164 | 50,919 | 300,228 | | 22,817 |
| Depreciation and amortization | 189,185 | 45,678 | 55,014 | 22,814 | 22,199 | 34,990 | | 8,490 |
| General and administrative | 96,447 | 8,013 | 15,763 | 10,217 | 13,025 | 19,008 | | 30,421 |
| Total expenses | 937,398 | 199,824 | 142,282 | 93,195 | 86,143 | 354,226 | | 61,728 |
| Operating income (loss) | 372,971 | 128,594 | 97,610 | 94,235 | 47,694 | 28,671 | | (23,833) |
| Income applicable to Alexander's | 11,155 | 399 | | 358 | | | | 10,398 |
| Income applicable to Toys R Us | 44,876 | | | | | | 44,876 | |
| Income from partially owned entities | 20,686 | 1,810 | 5,724 | 2,230 | 779 | 764 | | 9,379 |
| Interest and other investment income | 39,098 | 368 | 693 | 473 | 126 | 1,996 | | 35,442 |
| Interest and debt expense | (224,716) | (41,122) | (49,037) | (43,792) | (7,069) | (32,714) | | (50,982) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 57,495 | | | | | | | 57,495 |
| Minority interest of partially owned | | | | | | | | |
| entities | 2,844 | | | 29 | 4 | 2,379 | | 432 |
| Income before income taxes | 324,409 | 90,049 | 54,990 | 53,533 | 41,534 | 1,096 | 44,876 | 38,331 |
| Provision for income taxes | (1,980) | | (835) | | (119) | (1,026) | | |
| Income from continuing operations | 322,429 | 90,049 | 54,155 | 53,533 | 41,415 | 70 | 44,876 | 38,331 |
| Income from discontinued | | | | | | | | |
| operations, net | 33,497 | | 16,356 | 9,298 | 5,736 | 2,107 | | |
| Income before allocation to | | | | | | | | |
| minority limited partners | 355,926 | 90,049 | 70,511 | 62,831 | 47,151 | 2,177 | 44,876 | 38,331 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (33,198) | | | | | | | (33,198) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (10,347) | | | | | | | (10,347) |
| Net income (loss) | 312,381 | 90,049 | 70,511 | 62,831 | 47,151 | 2,177 | 44,876 | (5,214) |
| Interest and debt expense ⁽¹⁾ | 342,239 | 42,434 | 54,399 | 49,456 | 7,511 | 15,565 | 105,449 | 67,425 |
| Depreciation and amortization ⁽¹⁾ | 258,808 | 47,214 | 61,385 | 26,566 | 22,481 | 16,701 | 66,686 | 17,775 |
| Income tax (benefit) expense ⁽¹⁾ | (2,904) | | 3,853 | | 119 | 489 | (7,556) | 191 |

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| | | | | | | | | |
|--------|------------|------------|------------|------------|-----------|-----------|------------|-----------|
| EBITDA | \$ 910,524 | \$ 179,697 | \$ 190,148 | \$ 138,853 | \$ 77,262 | \$ 34,932 | \$ 209,455 | \$ 80,177 |
|--------|------------|------------|------------|------------|-----------|-----------|------------|-----------|

EBITDA includes net gains on sale of real estate of \$33,769, of which \$17,609 is included in the Washington, DC segment \$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, the Other Segment EBITDA includes a \$55,438 net gain on sale of marketable equity securities and a \$5,974 net loss on mark-to-market of derivative instruments.

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 | | For the Six Months | |
|---------------------------------------------------------------------|------------------------|-----------|------------------------|-----------|
| | Ended June 30, 2007 | 2006 | Ended June 30, 2007 | 2006 |
| Alexander s | \$ 17,166 | \$ 21,970 | \$37,499 | \$25,506 |
| Hotel Pennsylvania | 11,177 | 7,872 | 14,781 | 10,559 |
| 555 California Street | 6,349 | | 6,349 | |
| Lexington MLP | 5,984 | 8,467 | 5,984 | 16,737 |
| GMH | 4,177 | | 8,345 | |
| Industrial warehouses | 823 | 1,509 | 2,196 | 3,021 |
| Other investments | 1,841 | 3,789 | 5,752 | 6,403 |
| | 47,517 | 43,607 | 80,906 | 62,226 |
| Investment income and other | 131,772 | 69,490 | 182,834 | 89,497 |
| Corporate general and administrative expenses | (20,990) | (16,489) | (33,364) | (28,001) |
| Minority limited partners' interest in the Operating Partnership | (16,852) | (17,324) | (34,029) | (33,198) |
| Perpetual preferred unit distributions of the Operating Partnership | (4,819) | (5,374) | (9,637) | (10,347) |
| Costs of acquisition not consummated | | | (8,807) | |
| | \$ 136,628 | \$ 73,910 | \$177,903 | \$80,177 |

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 June 30, 2007, and the related consolidated statements of income for the three-month and six-month periods ended June 30, 2007 and 2006 and of cash flows for the six-month periods ended June 30, 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. We also audited the adjustments described in Note 11 that were applied to reclassify the December 31, 2006 consolidated balance sheet of Vornado Realty Trust (not presented herein) for discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted balance sheet as of December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

July 31, 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 and six months ended June 30, 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 June 30, 2007:

| | Total Return ⁽¹⁾ | |
|-------------|------------------------------------|------------|
| | Vornado | RMS |
| One-year | 16.4% | 12.1% |
| Three-years | 116.8% | 78.2% |
| Five-years | 203.8% | 134.0% |
| Ten-years | 413.0% | 240.0% |

(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 June 30, 2007 Financial Results Summary

Net income applicable to common shares for the quarter ended June 30, 2007 was \$151,625,000, or \$0.96 per diluted share, versus \$148,765,000, or \$0.99 per diluted share, for the quarter ended June 30, 2006. Net income for the quarters ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on page 40. Net income for the quarter ended June 30, 2006 also includes \$17,609,000 for our share of the net gain on sale of 1919 South Eads Street. The aggregate of these items, net of minority interest, increased net income applicable to common shares for the quarter ended June 30, 2007 by \$63,589,000, or \$0.39 per diluted share and increased net income for the quarter ended June 30, 2006 by \$55,828,000, or \$0.36 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (FFO) for the quarter ended June 30, 2007 was \$281,741,000, or \$1.72 per diluted share, compared to \$230,430,000, or \$1.49 per diluted share, for the prior year's quarter. FFO for the quarters ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on page 40. The aggregate of these items, net of minority interest, increased FFO for the quarter ended June 30, 2007 by \$63,141,000, or \$0.39 per diluted share and increased FFO for the quarter ended June 30, 2006 by \$39,908,000, or \$0.26 per diluted share.

Net income per diluted share and FFO per diluted share for the quarter ended June 30, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year's quarter of 9,348,000.

We did not recognize income on certain assets with an aggregate carrying amount of approximately \$986,000,000 during the quarter ended June 30, 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, 1925 K Street, 220 Central Park South, 40 East 66th 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 June 30, 2007 over the quarter ended June 30, 2006 and the trailing quarter ended December 31, 2006 are summarized below.

| | Office | | Washington, | | Merchandise | Temperature |
|----------------------------------|-----------------|-----------|--------------------|-------------|--------------------|--------------------|
| | New York | DC | Retail | Mart | Controlled | Logistics |
| Quarter Ended: | | | | | | |
| June 30, 2007 vs. June 30, 2006 | 9.0% | 5.0% | 2.0% | (1) (2.5%) | | (0.7%) |
| June 30, 2007 vs. March 31, 2007 | 2.5% | 3.7% | 2.5% | 2.5% | | (1.4%) |

(1) The same store increase would be 4.6% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of \$61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of \$204.00 per square foot.

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Calculations of same-store EBITDA, reconciliations of net income to EBITDA and FFO and the reasons we consider these 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)Six Months Ended June 30, 2007 Financial Results Summary

Net income applicable to common shares for the six months ended June 30, 2007 was \$304,260,000, or \$1.92 per diluted share, versus \$283,570,000, or \$1.90 per diluted share, for the six months ended June 30, 2006. Net income for the six months ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on the following page. Net income for the six months ended June 30, 2006 also includes \$33,769,000 for our share of net gains on sale of real estate. The aggregate of these items, net of minority interest, increased net income applicable to common shares for the six months ended June 30, 2007 by \$61,299,000, or \$0.37 per diluted share and increased net income for the six months ended June 30, 2006 by \$62,547,000, or \$0.40 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (FFO) for the six months ended June 30, 2007 was \$551,906,000, or \$3.36 per diluted share, compared to \$442,346,000, or \$2.86 per diluted share, for the prior year's six months. FFO for the six months ended June 30, 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, increased FFO for the six months ended June 30, 2007 by \$60,851,000, or \$0.37 per diluted share and increased FFO for the six months ended June 30, 2006 by \$33,040,000, or \$0.21 per diluted share.

Net income per diluted share and FFO per diluted share for the six months ended June 30, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year's six months of 9,559,000.

The percentage increase (decrease) in the same-store EBITDA of our operating segments for the six months ended June 30, 2007 over the six months ended June 30, 2006 is summarized below.

| | Office | Washington, | | Merchandise | Temperature |
|---------------------------------|-----------------|--------------------|---------------|--------------------|--------------------|
| | New York | DC | Retail | Mart | Controlled |
| Six months Ended: | | | | | Logistics |
| June 30, 2007 vs. June 30, 2006 | 9.3% | 5.6% | 1.8% | (1) (2.8%) | (0.7%) |

(1) The same store increase would be 4.2% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of \$61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of \$204.00 per square foot.

Overview (continued)

| (Amounts in thousands) | For the Three Months | | For the Six Months | |
|-------------------------------------------------------------------|------------------------|--------------|------------------------|--------------|
| | Ended June 30, 2007 | 2006 | Ended June 30, 2007 | 2006 |
| Items that affect comparability (income)/expense: | | | | |
| Derivatives: | | | | |
| McDonalds common shares | \$(71,390) | \$ 14,515 | \$ (74,613) | \$ 8,215 |
| Sears Holdings common shares | | | | (18,611) |
| GMH warrants | | (4,105) | | 16,370 |
| Other | (684) | | (6,841) | |
| Alexander s: | | | | |
| Stock appreciation rights | (1,222) | (4,836) | (5,916) | 7,559 |
| Net gain on sale of 731 Lexington Avenue condominiums | | (2,722) | | (4,580) |
| Other: | | | | |
| India Property Fund LP organization costs | 1,677 | | 1,677 | |
| Costs of acquisition not consummated | | | 8,807 | |
| Prepayment penalties and write-off of unamortized financing costs | | 4,933 | 5,861 | 4,933 |
| H Street litigation costs | | 2,093 | 1,891 | 3,561 |
| Net gain on sale of Sears Canada common shares | | (55,438) | | (55,438) |
| Other, net | 2,131 | 1,415 | 2,131 | 1,415 |
| | (69,488) | (44,145) | (67,003) | (36,576) |
| Minority limited partners share of above adjustments | 6,347 | 4,237 | 6,152 | 3,536 |
| Total items that affect comparability | \$(63,141) | \$ (39,908) | \$ (60,851) | \$ (33,040) |

Overview (continued)

2007 Acquisitions and Significant Investments

100 West 33rd 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 32nd and 33rd 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 June 30, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property are included in the New York Office segment and the operations of the retail component are 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.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired 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 51st and 52nd Street on Avenue of the Americas, and the 3-building 555 California Street complex (555 California Street) 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 was approximately \$1.8 billion, consisting of \$1.0 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. Our 70% interest was 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. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

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.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired 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. We believe that the claims

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relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

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Overview (continued)

1290 Avenue of the Americas and 555 California Street - continued

The following summarizes our allocation of the purchase price to the assets and liabilities acquired.

| | |
|----------------------------------------------------------------------------------------------|--------------|
| (Amounts in thousands) | |
| Land | \$ 652,144 |
| Building | 1,219,968 |
| Acquired above-market leases | 33,205 |
| Other assets | 223,083 |
| Acquired in-place leases | 173,922 |
| Assets acquired | 2,302,322 |
| Mortgage debt | 812,380 |
| Acquired below-market leases | 223,764 |
| Other liabilities | 40,784 |
| Liabilities acquired | 1,076,928 |
| Net assets acquired (\$1.0 billion excluding net working capital acquired and closing costs) | \$ 1,225,394 |

Our initial valuation of the assets and liabilities acquired (70% interest) is preliminary and subject to change within the one-year period from the date of closing, as additional valuation information becomes available.

The following table presents our pro forma condensed consolidated statements of income for the three and six months ended June 30, 2007 and 2006 as if the above transaction occurred on January 1, 2006. The unaudited pro forma information is not necessarily indicative of what our actual results would have been had the transaction been consummated on January 1, 2006, nor does it represent the results of operations for any future periods. In our opinion all adjustments necessary to reflect this transaction have been made.

| Condensed Consolidated Statements of Income (Amounts in thousands, except per share amounts) | Pro forma | | | |
|-------------------------------------------------------------------------------------------------|----------------|----------------|--------------------|----------------|
| | For the Three | | For the Six Months | |
| | Months | | Months | |
| | Ended June 30, | Ended June 30, | Ended June 30, | Ended June 30, |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$ 856,481 | \$ 754,571 | \$ 1,685,076 | \$ 1,493,447 |
| Income before allocation to limited partners | \$ 173,612 | \$ 174,936 | \$ 351,607 | \$ 334,065 |
| Minority limited partners' interest in the Operating Partnership | (16,547) | (17,324) | (33,724) | (33,198) |
| Perpetual preferred unit distributions of the Operating Partnership | (4,819) | (5,374) | (9,637) | (10,347) |
| Net income | 152,246 | 152,238 | 308,246 | 290,520 |
| Preferred share dividends | (14,295) | (14,404) | (28,591) | (28,811) |
| Net income applicable to common shares | \$ 137,951 | \$ 137,834 | \$ 279,655 | \$ 261,709 |

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| | | | | |
|---------------------------------------|--------|--------|--------|--------|
| Net income per common share - basic | \$0.91 | \$0.97 | \$1.84 | \$1.85 |
| Net income per common share - diluted | \$0.87 | \$0.92 | \$1.77 | \$1.76 |

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 \$333,000,000 in cash and \$50,000,000 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. Beginning on April 30, 2007, we consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

Further, we have agreed to sell approximately 19.6 of the 34 acres of land to one of the existing ground lessees in two closings over a two-year period for approximately \$220,000,000 in cash. The first closing was completed on May 11, 2007 for approximately \$104,000,000. Our net gain on sale of \$15,831,000 was deferred because the buyer's cash down payment was not sufficient for gain recognition pursuant to Statement of Financial Accounting Standards (SFAS) No. 66 *Accounting For Sales of Real Estate*, and will be recognized upon receipt of the remaining sale proceeds in the fourth quarter of 2007. In April 2007, we received letters from the two remaining ground lessees claiming a right of first offer on the sale of the land, one of which has since retracted its letter and reserved its rights under the lease. Discussions with both lessees are on-going.

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.

Toys R Us Stores

On May 31, 2007, we acquired four properties from Toys R Us (Toys) for \$12,242,000 in cash, which completed our September 2006 agreement to acquire 43 stores that were closed as part of Toys January 2006 store closing program. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. Our \$1,045,000 share of Toys net gain on this transaction was recorded as an adjustment to the basis of our investment in Toys and was not recorded as income.

India Property Fund LP

In 2005 and 2006, we invested \$94,200,000 in two joint ventures established to acquire, manage and develop real estate in India. On June 14, 2007, we committed to contribute \$95,000,000 to a third venture, the India Property Fund, LP (the Fund), also established to acquire, manage and develop real estate in India. We satisfied \$77,000,000 of our commitment by contributing our interest in one of the above mentioned joint ventures to the Fund. The Fund will seek to raise additional equity; as of June 30, 2007, we own 95% of the Fund and therefore consolidate the accounts of the Fund into our consolidated financial statements, pursuant to the requirements of FIN 46 (R) - *Consolidation of Variable Interest Entities*.

Overview (continued)

Shopping Center Portfolio Acquisition

On June 26, 2007, we entered into an agreement to acquire a 15 shopping center portfolio aggregating approximately 1.9 million square feet. The properties are located primarily in Northern New Jersey and Long Island, New York. The purchase price is approximately \$351,000,000, consisting of approximately \$120,000,000 of cash, \$89,000,000 of newly issued Vornado Realty L.P. redeemable preferred and common units and \$142,000,000 of existing debt. On June 28, 2007, we completed the acquisition of five of the shopping centers for \$116,561,000, consisting of \$94,179,000 in cash, \$15,993,000 in Vornado Realty L.P. preferred units and \$6,389,000 of Vornado Realty L.P. common units. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. The closing of the remaining shopping centers is expected to occur in two additional tranches and be completed by the end of 2007, subject to customary closing conditions.

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. During April and May of 2007, we were repaid the \$72,400,000 outstanding balance of the mezzanine loan in multiple principal payments, together with accrued interest of \$506,000, which was recognized as interest and other investment income in the three months ended June 30, 2007.

Fortress Loan

In 2006, we acquired bonds for \$99,500,000 in cash, representing a 7% interest in two margin loans aggregating \$1.430 billion. On March 30, 2007, we were repaid \$35,348,000, together with accrued interest of \$2,205,000 and a prepayment premium of \$177,000, which was recognized as interest and other investment income in the three months ended March 31, 2007. On July 10, 2007, an additional \$13,221,000 was repaid, together with accrued interest of \$27,000. The remaining balance of our investment in the bonds of \$50,931,000, is due in December 2007.

MPH Mezzanine Loans

On June 5, 2007, we acquired a 42% interest in two mezzanine loans totaling \$158,700,000, for \$66,403,000 in cash. The loans bear interest at LIBOR plus 5.32% (10.64% at June 30, 2007) and mature in February 2008. The loans are subordinate to \$2.9 billion of other debt and are secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56.

Other Investments:

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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 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.

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Overview (continued)

Downtown Crossing Joint Venture

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. 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. Our investment in the joint venture is accounted for under the equity method.

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

As of June 30, 2007, we own 858,000 common shares of McDonald's 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 sheets and not recognized in income. At June 30, 2007, based on McDonald's closing stock price of \$50.76 per share, \$18,207,000 of appreciation in the value of these shares was included in accumulated other comprehensive income on our consolidated balance sheet.

As of June 30, 2007, we own 13,696,000 McDonald's 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 McDonald's 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 and six months ended June 30, 2007, we recognized net gains of \$71,390,000, and \$74,613,000, respectively, representing the mark-to-market of the option shares to \$50.76 per share, net of the expense resulting from the LIBOR charges. For the three and six months ended June 30, 2006, we recognized a net loss of \$14,515,000 and \$8,215,000, respectively, representing the mark-to-market of the option shares to \$33.60 per share, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through June 30, 2007 is \$248,687,000.

Overview (continued)

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 June 30, 2007.

On May 11, 2007, we redeemed our \$500,000,000 5.625% senior unsecured notes at the face amount plus accrued interest.

On May 14, 2007, we completed a \$45,000,000 financing of our 866 UN Plaza property. The loan bears interest at LIBOR plus 0.40% and matures in May 2009. The net proceeds were used to repay the existing loan and closing costs.

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.

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 used the net proceeds primarily for acquisitions and investments and for general corporate purposes.

On July 25, 2007, the FASB authorized a FASB Staff Position (the proposed FSP) that, if issued, would affect the accounting for our convertible and exchangeable senior debentures. If issued in the form expected, the proposed FSP would require that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component. The resulting debt discount would be amortized over the period the debt is expected to be outstanding as additional interest expense. The proposed FSP is expected to be effective for fiscal years beginning after December 15, 2007, require retroactive application and result in approximately \$47,000,000 (\$42,000,000 net of minority interest) of additional interest expense per annum.

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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 Mart | | Temperature |
|----------------------------------------------------------------------------|-----------|----------------|-----------|------------------|----------|----------------------|
| | New York | Washington, DC | Retail | Office | Showroom | Controlled Logistics |
| As of June 30, 2007: | | | | | | |
| Square feet/ cubic feet | 15,962 | 17,900 | 21,053 | 2,756 | 6,330 | 18,940/ 497,700 |
| Number of properties | 28 | 84 | 175 | 9 | 9 | 91 |
| Occupancy rate | 97.8% | 93.2% | 93.4% | 96.3% | 91.3% | 70.4% |
| Leasing Activity: | | | | | | |
| Quarter Ended June 30, 2007: | | | | | | |
| Square feet | 202 | 767 | 239 | 138 | 268 | |
| Initial rent (1) | \$75.10 | \$ 33.37 | \$ 30.24 | \$23.18 | \$ 26.27 | |
| Weighted average lease terms (years) | 6.4 | 5.4 | 9.7 | 13.0 | 5.0 | |
| Rent per square foot relet space: | | | | | | |
| Square feet | 154 | 647 | 69 | 138 | 259 | |
| Initial Rent (1) | \$81.53 | \$ 33.29 | \$ 35.30 | \$23.18 | \$ 26.29 | |
| Prior escalated rent | \$48.77 | \$ 31.83 | \$ 29.06 | \$25.61 | \$ 25.28 | |
| Percentage increase (decrease): | | | | | | |
| Cash basis | 67.2% (2) | 4.6% | 21.5% | (9.5%) | 4.0% | |
| GAAP basis | 63.8% (2) | 4.8% | 27.2% | 20.0% | 15.9% | |
| Rent per square foot vacant space: | | | | | | |
| Square feet | 48 | 120 | 170 | | 9 | |
| Initial rent (1) | \$54.47 | \$ 33.82 | \$ 28.16 | \$ | \$ 25.83 | |
| Tenant improvements and leasing commissions: | | | | | | |
| Per square foot | \$40.06 | \$ 10.73 | \$ 11.24 | \$67.97 | \$ 10.91 | |
| Per square foot per annum | \$6.23 | \$ 1.99 | \$ 1.15 | \$5.23 | \$ 2.18 | |
| Percentage of initial rent | 8.3% | 6.0% | 3.8% | 22.6% | 8.3% | |
| Six Months Ended June 30, 2007: | | | | | | |
| Square feet | 447 | 1,421 | 462 | 144 | 591 | |
| Initial rent (1) | \$66.91 | \$ 35.62 | \$ 35.02 | \$23.77 | \$ 25.44 | |
| Weighted average lease terms (years) | 7.0 | 6.2 | 8.9 | 12.8 | 4.8 | |
| Rent per square foot relet space: | | | | | | |
| Square feet | 390 | 1,058 | 189 | 144 | 581 | |
| Initial Rent (1) | \$68.98 | \$ 33.68 | \$ 46.78 | \$23.77 | \$ 25.44 | |
| Prior escalated rent | \$46.84 | \$ 32.59 | \$ 28.19 | \$25.88 | \$ 24.97 | |
| Percentage increase (decrease): | | | | | | |
| Cash basis | 47.3% | 3.3% | 65.9% (2) | (8.1%) | 1.9% | |
| GAAP basis | 55.1% | 4.0% | 41.6% (2) | 20.2% | 13.0% | |
| Rent per square foot vacant space: | | | | | | |
| Square feet | 57 | 364 | 273 | | 9 | |
| Initial rent (1) | \$52.75 | \$ 41.25 | \$ 26.67 | \$ | \$ 25.83 | |
| Tenant improvements and leasing commissions: | | | | | | |
| Per square foot | \$40.95 | \$ 12.38 | \$ 11.68 | \$66.00 | \$ 7.54 | |
| Per square foot per annum | \$5.85 | \$ 2.00 | \$ 1.32 | \$5.16 | \$ 1.57 | |
| Percentage of initial rent | 8.7% | 5.6% | 3.8% | 21.7% | 6.2% | |
| Retail space contained in office buildings of the New York Office segment: | | | | | | |
| Square feet/cubic feet | 9 | | | | | |
| Initial Rent | \$103 | | | | | |
| Percentage increase over prior escalated rent for relet space | 110.6% | | | | | |

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The information above does not include 555 California Street, in which we acquired a 70% interest on May 24, 2007, because its operations are included in the Other for segment reporting purposes. 555 California Street, located in San Francisco's financial district, aggregates 1.8 million square feet and is 94.6% occupied as of June 30, 2007.

See notes on following page.

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Overview (continued)

| (Square feet and cubic feet in thousands) | Office | | | Merchandise Mart | | Temperature |
|-------------------------------------------|----------|-------------------|--------|------------------|----------|-------------------------|
| | New York | Washington, DC | Retail | Office | Showroom | Controlled Logistics |
| As of March 31, 2007: | | | | | | |
| Square feet/ cubic feet | 14,553 | 17,032 | 20,158 | 2,731 | 6,366 | 18,940/ 497,700 |
| Number of properties | 27 | 81 | 163 | 9 | 9 | 91 |
| Occupancy rate | 97.9% | 92.0% | 93.5% | 96.5% | 92.4% | 73.0% |
| As of December 31, 2006: | | | | | | |
| Square feet/ cubic feet | 13,692 | 17,017 | 19,264 | 2,714 | 6,370 | 18,941 /497,800 |
| Number of properties | 25 | 81 | 158 | 9 | 9 | 91 |
| Occupancy rate | 97.5% | 92.2% | 92.7% | 97.4% | 93.6% | 77.4% |
| As of June 30, 2006: | | | | | | |
| Square feet/ cubic feet | 13,122 | 17,649 | 17,558 | 2,701 | 6,366 | 17,417 /442,200 |
| Number of properties | 24 | 85 | 119 | 9 | 9 | 85 |
| Occupancy rate | 96.5% | 92.2% | 95.1% | 97.4% | 91.9% | 73.7% |

-
- (1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
- (2) 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 Three Months Ended June 30, 2007 and 2006

Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the three months ended June 30, 2007 and 2006.

| (Amounts in thousands) | For the Three Months Ended June 30, 2007 | | | | | | | |
|----------------------------------------------|------------------------------------------|--------------------|-------------------|-----------|---------------------|----------------------------------------|-----------|----------------------|
| | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 442,793 | \$ 152,850 | \$ 113,054 | \$ 80,070 | \$ 60,701 | \$ | \$ | \$ 36,118 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 11,156 | 4,526 | 2,915 | 2,911 | 619 | | | 185 |
| Amortization of free rent | 10,497 | 5,726 | 3,760 | 239 | 560 | | | 212 |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 20,317 | 10,387 | 1,150 | 7,608 | 90 | | | 1,082 |
| Total rentals | 484,763 | 173,489 | 120,879 | 90,828 | 61,970 | | | 37,597 |
| Temperature Controlled Logistics | 206,474 | | | | | 206,474 | | |
| Tenant expense reimbursements | 77,370 | 29,642 | 10,772 | 28,887 | 5,526 | | | 2,543 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 10,527 | 13,062 | | | | | | (2,535) |
| Management and leasing fees | 2,804 | 974 | 1,972 | 580 | (19) | | | (703) |
| Lease termination fees | 1,294 | 100 | 130 | 902 | 162 | | | |
| Other | 10,225 | 4,242 | 3,911 | 301 | 2,441 | | | (670) |
| Total revenues | 793,457 | 221,509 | 137,664 | 121,498 | 70,080 | 206,474 | | 36,232 |
| Operating expenses | 392,757 | 93,287 | 44,961 | 41,688 | 33,279 | 163,768 | | 15,774 |
| Depreciation and amortization | 132,457 | 36,744 | 29,219 | 22,109 | 11,391 | 20,412 | | 12,582 |
| General and administrative | 59,555 | 5,502 | 6,034 | 6,329 | 6,983 | 9,757 | | 24,950 |
| Costs of acquisition not consummated | | | | | | | | |
| Total expenses | 584,769 | 135,533 | 80,214 | 70,126 | 51,653 | 193,937 | | 53,306 |
| Operating income (loss) | 208,688 | 85,976 | 57,450 | 51,372 | 18,427 | 12,537 | | (17,074) |
| Income applicable to Alexander's | 9,484 | 190 | | 164 | | | | 9,130 |
| Loss applicable to Toys R Us | (20,029) | | | | | | (20,029) | |
| Income from partially owned entities | 8,593 | 1,111 | 3,743 | 2,093 | 448 | 398 | | 800 |
| Interest and other investment income | 120,513 | 469 | 742 | 117 | 93 | 820 | | 118,272 |
| Interest and debt expense | (156,179) | (32,113) | (30,149) | (19,775) | (13,048) | (16,257) | | (44,837) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 15,778 | | | | | | | 15,778 |
| Minority interest of partially owned | | | | | | | | |
| entities | 4,349 | (569) | | 11 | | 3,003 | | 1,904 |
| Income (loss) before income taxes | 191,197 | 55,064 | 31,786 | 33,982 | 5,920 | 501 | (20,029) | 83,973 |
| Provision for income taxes | (3,566) | | (1,825) | (182) | (241) | (1,058) | | (260) |
| Income (loss) from | | | | | | | | |
| continuing operations | 187,631 | 55,064 | 29,961 | 33,800 | 5,679 | (557) | (20,029) | 83,713 |
| (Loss) income from discontinued | | | | | | | | |
| operations, net | (40) | | | (44) | | | | 4 |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 187,591 | 55,064 | 29,961 | 33,756 | 5,679 | (557) | (20,029) | 83,717 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (16,852) | | | | | | | (16,852) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (4,819) | | | | | | | (4,819) |
| Net income (loss) | 165,920 | 55,064 | 29,961 | 33,756 | 5,679 | (557) | (20,029) | 62,046 |
| Interest and debt expense ⁽¹⁾ | 202,843 | 31,831 | 32,095 | 22,478 | 13,264 | 7,735 | 40,984 | 54,456 |
| Depreciation and amortization ⁽¹⁾ | 165,990 | 36,600 | 32,831 | 22,912 | 11,525 | 9,740 | 33,303 | 19,079 |
| Income tax expense ⁽¹⁾ | (8,071) | 1,100 | 3,789 | 182 | 241 | 504 | (14,934) | 1,047 |

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| | | | | | | | | |
|--------|------------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| EBITDA | \$ 526,682 | \$ 124,595 | \$ 98,676 | \$ 79,328 | \$ 30,709 | \$ 17,422 | \$ 39,324 | \$ 136,628 |
|--------|------------|------------|-----------|-----------|-----------|-----------|-----------|------------|

Other segment EBITDA includes a \$72,074 net gain on mark-to-market of derivative instruments, a \$15,778 net gain on sale of marketable equity securities and \$1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 51.

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Reconciliation of Net Income and EBITDA Three Months Ended June 30, 2007 and 2006 (continued)

| (Amounts in thousands) | For the Three Months Ended June 30, 2006 | | | | | | | |
|----------------------------------------------|------------------------------------------|------------|----------------|-----------|-------------|------------------------|-----------|----------------------|
| | | Office | | | Merchandise | Temperature Controlled | | |
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 372,192 | \$ 120,115 | \$ 103,010 | \$ 64,541 | \$ 61,885 | \$ | \$ | \$ 22,641 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 7,991 | 1,994 | 2,320 | 2,101 | 1,597 | | | (21) |
| Amortization of free rent | 9,621 | 1,927 | 6,089 | 1,263 | 342 | | | |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 3,672 | (11) | 946 | 2,338 | (93) | | | 492 |
| Total rentals | 393,476 | 124,025 | 112,365 | 70,243 | 63,731 | | | 23,112 |
| Temperature Controlled Logistics | 187,047 | | | | | 187,047 | | |
| Tenant expense reimbursements | 60,920 | 23,805 | 6,511 | 25,059 | 4,915 | | | 630 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 7,511 | 9,819 | | | | | | (2,308) |
| Management and leasing fees | 2,534 | 258 | 1,885 | 360 | 31 | | | |
| Lease termination fees | 5,907 | 5,388 | 5 | | 514 | | | |
| Other | 5,637 | 2,296 | 1,920 | 80 | 1,341 | | | |
| Total revenues | 663,032 | 165,591 | 122,686 | 95,742 | 70,532 | 187,047 | | 21,434 |
| Operating expenses | 319,851 | 72,046 | 36,494 | 31,688 | 22,514 | 145,896 | | 11,213 |
| Depreciation and amortization | 98,880 | 22,917 | 29,902 | 12,407 | 11,104 | 17,921 | | 4,629 |
| General and administrative | 51,715 | 4,140 | 7,846 | 5,294 | 7,045 | 9,606 | | 17,784 |
| Total expenses | 470,446 | 99,103 | 74,242 | 49,389 | 40,663 | 173,423 | | 33,626 |
| Operating income (loss) | 192,586 | 66,488 | 48,444 | 46,353 | 29,869 | 13,624 | | (12,192) |
| Income applicable to Alexander's | 14,750 | 186 | | 178 | | | | 14,386 |
| Loss applicable to Toys R Us | (7,884) | | | | | | (7,884) | |
| Income from partially owned entities | 14,635 | 1,166 | 5,058 | 2,188 | 445 | 369 | | 5,409 |
| Interest and other investment income | 16,623 | 180 | 378 | 353 | 66 | 1,364 | | 14,282 |
| Interest and debt expense | (120,822) | (20,848) | (26,187) | (24,131) | (3,542) | (18,452) | | (27,662) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 56,947 | | | | | | | 56,947 |
| Minority interest of partially owned | | | | | | | | |
| entities | 3,118 | | | 29 | 1 | 2,847 | | 241 |
| Income (loss) before income taxes | 169,953 | 47,172 | 27,693 | 24,970 | 26,839 | (248) | (7,884) | 51,411 |
| Provision for income taxes | (848) | | (602) | | (78) | (168) | | |
| Income (loss) from continuing operations | 169,105 | 47,172 | 27,091 | 24,970 | 26,761 | (416) | (7,884) | 51,411 |
| Income (loss) from discontinued | | | | | | | | |
| operations, net | 16,762 | | 16,807 | (42) | (3) | | | |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 185,867 | 47,172 | 43,898 | 24,928 | 26,758 | (416) | (7,884) | 51,411 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (17,324) | | | | | | | (17,324) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (5,374) | | | | | | | (5,374) |
| Net income (loss) | 163,169 | 47,172 | 43,898 | 24,928 | 26,758 | (416) | (7,884) | 28,713 |
| Interest and debt expense ⁽¹⁾ | 171,778 | 21,523 | 30,315 | 27,118 | 3,762 | 8,779 | 44,348 | 35,933 |
| Depreciation and amortization ⁽¹⁾ | 133,377 | 23,850 | 34,724 | 13,320 | 11,245 | 8,553 | 32,522 | 9,163 |
| Income tax (benefit) expense ⁽¹⁾ | (28,642) | | 3,620 | | 78 | 81 | (32,522) | 101 |
| EBITDA | \$ 439,682 | \$ 92,545 | \$ 112,557 | \$ 65,366 | \$ 41,843 | \$ 16,997 | \$ 36,464 | \$ 73,910 |

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Washington, DC office EBITDA includes a net gain on sale of real estate of \$17,609. In addition, the Other segment EBITDA includes a \$55,438 net gain on sale of marketable equity securities and a \$10,410 net loss on mark-to-market of derivative instruments.

See notes on following page.

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Reconciliation of Net Income and EBITDA Three Months Ended June 30, 2007 and 2006 (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 June 30, | |
| | 2007 | 2006 |
| Alexander's (see page 55) | \$ 17,166 | \$ 21,970 |
| Hotel Pennsylvania | 11,177 | 7,872 |
| 555 California Street | 6,349 | |
| Lexington MLP, formerly Newkirk MLP (see page 44) | 5,984 | 8,467 |
| GMH | 4,177 | (1) |
| Industrial warehouses | 823 | 1,509 |
| Other investments | 1,841 | 3,789 |
| | 47,517 | 43,607 |
| Investment income and other | 131,772 | 69,490 |
| Corporate general and administrative expenses | (20,990) | (16,489) |
| Minority limited partners' interest in the Operating Partnership | (16,852) | (17,324) |
| Perpetual preferred unit distributions of the Operating Partnership | (4,819) | (5,374) |
| | \$ 136,628 | \$ 73,910 |

- (1) Does not include any income or loss as GMH had delayed the filing of its Form 10-Q until after we filed our Form 10-Q for the quarter ended June 30, 2006. See page 55 for further details.

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Results of Operations Three Months Ended June 30, 2007 and 2006

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 \$793,457,000 for the three months ended June 30, 2007, compared to \$663,032,000 for the prior year's three months, an increase of \$130,425,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands) | | Office | | | Merchandise | Temperature | |
|-------------------------------------------------------------------|--------------|---------------|--------------------|---------------|--------------------|--------------------|--------------|
| | Total | New | Washington, | | Mart | Controlled | |
| Property rentals: | | York | DC | Retail | | Logistics | Other |
| Increase (decrease) due to: | | | | | | | |
| Acquisitions: | | | | | | | |
| Manhattan Mall | \$ 13,094 | \$ 8,833 | \$ | \$ 4,261 | \$ | \$ | \$ |
| 555 California Street | 10,519 | | | | | | 10,519 |
| 1290 Avenue of the Americas | 10,403 | 10,403 | | | | | |
| H Street (consolidated from May 1, 2007, vs. equity method prior) | 9,685 | | 9,685 | | | | |
| 350 Park Avenue | 8,065 | 8,065 | | | | | |
| Former Toys R Us stores | 5,386 | | | 5,386 | | | |
| Bruckner Plaza | 1,854 | | | 1,854 | | | |
| 1540 Broadway | 1,700 | 193 | | 1,507 | | | |
| Other | 7,192 | | (10) | 2,180 | 5,059 | | (37) |
| Development/Redevelopment: | | | | | | | |
| 2101 L Street taken out of service | (2,208) | | (2,208) | | | | |
| Crystal Mall 2 taken out of service | (2,054) | | (2,054) | | | | |
| Bergen Town Center partially taken out of service | (187) | | | (187) | | | |
| Springfield Mall partially taken out of service | (294) | | | (294) | | | |
| Other | (142) | | (17) | (125) | | | |
| Amortization of acquired below market leases, net | 16,645 | 10,398 | 204 | 5,270 | 183 | | 590 |
| Operations: | | | | | | | |
| Hotel Pennsylvania | 3,944 | | | | | | 3,944 |
| Trade shows | (6,599) | | | | (6,599) | | |
| Leasing activity (see page 47) | 14,284 | 11,572 | 2,914 | 733 | (404) | | (531) |
| Total increase (decrease) in property rentals | 91,287 | 49,464 | 8,514 | 20,585 | (1,761) | | 14,485 |
| Temperature Controlled Logistics: | | | | | | | |
| Increase due to acquisitions (ConAgra warehouses) | 6,936 | | | | | 6,936 | |
| Increase due to operations | 12,491 | | | | | 12,491 | (3) |
| Total increase | 19,427 | | | | | 19,427 | |
| Tenant expense reimbursements: | | | | | | | |
| Increase due to: | | | | | | | |
| Acquisitions/development | 8,906 | 4,890 | 644 | 1,997 | | | 1,375 |
| Operations | 7,544 | 947 | 3,617 | 1,831 | 611 | | 538 |
| Total increase in tenant expense reimbursements | 16,450 | 5,837 | 4,261 | 3,828 | 611 | | 1,913 |
| Fee and other income: | | | | | | | |
| Increase (decrease) in: | | | | | | | |
| Lease cancellation fee income | (4,613) | (5,288) | 125 | 902 | (352) | | |
| Management and leasing fees | 270 | 716 | 87 | 220 | (50) | | (703) |
| BMS Cleaning fees | 3,016 | 3,243 | | | | | (227) |
| Other | 4,588 | 1,946 | 1,991 | 221 | 1,100 | | (670) |
| Total increase (decrease) in fee and | 3,261 | 617 | 2,203 | 1,343 | 698 | | (1,600) |

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other income

Total increase (decrease) in revenues \$ 130,425 \$ 55,918 \$ 14,978 \$ 25,756 \$ (452) \$ 19,427 \$ 14,798

See Notes on the following page.

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Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

Notes to the preceding tabular information:

- (1) Revenue per available room (REVPAR) was \$139.21 for the three months ended June 30, 2007 compared to \$114.61 for the prior year s quarter.
- (2) The prior year s three months includes \$7,264 for two trade shows which were held in the first quarter of 2007.
- (3) Primarily from (i) a \$9,213 increase in transportation operations resulting from new transportation business in connection with the acquisition of the ConAgra warehouses in the fourth quarter of 2006, and (ii) a \$3,031 increase in managed warehouse operations (resulting in a \$112 increase in EBITDA) as a result of a new management contract beginning in March 2007. See page 54 for a discussion of AmeriCold s gross margin.
- (4) Primarily due to lease termination fee income received from MONY Life Insurance Company in connection with the termination of their 289,000 square foot lease at 1740 Broadway in 2006.

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Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

Expenses

Our expenses, which consist of operating, depreciation and amortization and general and administrative expenses, were \$584,769,000 for the three months ended June 30, 2007, compared to \$470,446,000 for the prior year's three months, an increase of \$114,323,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands) | Office | | | | Merchandise | | Temperature | |
|------------------------------------------------------------------|------------|-----------|----------------|-----------|-------------|-----------|---------------|--|
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Other | |
| Operating: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions: | | | | | | | | |
| Manhattan Mall | \$ 6,149 | \$ 3,594 | \$ | \$ 2,555 | \$ | \$ | \$ | |
| 1290 Avenue of the Americas | 5,247 | 5,247 | | | | | | |
| H Street (consolidated from May 1, 2007 vs. equity method prior) | 5,022 | | 5,022 | | | | | |
| 350 Park Avenue | 4,201 | 4,201 | | | | | | |
| Former Toys stores | 3,805 | | | 3,805 | | | | |
| 555 California Street | 3,771 | | | | | | 3,771 | |
| 1540 Broadway | 1,103 | 311 | | 792 | | | | |
| Bruckner Plaza | 860 | | | 860 | | | | |
| Other | 16,151 | | (132) | 1,163 | 7,914 | 7,240 | (34) | |
| Development/Redevelopment: | | | | | | | | |
| Springfield Mall partially taken out of service | (1,021) | | | (1,021) | | | | |
| 2101 L Street taken out of service | (1,073) | | (1,073) | | | | | |
| Crystal Mall 2 taken out of service | (414) | | (414) | | | | | |
| Bergen Town Center partially taken out of service | (775) | | | (775) | | | | |
| Other | (2,535) | | (6) | (77) | | (2,452) | | |
| Hotel activity | 986 | | | | | | 986 | |
| Trade shows activity | (2,473) | | | | (2,473) | (1) | | |
| Operations | 33,902 | 7,888 | 5,070 | 2,698 | 5,324 | 13,084 | (2) (162) | |
| Total increase in operating expenses | 72,906 | 21,241 | 8,467 | 10,000 | 10,765 | 17,872 | 4,561 | |
| Depreciation and amortization: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions/Development | 25,165 | 10,724 | 1,052 | 8,009 | | 1,589 | 3,791 | |
| Operations (due to additions to buildings and improvements) | 8,412 | 3,103 | (1,735) | 1,693 | 287 | 902 | 4,162 | |
| Total increase (decrease) in depreciation and amortization | 33,577 | 13,827 | (683) | 9,702 | 287 | 2,491 | 7,953 | |
| General and administrative: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions/Development and Other | 6,223 | 977 | 329 | 715 | | 2,452 | 1,750 (3) | |
| Operations | 1,617 | 385 | (2,141) | 320 | (62) | (2,301) | (4) 5,416 (5) | |
| Total increase (decrease) in general and administrative | 7,840 | 1,362 | (1,812) | 1,035 | (62) | 151 | 7,166 | |
| Total increase in expenses | \$ 114,323 | \$ 36,430 | \$ 5,972 | \$ 20,737 | \$ 10,990 | \$ 20,514 | \$ 19,680 | |

(1) The prior year's three months includes \$2,295 for two trade shows which were held in the first quarter of 2007.

(2) AmeriCold's gross margin from comparable warehouses was \$37,565 or 33.7%, for the quarter ended June 30, 2007, compared to \$37,841 or 33.5% for the quarter ended June 30, 2006, a decrease of \$276. Gross margin from transportation management services, managed warehouses and other non-warehouse activities was \$4,660 for the quarter ended June 30, 2007, compared to \$4,560 for the quarter ended June 30, 2006, and increase of \$100.

- (3) Primarily from India Property Fund organization costs in the current quarter.
- (4) Primarily from a higher bonus accrual in the prior year's quarter.
- (5) Primarily from a \$3,170 increase in amortization of stock-based compensation, including \$1,493 from the 2006 Out-Performance Plan and \$500 of expense from an adjustment to outstanding stock option awards for special dividends paid.

Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

Income 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 \$9,484,000 for the three months ended June 30, 2007, compared to \$14,750,000 for the prior year's three months, a decrease of \$5,266,000. This decrease was primarily due to \$1,222,000 for our share of income in the current quarter for the reversal of accrued stock appreciation rights compensation expense as compared to \$4,836,000 of income in the prior year's quarter, \$2,722,000 for our share of Alexander's net gain on sale of 731 Lexington Avenue condominiums in the prior year's quarter, partially offset by an increase of \$1,074,000 in development fees in the current quarter.

Loss Applicable to Toys

Our 32.8% share of Toys' financial results (comprised of our share of Toys' net loss, interest income on loans receivable, and management fees) for the three months ended June 30, 2007 and June 30, 2006 are for Toys' fiscal quarters ended May 5, 2007 and April 29, 2006, respectively. In the three months ended June 30, 2007, our loss applicable to Toys was \$20,029,000, or \$34,963,000 before our share of Toys' income tax benefit, as compared to \$7,884,000, or \$40,405,000 before our share of Toys' income tax benefit in the prior year's three months. The decrease in our loss applicable to Toys' before income tax benefit of \$5,442,000 results primarily from (i) an increase in Toys' net sales due to improvements in comparable store sales across all divisions and benefits in foreign currency translation (comparable store sales increases were 5.1% for Toys' R Us U.S., 3.9% for Toys' R Us International, and 2.8% for Babies' R Us), (ii) a charge in the prior year's quarter for the write off of deferred financing costs resulting from the prepayment of debt, partially offset by, (iii) an increase in selling, general and administrative expenses as a result of higher store support center expenses, payroll expenses and advertising expenses, which as a percentage of net sales were 30.7% and 30.8% for the quarters ended May 5, 2007 and April 29, 2006, respectively.

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Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

Income from Partially Owned Entities

Summarized below are the components of income from partially owned entities for the three months ended June 30, 2007 and 2006.

| Equity in Net Income (Loss): (Amounts in thousands) | For The Three Months | |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|
| | Ended June 30, | |
| | 2007 | 2006 |
| H Street non-consolidated subsidiaries: 50% share of equity in net income (1) | \$3,089 | \$ 4,311 (2) |
| Beverly Connection: 50% share of equity in net loss | (1,062) | (2,056) |
| Interest and fee income | 2,330 | 3,405 |
| | 1,268 | 1,349 |
| GMH Communities L.P: 13.5% in 2007 and 11.3% in 2006 share of equity in net income (3) | 31 | (3) |
| Lexington MLP, formerly Newkirk MLP: 7.1% in 2007 and 15.8% in 2006 share of equity in net (loss) income (4) | (242) (5) | 4,370 |
| Other (6) | 4,447 | 4,605 |
| | \$8,593 | \$ 14,635 |

-
- (1) On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets and we now consolidate the accounts of these entities into our consolidated financial statements and no longer account for them under the equity method on a one-quarter lag basis. See page 43 for details.
- (2) Prior to the quarter ended June 30, 2006, two 50% owned entities that were contesting our acquisition of H Street impeded access to their financial information and accordingly, we were unable to record our pro rata share of their earnings. During the quarter ended June 30, 2006, we recognized equity in net income of \$4,311 from these entities of which \$2,731 was for the periods from July 20, 2005 (date of acquisition) to December 31, 2005 and \$1,580 was for the quarter ended March 31, 2006.
- (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 June 30, 2006 did not include any income or loss related to GMH's first quarter of 2006 because GMH had delayed the filing of its quarterly report on Form 10-Q for the quarter ended March 31, 2006 until September 15, 2006.
- (4) Beginning on January 1, 2007, 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. Prior to the January 1, 2007, we recorded our pro rata share of Newkirk MLP's (Lexington MLP's predecessor) quarterly earnings current in our same quarter. Accordingly, our equity in net income or loss from partially owned entities for the three months ended June 30, 2007 includes our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.
- (5) The variance from the prior year's quarter is primarily due to higher depreciation expense and amortization of above market lease intangibles in the current quarter as a result of Lexington's purchase price accounting adjustments in connection with the merger of Newkirk MLP on December 31, 2006.

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- (6) 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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Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

Interest and Other Investment Income

Interest and other investment income (mark-to-market of derivative positions, interest income on mortgage loans receivable, other interest income and dividend income) was \$120,513,000 for the three months ended June 30, 2007, compared to \$16,623,000 for the prior year's three months, an increase of \$103,890,000. This increase resulted primarily from:

(Amounts in thousands)

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| McDonalds derivative position net gain of \$71,390 this quarter compared to a net loss of \$14,515 in the prior year's quarter | \$ 85,905 |
| Increase in interest income from higher average cash balances (\$1,670,000 this quarter, compared to \$550,000 in the prior year's quarter) | 15,361 |
| GMH warrants derivative position net gain of \$4,105 in the prior year's quarter (converted to GCT common shares in the second quarter of 2006) | (4,105) |
| Other, net primarily due to interest income on higher average loans receivable | 6,729 |
| | \$ 103,890 |

Interest and Debt Expense

Interest and debt expense was \$156,179,000 for the three months ended June 30, 2007, compared to \$120,822,000 for the prior year's three months, an increase of \$35,357,000. This increase was primarily due to (i) \$32,476,000 from a \$3.0 billion increase in outstanding mortgage debt due to property acquisitions, new property financings and refinancings, (ii) \$21,249,000 from the November 20, 2006 issuance of \$1 billion convertible senior debentures and the March 21, 2007 issuance of \$1.4 billion convertible senior debentures, partially offset by (iii) a \$11,422,000 increase in the amount of capitalized interest in connection with properties under development and (iv) \$7,046,000 of expense arising from the prepayment of debt in the prior year's quarter.

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 \$15,778,000 and \$56,947,000 for the three months ended June 30, 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 was income of \$4,349,000 for the three months ended June 30, 2007, compared to \$3,118,000 of income for the prior year's three months and represents the minority partners' pro rata share of the net income or loss of consolidated partially owned entities, including 1290 Avenue of the Americas, the 555 California Street complex, AmeriCold, 220 Central Park South, Wasserman and the Springfield Mall.

Provision for Income Taxes

Provision for income taxes was \$3,566,000 for the three months ended June 30, 2007, compared to \$848,000 for the prior year's three months, an increase of \$2,718,000. This increase results primarily from \$1,318,000 from two H Street corporations which we consolidate as of April 30, 2007, the date we acquired the remaining 50% of these corporations we did not previously own (we previously accounted for our 50% interest on the equity method). Beginning on January 1, 2008, these corporations will elect to be treated as real estate investment trusts under Sections 856-860 of the Internal Revenue Code of 1986, as amended, which will eliminate their Federal income tax provision to the extent that 100% of their taxable income is distributed to shareholders.

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(Loss) Income From Discontinued Operations

The combined results of operations of the assets related to discontinued operations for the three months ended June 30, 2007 and 2006 include the operating expenses of our Vineland, New Jersey property; and 1919 South Eads Street in Arlington, Virginia, which was sold on June 22, 2006.

| (Amounts in thousands) | For the Three Months | |
|--------------------------------------------|-----------------------------|-------------|
| | Ended June 30, | |
| | 2007 | 2006 |
| Revenues | \$ | \$ 266 |
| Expenses | 40 | 1,113 |
| Net loss | (40) | (847) |
| Net gain on sale of 1919 South Eads Street | | 17,609 |
| (Loss) income from discontinued operations | \$ (40) | \$ 16,762 |

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Results of Operations Three Months Ended June 30, 2007 and 2006 (continued)

EBITDA by Segment

Below are the details of the changes in EBITDA by segment for the three months ended June 30, 2007 from the three months ended June 30, 2006.

| (Amounts in thousands) | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other |
|-------------------------------------------------------------------------|------------|--------------------|-------------------|---------------------|------------------------|----------------------------------------|-----------|------------|
| Three Months ended June 30, 2006 | \$ 439,682 | \$ 92,545 | \$ 112,557 | \$ 65,366 | \$ 41,843 | \$ 16,997 | \$ 36,464 | \$ 73,910 |
| 2007 Operations: | | | | | | | | |
| Same store operations ⁽¹⁾ | | 8,357 | 4,166 | 1,222 | (1,038) | (148) | | |
| Acquisitions, dispositions and non-same store income and expenses | | 23,693 | (18,047) | 12,740 | (10,096) | 573 | | |
| Three Months ended June 30, 2007 | \$ 526,682 | \$ 124,595 | \$ 98,676 | \$ 79,328 | \$ 30,709 | \$ 17,422 | \$ 39,324 | \$ 136,628 |
| % increase (decrease) in same store operations | | 9.0% | 5.0% | 2.0% ⁽²⁾ | (2.5%) ⁽³⁾ | (0.7%) | | |

(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) The same store increase would be 4.6% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of \$61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of \$204.00 per square foot.

(3) Reflects income of \$1,900 in 2006 from the reversal of a reserve for bad debts on receivables arising from the straight-lining of rents. The same store operations increased by 2.2% exclusive of this item.

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Reconciliation of Net Income and EBITDA Six Months Ended June 30, 2007 and 2006

Below is a summary of net income and a reconciliation of net income to EBITDA⁽¹⁾ by segment for the six months ended June 30, 2007 and 2006.

| (Amounts in thousands) | For the Six Months Ended June 30, 2007 | | | | | | | |
|----------------------------------------------|----------------------------------------|--------------------|-------------------|------------|---------------------|----------------------------------------|--------|----------------------|
| | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 843,680 | \$ 290,498 | \$ 216,233 | \$ 157,791 | \$ 124,809 | \$ | \$ | \$ 54,349 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 18,681 | 7,879 | 3,394 | 5,808 | 1,273 | | | 327 |
| Amortization of free rent | 23,447 | 13,185 | 8,609 | 511 | 930 | | | 212 |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 34,322 | 17,679 | 2,123 | 12,847 | 120 | | | 1,553 |
| Total rentals | 920,130 | 329,241 | 230,359 | 176,957 | 127,132 | | | 56,441 |
| Temperature Controlled Logistics | 406,567 | | | | | 406,567 | | |
| Tenant expense reimbursements | 149,903 | 58,350 | 19,705 | 57,584 | 10,809 | | | 3,455 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 20,370 | 25,148 | | | | | | (4,778) |
| Management and leasing fees | 10,003 | 1,829 | 8,533 | 924 | 3 | | | (1,286) |
| Lease termination fees | 4,735 | 1,898 | 225 | 2,407 | 205 | | | |
| Other | 18,805 | 8,023 | 6,738 | 655 | 4,003 | | | (614) |
| Total revenues | 1,530,513 | 424,489 | 265,560 | 238,527 | 142,152 | 406,567 | | 53,218 |
| Operating expenses | 763,701 | 181,539 | 83,720 | 82,205 | 66,325 | 321,296 | | 28,616 |
| Depreciation and amortization | 241,263 | 66,549 | 54,567 | 39,392 | 23,067 | 39,835 | | 17,853 |
| General and administrative | 112,439 | 9,448 | 14,362 | 13,331 | 14,485 | 22,217 | | 38,596 |
| Costs of acquisition not consummated | 8,807 | | | | | | | 8,807 |
| Total expenses | 1,126,210 | 257,536 | 152,649 | 134,928 | 103,877 | 383,348 | | 93,872 |
| Operating income (loss) | 404,303 | 166,953 | 112,911 | 103,599 | 38,275 | 23,219 | | (40,654) |
| Income applicable to Alexander's | 23,003 | 378 | | 373 | | | | 22,252 |
| Income applicable to Toys R Us | 38,632 | | | | | | 38,632 | |
| Income from partially owned entities | 17,698 | 2,398 | 7,435 | 3,388 | 787 | 808 | | 2,882 |
| Interest and other investment income | 174,992 | 1,142 | 1,059 | 192 | 188 | 1,791 | | 170,620 |
| Interest and debt expense | (303,192) | (61,581) | (64,464) | (39,783) | (25,895) | (32,779) | | (78,690) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 16,687 | | | | | | | 16,687 |
| Minority interest of partially owned | | | | | | | | |
| entities | 8,232 | (569) | | 58 | | 6,536 | | 2,207 |
| Income (loss) before income taxes | 380,355 | 108,721 | 56,941 | 67,827 | 13,355 | (425) | 38,632 | 95,304 |
| Provision for income taxes | (3,767) | | (1,584) | (182) | (571) | (1,170) | | (260) |
| Income (loss) from continuing | | | | | | | | |
| operations | 376,588 | 108,721 | 55,357 | 67,645 | 12,784 | (1,595) | 38,632 | 95,044 |
| (Loss) income from discontinued | | | | | | | | |
| operations, net | (71) | | | (78) | | | | 7 |
| Income (loss) before allocation to | | | | | | | | |
| minority limited partners | 376,517 | 108,721 | 55,357 | 67,567 | 12,784 | (1,595) | 38,632 | 95,051 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (34,029) | | | | | | | (34,029) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (9,637) | | | | | | | (9,637) |
| Net income (loss) | 332,851 | 108,721 | 55,357 | 67,567 | 12,784 | (1,595) | 38,632 | 51,385 |
| Interest and debt expense ⁽¹⁾ | 401,614 | 61,969 | 68,003 | 45,275 | 26,328 | 15,596 | 87,618 | 96,825 |
| Depreciation and amortization ⁽¹⁾ | 329,141 | 67,342 | 61,090 | 41,198 | 23,347 | 19,008 | 88,699 | 28,457 |
| Income tax expense ⁽¹⁾ | 47,513 | 1,100 | 5,404 | 182 | 571 | 557 | 38,463 | 1,236 |

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| | | | | | | | | |
|--------|--------------|------------|------------|------------|-----------|-----------|------------|------------|
| EBITDA | \$ 1,111,119 | \$ 239,132 | \$ 189,854 | \$ 154,222 | \$ 63,030 | \$ 33,566 | \$ 253,412 | \$ 177,903 |
|--------|--------------|------------|------------|------------|-----------|-----------|------------|------------|

Other segment EBITDA includes an \$81,451 net gain on mark-to-market of derivative instruments, a \$16,687 net gain on sale of marketable equity securities, \$8,807 of expense for costs of an acquisition not consummated and \$1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 61.

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Reconciliation of Net Income and EBITDA Six Months Ended June 30, 2007 and 2006 (continued)

| (Amounts in thousands) | For the Six Months Ended June 30, 2006 | | | | | | | |
|----------------------------------------------|----------------------------------------|------------|----------------|------------|-------------|-----------|------------------------|----------------------|
| | | Office | | | Merchandise | | Temperature Controlled | |
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Toys | Other ⁽²⁾ |
| Property rentals | \$ 722,926 | \$ 239,817 | \$ 202,873 | \$ 125,525 | \$ 115,845 | \$ | \$ | \$ 38,866 |
| Straight-line rents: | | | | | | | | |
| Contractual rent increases | 13,251 | 2,154 | 3,869 | 4,085 | 3,192 | | | (49) |
| Amortization of free rent | 16,931 | 3,794 | 9,623 | 2,621 | 893 | | | |
| Amortization of acquired below- | | | | | | | | |
| market leases, net | 8,471 | (22) | 2,130 | 4,547 | 22 | | | 1,794 |
| Total rentals | 761,579 | 245,743 | 218,495 | 136,778 | 119,952 | | | 40,611 |
| Temperature Controlled Logistics | 382,897 | | | | | 382,897 | | |
| Tenant expense reimbursements | 122,647 | 48,352 | 14,356 | 48,610 | 9,869 | | | 1,460 |
| Fee and other income: | | | | | | | | |
| Tenant cleaning fees | 15,653 | 19,830 | | | | | | (4,177) |
| Management and leasing fees | 5,182 | 488 | 3,930 | 720 | 44 | | | |
| Lease termination fees | 10,389 | 9,159 | 66 | 371 | 793 | | | |
| Other | 12,022 | 4,846 | 3,045 | 951 | 3,179 | | | 1 |
| Total revenues | 1,310,369 | 328,418 | 239,892 | 187,430 | 133,837 | | 382,897 | 37,895 |
| Operating expenses | 651,766 | 146,133 | 71,505 | 60,164 | 50,919 | | 300,228 | 22,817 |
| Depreciation and amortization | 189,185 | 45,678 | 55,014 | 22,814 | 22,199 | | 34,990 | 8,490 |
| General and administrative | 96,447 | 8,013 | 15,763 | 10,217 | 13,025 | | 19,008 | 30,421 |
| Total expenses | 937,398 | 199,824 | 142,282 | 93,195 | 86,143 | | 354,226 | 61,728 |
| Operating income (loss) | 372,971 | 128,594 | 97,610 | 94,235 | 47,694 | | 28,671 | (23,833) |
| Income applicable to Alexander's | 11,155 | 399 | | 358 | | | | 10,398 |
| Income applicable to Toys R Us | 44,876 | | | | | | 44,876 | |
| Income from partially owned entities | 20,686 | 1,810 | 5,724 | 2,230 | 779 | 764 | | 9,379 |
| Interest and other investment income | 39,098 | 368 | 693 | 473 | 126 | 1,996 | | 35,442 |
| Interest and debt expense | (224,716) | (41,122) | (49,037) | (43,792) | (7,069) | (32,714) | | (50,982) |
| Net gain on disposition of wholly | | | | | | | | |
| owned and partially owned | | | | | | | | |
| assets other than depreciable | | | | | | | | |
| real estate | 57,495 | | | | | | | 57,495 |
| Minority interest of partially owned | | | | | | | | |
| entities | 2,844 | | | 29 | 4 | 2,379 | | 432 |
| Income before income taxes | 324,409 | 90,049 | 54,990 | 53,533 | 41,534 | 1,096 | 44,876 | 38,331 |
| Provision for income taxes | (1,980) | | (835) | | (119) | (1,026) | | |
| Income from continuing operations | 322,429 | 90,049 | 54,155 | 53,533 | 41,415 | 70 | 44,876 | 38,331 |
| Income from discontinued | | | | | | | | |
| operations, net | 33,497 | | 16,356 | 9,298 | 5,736 | 2,107 | | |
| Income before allocation to | | | | | | | | |
| minority limited partners | 355,926 | 90,049 | 70,511 | 62,831 | 47,151 | 2,177 | 44,876 | 38,331 |
| Minority limited partners' interest | | | | | | | | |
| in the Operating Partnership | (33,198) | | | | | | | (33,198) |
| Perpetual preferred unit | | | | | | | | |
| distributions of the | | | | | | | | |
| Operating Partnership | (10,347) | | | | | | | (10,347) |
| Net income (loss) | 312,381 | 90,049 | 70,511 | 62,831 | 47,151 | 2,177 | 44,876 | (5,214) |
| Interest and debt expense ⁽¹⁾ | 342,239 | 42,434 | 54,399 | 49,456 | 7,511 | 15,565 | 105,449 | 67,425 |
| Depreciation and amortization ⁽¹⁾ | 258,808 | 47,214 | 61,385 | 26,566 | 22,481 | 16,701 | 66,686 | 17,775 |
| Income tax (benefit) expense ⁽¹⁾ | (2,904) | | 3,853 | | 119 | 489 | (7,556) | 191 |
| EBITDA | \$ 910,524 | \$ 179,697 | \$ 190,148 | \$ 138,853 | \$ 77,262 | \$ 34,932 | \$ 209,455 | \$ 80,177 |

EBITDA includes net gains on sale of real estate of \$33,769, of which \$17,609 is included in the Washington, DC segment, \$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, the Other segment EBITDA includes a \$55,438 net gain on sale of marketable equity securities and a \$5,974 net loss on

mark-to-market of derivative instruments.

See notes on the following page.

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Reconciliation of Net Income and EBITDA Six Months Ended June 30, 2007 and 2006 (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 Six Months | |
|---------------------------------------------------------------------|--------------------|----------|
| | Ended June 30, | |
| | 2007 | 2006 |
| Alexander s | \$37,499 | \$25,506 |
| Hotel Pennsylvania | 14,781 | 10,559 |
| GMH | 8,345 | (1) |
| 555 California Street | 6,349 | |
| Lexington MLP, formerly Newkirk MLP | 5,984 | 16,737 |
| Industrial warehouses | 2,196 | 3,021 |
| Other investments | 5,752 | 6,403 |
| | 80,906 | 62,226 |
| Investment income and other | 182,834 | 89,497 |
| Corporate general and administrative expenses | (33,364) | (28,001) |
| Minority limited partners' interest in the Operating Partnership | (34,029) | (33,198) |
| Perpetual preferred unit distributions of the Operating Partnership | (9,637) | (10,347) |
| Costs of acquisition not consummated | (8,807) | |
| | \$177,903 | \$80,177 |

- (1) Does not include any income or loss as GMH had delayed the filing of its 2005 Form 10-K and first quarter 2006 Form 10-Q until after we filed our Form 10-Q for the quarter ended June 30, 2006.

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Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

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 \$1,530,513,000 for the six months ended June 30, 2007, compared to \$1,310,369,000 for the prior year's six months, an increase of \$220,144,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands) | | Office | | | Merchandise | | Temperature | |
|------------------------------------------------------------------------------|-----------|-----------|----------------|----------|-------------|----------------------|-------------|-----------|
| | Total | New York | Washington, DC | Retail | Mart | Controlled Logistics | Other | |
| Property rentals: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions: | | | | | | | | |
| Manhattan Mall | \$ 24,801 | \$ 16,792 | \$ | \$ 8,009 | \$ | \$ | \$ | |
| 350 Park Avenue | 15,810 | 15,810 | | | | | | |
| 555 California Street | 10,519 | | | | | | | 10,519 |
| 1290 Avenue of the Americas | 10,403 | 10,403 | | | | | | |
| Former Toys 'R Us stores | 9,834 | | | 9,834 | | | | |
| H Street (effect of consolidating from May 1, 2007, vs. equity method prior) | 9,685 | | 9,685 | | | | | |
| Bruckner Plaza | 3,641 | | | 3,641 | | | | |
| 1540 Broadway | 3,442 | 386 | | 3,056 | | | | |
| Other | 12,505 | | 1,645 | 3,673 | 7,187 | | | |
| Development/Redevelopment: | | | | | | | | |
| 2101 L Street taken out of service | (4,942) | | (4,942) | | | | | |
| Crystal Mall 2 taken out of service | (3,996) | | (3,996) | | | | | |
| Bergen Town Center partially taken out of service | (304) | | | (304) | | | | |
| Springfield Mall partially taken out of service | 871 | | | 871 | | | | |
| Other | (251) | | 22 | (273) | | | | |
| Amortization of acquired below market leases, net | 25,851 | 17,701 | (7) | 8,300 | 98 | | | (241) |
| Operations: | | | | | | | | |
| Hotel Pennsylvania | 5,404 | | | | | | | 5,404 (1) |
| Trade shows | (388) | | | | | (388) | | (2) |
| Leasing activity (see page 47) | 35,666 | 22,406 | 9,457 | 3,372 | 283 | | | 148 |
| Total increase in property rentals | 158,551 | 83,498 | 11,864 | 40,179 | 7,180 | | | 15,830 |
| Temperature Controlled Logistics: | | | | | | | | |
| Increase due to acquisitions (ConAgra warehouses) | 12,992 | | | | | 12,992 | | |
| Increase due to operations | 10,678 | | | | | 10,678 | | (3) |
| Total increase | 23,670 | | | | | 23,670 | | |
| Tenant expense reimbursements: | | | | | | | | |
| Increase due to: | | | | | | | | |
| Acquisitions/development | 13,857 | 7,177 | 814 | 4,491 | | | | 1,375 |
| Operations | 13,399 | 2,821 | 4,535 | 4,483 | 940 | | | 620 |
| Total increase in tenant expense reimbursements | 27,256 | 9,998 | 5,349 | 8,974 | 940 | | | 1,995 |
| Fee and other income: | | | | | | | | |
| Increase (decrease) in: | | | | | | | | |
| Lease cancellation fee income | (5,654) | (7,261) | 159 | 2,036 | (588) | | | |
| Management and leasing fees | 4,821 | 1,341 | 4,603 | 204 | (41) | | | (1,286) |
| BMS Cleaning fees | 4,717 | 5,318 | | | | | | (601) |
| Other | 6,783 | 3,177 | 3,693 | (296) | 824 | | | (615) |
| Total increase (decrease) in fee and | 10,667 | 2,575 | 8,455 | 1,944 | 195 | | | (2,502) |

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| | | | | | | | |
|----------------------------|------------|-----------|-----------|-----------|----------|-----------|-----------|
| other income | | | | | | | |
| Total increase in revenues | \$ 220,144 | \$ 96,071 | \$ 25,668 | \$ 51,097 | \$ 8,315 | \$ 23,670 | \$ 15,323 |

See Notes on the following page.

Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

Notes to the preceding tabular information:

- (1) Revenue per available room (REVPAR) was \$114.31 for the six months ended June 30, 2007 compared to \$98.41 for the prior year s six months.
- (2) The prior year s six months includes \$595 for a trade show which will be held in August 2007.
- (3) Primarily from (i) a \$10,670 increase in transportation operations resulting from new transportation business in connection with the acquisition of the ConAgra warehouses in the fourth quarter of 2006, (ii) a \$2,930 increase in managed warehouse operations as a result of a new management contract beginning in March 2007, partially offset by (iii) a \$2,312 decrease in owned warehouse operations . See page 64 for a discussion of AmeriCold s gross margin.
- (4) Primarily due to lease termination fee income received from MONY Life Insurance Company in connection with the termination of their 289,000 square foot lease at 1740 Broadway in 2006.

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Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

Expenses

Our expenses, which consist of operating, depreciation and amortization and general and administrative expenses, were \$1,126,210,000 for the six months ended June 30, 2007, compared to \$937,398,000 for the prior year's six months, an increase of \$188,812,000. Below are the details of the increase (decrease) by segment:

| (Amounts in thousands) | Office | | | | Merchandise | | Temperature | |
|------------------------------------------------------------------------------|------------|-----------|----------------|-----------|-------------|-----------|-------------|-----------|
| | Total | New York | Washington, DC | Retail | Mart | Logistics | Other | |
| Operating: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions: | | | | | | | | |
| Manhattan Mall | \$ 11,078 | \$ 6,518 | \$ | \$ 4,560 | \$ | \$ | \$ | |
| 350 Park Avenue | 8,334 | 8,334 | | | | | | |
| Former Toys stores | 7,265 | | | 7,265 | | | | |
| 1290 Avenue of the Americas | 5,247 | 5,247 | | | | | | |
| H Street (effect of consolidating from May 1, 2007, vs. equity method prior) | 5,022 | | 5,022 | | | | | |
| 555 California Street | 3,771 | | | | | | | 3,771 |
| 1540 Broadway | 2,089 | 625 | | 1,464 | | | | |
| Bruckner Plaza | 1,443 | | | 1,443 | | | | |
| Other | 24,358 | | 840 | 1,486 | 9,292 | 12,740 | | |
| Development/Redevelopment: | | | | | | | | |
| Springfield Mall partially taken out of service | 89 | | | 89 | | | | |
| 2101 L Street taken out of service | (2,172) | | (2,172) | | | | | |
| Crystal Mall 2 taken out of service | (743) | | (743) | | | | | |
| Bergen Town Center partially taken out of service | (907) | | | (907) | | | | |
| Other | (4,211) | | (2) | (53) | | (4,156) | | |
| Hotel activity | 1,446 | | | | | | | 1,446 |
| Trade shows activity | (379) | | | | (379) | | | |
| Operations | 50,205 | 14,682 | 9,270 | 6,694 | 6,493 | 12,484 | (1) | 582 |
| Total increase in operating expenses | 111,935 | 35,406 | 12,215 | 22,041 | 15,406 | 21,068 | | 5,799 |
| Depreciation and amortization: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions/Development | 38,552 | 17,092 | 1,072 | 13,522 | | 3,060 | | 3,806 |
| Operations (due to additions to buildings and improvements) | 13,526 | 3,779 | (1,519) | 3,056 | 868 | 1,785 | | 5,557 |
| Total increase (decrease) in depreciation and amortization | 52,078 | 20,871 | (447) | 16,578 | 868 | 4,845 | | 9,363 |
| General and administrative: | | | | | | | | |
| Increase (decrease) due to: | | | | | | | | |
| Acquisitions/Development and Other | 9,810 | 1,396 | 34 | 2,474 | | 4,156 | | 1,750 (2) |
| Operations | 6,182 | 39 | (1,435) | 640 | 1,460 | (947) | | 6,425 (3) |
| Total increase (decrease) in general and administrative | 15,992 | 1,435 | (1,401) | 3,114 | 1,460 | 3,209 | | 8,175 |
| Costs of acquisition not consummated | 8,807 | | | | | | | 8,807 |
| Total increase in expenses | \$ 188,812 | \$ 57,712 | \$ 10,367 | \$ 41,733 | \$ 17,734 | \$ 29,122 | | \$ 32,144 |

(1) AmeriCold's gross margin from comparable warehouses was \$75,606 or 33.9%, for the six months ended June 30, 2007, compared to \$76,360 or 33.2% for the six months ended June 30, 2006, a decrease of \$754. Gross margin from transportation management services, managed warehouses and other non-warehouse activities was \$8,537 for the six months ended June 30, 2007, compared to \$9,004 for the six months ended June 30, 2006, a decrease of \$467, primarily due to the acquisition of three ConAgra managed warehouses during December 2006 and January 2007.

(2) Primarily from India Property Fund organization costs in the current year's six months.

- (3) Primarily from an increase in the amortization of stock-based compensation, including \$3,802 for the 2006 Out-Performance Plan.

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Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

Income 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 \$23,003,000 for the six months ended June 30, 2007, compared to \$11,155,000 for the prior year's six months, an increase of \$11,848,000. This increase was primarily due to (i) our \$5,916,000 share of income in the current six month period for the reversal of accrued stock appreciation rights compensation expense as compared to \$7,559,000 for our share of expense in the prior year's six months, (ii) an increase of \$2,857,000 in our equity in earnings of Alexander's before stock appreciation rights and net gains on sales of condominiums, (iii) an increase of \$1,391,000 in development fees in the current period, partially offset by (iv) our \$4,580,000 share of Alexander's net gain on sale of 731 Lexington Avenue condominiums in the prior year's six months.

Income Applicable to Toys

Our 32.8% share of Toys' net income (comprised of equity in net income, interest income on loans receivable, and management fees) was \$38,632,000 for the six months ended June 30, 2007, compared to \$44,876,000 for the prior year's six months, a decrease of \$6,244,000.

Income from Partially Owned Entities

Summarized below are the components of income from partially owned entities for the six months ended June 30, 2007 and 2006.

| Equity in Net Income (Loss): (Amounts in thousands) | For The Six Months | |
|---------------------------------------------------------------------------------------------------------|------------------------|--------------|
| | Ended June 30, 2007 | 2006 |
| H Street non-consolidated subsidiaries: 50% share of equity in net income (1) | \$5,923 | \$ 4,311 (2) |
| Beverly Connection: 50% share of equity in net loss | (2,389) | (6,023) |
| Interest and fee income | 4,607 | 6,337 |
| | 2,218 | 314 |
| GMH Communities L.P: 13.5% in 2007 and 11.3% in 2006 share of equity in net loss (3) | (281) | |
| Lexington MLP (see page 35): 7.1% in 2007 and 15.8% in 2006 share of equity in net (loss) income (4) | (242) (5) | 8,573 |
| Other (6) | 10,080 | 7,488 |
| | \$17,698 | \$ 20,686 |

-
- (1) On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets and we now consolidate the accounts of these entities into our consolidated financial statements and no longer account for them under the equity method on a one-quarter lag basis.
 - (2) Prior to the quarter ended June 30, 2006, two 50% owned entities that were contesting our acquisition of H Street impeded access to their financial information and accordingly, we were unable to record our pro rata share of their earnings. During the quarter ended June 30, 2006, we recognized equity in net income of \$4,311 from these entities of which \$2,731 was for the periods from July 20, 2005 (date of acquisition) to December 31, 2005 and \$1,580 was for the quarter ended March 31, 2006.
 - (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 six months ended

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June 30, 2006 did not include any income or loss related to GMH's fourth quarter of 2005 or first quarter 2006 because GMH had delayed the filing of its annual report on Form 10-K for the year ended December 31, 2005 until July 31, 2006 and had delayed its quarterly report on Form 10-Q for the quarter ended March 31, 2006 until September 15, 2006.

- (4) Beginning on January 1, 2007, 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. Prior to the January 1, 2007, we recorded our pro rata share of Newkirk MLP's (Lexington MLP's predecessor) quarterly earnings current in our same quarter. Accordingly, our equity in net income or loss from partially owned entities for the six months ended June 30, 2007 includes our share of Lexington MLP's net income or loss for its first quarter ended March 31, 2007.
- (5) The variance from the prior year's six months is primarily due to (i) the current year including our share of Lexington MLP's first quarter results (lag basis) compared to the prior year's six months including our share of Newkirk MLP's first and second quarter results and (ii) higher depreciation expense and amortization of above market lease intangibles in the current year as a result of Lexington's purchase price accounting adjustments in connection with the merger of Newkirk MLP on December 31, 2006.
- (6) 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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Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

Interest and Other Investment Income

Interest and other investment income (mark-to-market of derivative positions, interest income on mortgage loans receivable, other interest income and dividend income) was \$174,992,000 for the six months ended June 30, 2007, compared to \$39,098,000 for the prior year's six months, an increase of \$135,894,000. This increase resulted primarily from:

(Amounts in thousands)

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| McDonalds derivative position net gain of \$74,613 in this year's six months compared to a net loss of \$8,215 in the prior year's six months | \$ 82,828 |
| Increase in interest income on higher average cash balances (\$1,700,000 through June 30, 2007, compared to \$440,000 for the prior year's six months) | 34,313 |
| GMH warrants derivative position net loss of \$16,370 in the prior year's six months (investment converted to common shares of GCT in the second quarter of 2006) | 16,370 |
| Sears Holdings derivative position net gain of \$18,611 in the prior year's six months (investment sold in the first quarter of 2006) | (18,611) |
| Other derivatives net gain of \$6,841 in this year's six months | 6,841 |
| Other, net primarily due to interest earned on higher average loans receivable and from prepayment premiums received upon loan repayments | 14,153 |
| | \$ 135,894 |

Interest and Debt Expense

Interest and debt expense was \$303,192,000 for the six months ended June 30, 2007, compared to \$224,716,000 for the prior year's six months, an increase of \$78,476,000. This increase was primarily due to (i) \$58,307,000 from a \$3.0 billion increase in outstanding mortgage debt due to property acquisitions, new property financings and refinancings and repayments, (ii) \$31,956,000 from the November 20, 2006 issuance of \$1 billion convertible senior debentures and the March 21, 2007 issuance of \$1.4 billion convertible senior debentures, partially offset by (iii) an \$18,094,000 increase in the amount of capitalized interest in connection with properties under development.

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 \$16,687,000 and \$57,495,000 for the six months ended June 30, 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 was income of \$8,232,000 for the six months ended June 30, 2007, compared to income of \$2,844,000 for the prior year's six months and represents the minority partners' pro rata share of the net income or loss of consolidated partially owned entities, including 1290 Avenue of the Americas, the 555 California Street complex, AmeriCold, 220 Central Park South, Wasserman and the Springfield Mall.

Provision For Income Taxes

The provision for income taxes was \$3,767,000 for the six months ended June 30, 2007, compared to \$1,980,000 for the prior year's six months, an increase of \$1,787,000. This increase results primarily from \$1,318,000 of income taxes from two H Street corporations, which we consolidate as of April 30, 2007, the date we acquired the remaining 50% of these corporations we did not previously own (we previously accounted for our 50% investment on the equity method). Beginning on January 1, 2008, these corporations will elect to be treated as real estate

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investment trusts under Sections 856-860 of the Internal Revenue Code of 1986, as amended, which will eliminate their Federal income tax provision to the extent that 100% of their taxable income is distributed to shareholders.

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Results of Operations Six Months Ended June 30, 2007 and 2006 (continued)

(Loss) Income From Discontinued Operations

The combined results of operations of the assets related to discontinued operations for the six months ended June 30, 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.

| (Amounts in thousands) | For the Six Months | |
|--------------------------------------------|--------------------|-----------|
| | Ended June 30, | |
| | 2007 | 2006 |
| Revenues | \$ 20 | \$ 2,393 |
| Expenses | 91 | 2,665 |
| Net loss | (71) | (272) |
| Net gains on sale of real estate | | 33,769 |
| (Loss) income from discontinued operations | \$ (71) | \$ 33,497 |

EBITDA by Segment

Below are the details of the changes in EBITDA by segment for the six months ended June 30, 2007 from the six months ended June 30, 2006.

| (Amounts in thousands) | Total | Office | | Retail | Merchandise Mart | Temperature Controlled | | Toys | Other |
|-------------------------------------------------------------------------|--------------|------------|-------------------|------------|---------------------|---------------------------|------------|------------|-------|
| | | New York | Washington, DC | | | Logistics | | | |
| Six Months ended | | | | | | | | | |
| June 30, 2006 | \$ 910,524 | \$ 179,697 | \$ 190,148 | \$ 138,853 | \$ 77,262 | \$ 34,932 | \$ 209,455 | \$ 80,177 | |
| 2007 Operations: | | | | | | | | | |
| Same store operations ⁽¹⁾ | | 16,896 | 9,303 | 2,163 | (2,323) | (299) | | | |
| Acquisitions, dispositions and non-same store income and expenses | | 42,539 | (9,597) | 13,206 | (11,909) | (1,067) | | | |
| Six Months ended | | | | | | | | | |
| June 30, 2007 | \$ 1,111,119 | \$ 239,132 | \$ 189,854 | \$ 154,222 | \$ 63,030 | \$ 33,566 | \$ 253,412 | \$ 177,903 | |
| % increase (decrease) in same store operations | | 9.3% | 5.6% | 1.8% | (2) (2.8%) | (3) (0.7%) | | | |

(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) The same store increase would be 4.2% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of \$61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of \$204.00 per square foot.

(3) Reflects income of \$1,900 in 2006 from the reversal of a reserve for bad debts on receivables arising from the straight-lining of rents. The same store operations decreased by 0.5% exclusive of this item.

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Liquidity and Capital Resources Six Months ended June 30, 2007 and 2006

Cash Flows for the Six Months Ended June 30, 2007

Our cash and cash equivalents was \$743,506,000 at June 30, 2007, a \$1,489,811,000 decrease over the balance at December 31, 2006. This decrease resulted from \$3,166,591,000 of net cash used in investing activities, partially offset by, \$1,377,322,000 of net cash provided by financing activities and \$299,438,000 of net cash provided by operating 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 \$12,572,462,000 at June 30, 2007, a \$3,017,664,000 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 mortgage debt associated with asset acquisitions and property refinancings during the current quarter. As of June 30, 2007 and December 31, 2006, our revolving credit facility had a \$94,000,000 balance and a zero outstanding balance, respectively. During 2007 and 2008, \$216,824,000 and \$486,547,000 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 \$2,989,235,000 at June 30, 2007, a \$333,772,000 decrease from the balance at December 31, 2006. This decrease resulted primarily from our \$351,302,000 share of Toys decrease in outstanding debt.

Cash flows provided by operating activities of \$299,438,000 was primarily comprised of (i) net income of \$332,851,000, after adjustments of \$55,919,000 for non-cash items, including depreciation and amortization expense, net gains from derivative positions, 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 \$11,767,000, partially offset by, (iii) the net change in operating assets and liabilities of \$101,099,000.

Net cash used in investing activities of \$3,166,571,000 was primarily comprised of (i) acquisitions of real estate of \$2,585,928,000, (ii) investments in notes and mortgage loans receivable of \$204,914,000, (iii) deposits in connection with real estate acquisitions and pre-acquisition costs of \$20,691,000, (iv) investments in partially owned entities of \$166,611,000, (v) development and redevelopment expenditures of \$140,253,000, (vi) investments in marketable securities of \$151,024,000, partially offset by, (vii) proceeds received from repayments on mortgage loans receivable of \$113,291,000.

Net cash provided by financing activities of \$1,377,322,000 was primarily comprised of (i) proceeds from borrowings of \$2,510,217,000, of which \$1,372,000,000 were proceeds received from the offering of the 2.85% convertible senior debentures due 2027, partially offset by, (ii) repayments of borrowings of \$714,873,000, (iii) dividends paid on common shares of \$257,943,000, (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 \$41,929,000, and (vi) dividends paid on preferred shares of \$28,645,000.

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

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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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Liquidity and Capital Resources Six Months ended June 30, 2007 and 2006 (continued)

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 six months ended June 30, 2007.

| (Amounts in thousands) | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Other |
|--------------------------------------------------------------------|-----------|--------------------|-------------------|-----------|---------------------|----------------------------------------|-------|
| Capital Expenditures | | | | | | | |
| (Accrual basis): | | | | | | | |
| Expenditures to maintain the assets: | | | | | | | |
| Recurring | \$ 24,490 | \$ 4,571 | \$ 5,813 | \$ 192 | \$ 6,121 | \$ 7,793 | \$ |
| Non-recurring | | | | | | | |
| Total | 24,490 | 4,571 | 5,813 | 192 | 6,121 | 7,793 | |
| Tenant improvements: | | | | | | | |
| Recurring | 39,299 | 11,619 | 14,330 | 1,722 | 11,628 | | |
| Non-recurring | 260 | | | 260 | | | |
| Total | 39,559 | 11,619 | 14,330 | 1,982 | 11,628 | | |
| Leasing Commissions: | | | | | | | |
| Recurring | 15,985 | 6,728 | 4,692 | 2,258 | 2,307 | | |
| Non-recurring | 111 | | | 111 | | | |
| Total | 16,096 | 6,728 | 4,692 | 2,369 | 2,307 | | |
| Tenant improvements and leasing commissions: | | | | | | | |
| Per square foot | \$ 18.03 | \$ 40.95 | \$ 12.38 | \$ 11.68 | \$ 18.99 | \$ | \$ |
| Per square foot per annum | \$ 2.52 | \$ 5.85 | \$ 2.00 | \$ 1.32 | \$ 2.27 | \$ | \$ |
| Total Capital Expenditures and Leasing Commissions (accrual basis) | | | | | | | |
| | \$ 80,145 | \$ 22,918 | \$ 24,835 | \$ 4,543 | \$ 20,056 | \$ 7,793 | \$ |
| Adjustments to reconcile accrual basis to cash basis: | | | | | | | |
| Expenditures in the current year applicable to prior periods | | | | | | | |
| | 40,297 | 9,776 | 20,477 | 2,769 | 7,275 | | |
| Expenditures to be made in future periods for the current period | | | | | | | |
| | (45,597) | (15,736) | (14,973) | (3,947) | (10,941) | | |
| Total Capital Expenditures and Leasing Commissions (Cash basis) | | | | | | | |
| | \$ 74,845 | \$ 16,958 | \$ 30,339 | \$ 3,365 | \$ 16,390 | \$ 7,793 | \$ |
| Development and Redevelopment Expenditures (1): | | | | | | | |
| Bergen Town Center | \$ 32,747 | \$ | \$ | \$ 32,747 | \$ | \$ | \$ |
| Crystal Mall Two | 18,663 | | 18,663 | | | | |
| Green Acres Mall | 16,975 | | | 16,975 | | | |
| 2101 L Street | 15,502 | | 15,502 | | | | |
| North Bergen, New Jersey (Ground-up development) | | | | | | | |
| | 11,435 | | | 11,435 | | | |
| Wasserman venture | 9,605 | | | | | | 9,605 |
| 220 Central Park South | 7,251 | | | | | | 7,251 |
| 1925 K Street | 2,772 | | 2,772 | | | | |

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| | | | | | | | |
|------------------|------------|----------|-----------|-----------|----|----|-----------|
| Springfield Mall | 2,617 | | | 2,617 | | | |
| Arlington Plaza | 1,810 | | 1,810 | | | | |
| 1740 Broadway | 1,204 | 1,204 | | | | | |
| Other | 19,672 | 2,163 | 6,377 | 6,518 | | | 4,614 |
| | \$ 140,253 | \$ 3,367 | \$ 45,124 | \$ 70,292 | \$ | \$ | \$ 21,470 |

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

Liquidity and Capital Resources Six Months ended June 30, 2007 and 2006 (continued)

Cash Flows for the Six Months Ended June 30, 2006

Cash flows provided by operating activities of \$359,241,000 was primarily comprised of (i) net income of \$312,381,000, (ii) adjustments for non-cash items of \$39,496,000, (iii) distributions of income from partially-owned entities of \$19,318,000, partially offset by, (iv) the net change in operating assets and liabilities of \$11,954,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$200,353,000, (ii) allocation of income to minority limited partners of the Operating Partnership of \$33,198,000, (iii) perpetual preferred unit distributions of the Operating Partnership of \$10,347,000, partially offset by, (iv) net gains on disposition of wholly owned and partially owned assets other than depreciable real estate (primarily on the sale of Sears Canada common shares) of \$57,495,000, (v) equity in net income of partially-owned entities (including Toys and Alexander's) of \$76,717,000, (vi) net gains on sale of real estate of \$33,769,000, and (vii) the effect of straight-lining of rental income of \$30,182,000.

Net cash used in investing activities of \$512,924,000 was primarily comprised of (i) investments in notes and mortgage loans receivable of \$260,667,000, (ii) capital expenditures of \$90,443,000, (iii) development and redevelopment expenditures of \$112,650,000, (iv) investments in partially-owned entities of \$89,584,000, (v) acquisitions of real estate of \$244,938,000, (vi) investments in marketable securities of \$57,992,000, (vii) deposits in connection with real estate acquisitions, including pre-acquisition costs, of \$44,163,000, (viii) restricted cash, including mortgage escrows, of \$40,752,000, partially offset by, (ix) proceeds received on the settlement of derivatives (primarily Sears Holdings) of \$135,028,000, (x) proceeds from the sale of real estate of \$110,388,000, (xi) distributions of capital from partially-owned entities of \$29,703,000, (xii) proceeds from the sale of, and returns of investment in marketable securities, of \$132,898,000, and (xiii) proceeds from repayments on notes and mortgages receivable of \$20,248,000.

Net cash provided by financing activities of \$353,569,000 was primarily comprised of (i) proceeds from borrowings of \$1,401,291,000, (ii) proceeds from the issuance of preferred units of \$34,145,000, (iii) proceeds of \$9,157,000 from the exercise by employees of share options, partially offset by, (iv) dividends paid on common shares of \$226,310,000, (v) repayments of borrowings of \$786,519,000, (vi) dividends paid on preferred shares of \$28,853,000, (vii) distributions to minority partners of \$41,265,000 and (viii) debt issuance costs of \$8,077,000.

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Liquidity and Capital Resources Six Months ended June 30, 2007 and 2006 (continued)

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 six months ended June 30, 2006.

| (Amounts in thousands) | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Other |
|--------------------------------------------------------------------|------------|--------------------|-------------------|-----------|---------------------|----------------------------------------|----------|
| Capital Expenditures | | | | | | | |
| (Accrual basis): | | | | | | | |
| Expenditures to maintain the assets: | | | | | | | |
| Recurring | \$ 22,725 | \$ 6,371 | \$ 7,424 | \$ 442 | \$ 3,951 | \$ 1,384 | \$ 3,153 |
| Non-recurring | | | | | | | |
| Total | 22,725 | 6,371 | 7,424 | 442 | 3,951 | 1,384 | 3,153 |
| Tenant improvements: | | | | | | | |
| Recurring | 57,151 | 31,333 | 15,145 | 3,229 | 7,444 | | |
| Non-recurring | 89 | | 89 | | | | |
| Total | 57,240 | 31,333 | 15,234 | 3,229 | 7,444 | | |
| Leasing Commissions: | | | | | | | |
| Recurring | 20,636 | 15,319 | 3,273 | 1,315 | 729 | | |
| Non-recurring | 32 | | 32 | | | | |
| Total | 20,668 | 15,319 | 3,305 | 1,315 | 729 | | |
| Tenant improvements and leasing commissions: | | | | | | | |
| Per square foot | \$ 20.99 | \$ 38.22 | \$ 14.89 | \$ 8.12 | \$ 12.08 | \$ | \$ |
| Per square foot per annum | \$ 2.40 | \$ 3.91 | \$ 2.10 | \$ 0.63 | \$ 1.76 | \$ | \$ |
| Total Capital Expenditures and Leasing Commissions (accrual basis) | | | | | | | |
| | \$ 100,633 | \$ 53,023 | \$ 25,963 | \$ 4,986 | \$ 12,124 | \$ 1,384 | \$ 3,153 |
| Adjustments to reconcile accrual basis to cash basis: | | | | | | | |
| Expenditures in the current year applicable to prior periods | | | | | | | |
| | 35,880 | 12,049 | 18,607 | 324 | 4,900 | | |
| Expenditures to be made in future periods for the current period | | | | | | | |
| | (61,446) | (39,685) | (13,754) | (4,115) | (3,892) | | |
| Total Capital Expenditures and Leasing Commissions (Cash basis) | | | | | | | |
| | \$ 75,067 | \$ 25,387 | \$ 30,816 | \$ 1,195 | \$ 13,132 | \$ 1,384 | \$ 3,153 |
| Development and Redevelopment Expenditures: | | | | | | | |
| North Bergen, New Jersey | | | | | | | |
| (Ground-up development) | | | | | | | |
| | \$ 25,614 | \$ | \$ | \$ 25,614 | \$ | \$ | \$ |
| Green Acres Mall | 15,143 | | | 15,143 | | | |
| Bergen Town Center | 9,815 | | | 9,815 | | | |
| Crystal Plazas (PTO) | 9,519 | | 9,519 | | | | |
| 7 W. 34 th Street | 7,286 | | | | 7,286 | | |
| 1740 Broadway | 4,953 | 4,953 | | | | | |
| 640 Fifth Avenue | 1,261 | 1,261 | | | | | |
| Other | 32,689 | 377 | 3,715 | 6,994 | | | 21,603 |

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\$ 106,280 \$ 6,591 \$ 13,234 \$ 57,566 \$ 7,286 \$ 21,603

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SUPPLEMENTAL INFORMATION

Three Months Ended June 30, 2007 vs. Three Months Ended March 31, 2007

Below are the details of the changes in EBITDA by segment for the three months ended June 30, 2007 from the three months ended March 31, 2007.

| (Amounts in thousands) | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other |
|-------------------------------------------------------------------------|------------|-----------------------|-------------------|-----------|---------------------|----------------------------------------|------------|------------|
| For the three months ended March 31, 2007 | \$ 584,437 | \$ 114,537 | \$ 91,178 | \$ 74,894 | \$ 32,321 | \$ 16,144 | \$ 214,088 | \$ 41,275 |
| 2007 Operations: | | | | | | | | |
| Same store operations ⁽¹⁾ | | 2,969 | 3,302 | 1,779 | 1,014 | (297) |) | |
| Acquisitions, dispositions and non-same store income and expenses | | 7,089 | 4,196 | 2,655 | (2,626) |) | 1,575 | |
| For the three months ended June 30, 2007 | \$ 526,682 | \$ 124,595 | \$ 98,676 | \$ 79,328 | \$ 30,709 | \$ 17,422 | \$ 39,324 | \$ 136,628 |
| % increase (decrease) in same store operations | | 2.5% | 3.7% | 2.5% | 2.5% | (1.4%) |) | |

(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.

The following table reconciles Net income to EBITDA for the quarter ended March 31, 2007.

| (Amounts in thousands) | Total | Office New York | Washington, DC | Retail | Merchandise Mart | Temperature Controlled Logistics | Toys | Other |
|-------------------------------------------------------------------|------------|-----------------------|-------------------|-----------|---------------------|----------------------------------------|-------------|-------------|
| Net income (loss) for the three months ended March 31, 2007 | \$ 166,931 | \$ 53,657 | \$ 25,396 | \$ 33,811 | \$ 7,105 | \$ (1,038) |) \$ 58,661 | \$ (10,661) |
| Interest and debt expense | 198,771 | 30,138 | 35,908 | 22,797 | 13,064 | 7,861 | 46,634 | 42,369 |
| Depreciation and amortization | 163,151 | 30,742 | 28,259 | 18,286 | 11,822 | 9,268 | 55,396 | 9,378 |
| Income tax expense | 55,584 | | 1,615 | | 330 | 53 | 53,397 | 189 |
| EBITDA for the three months ended March 31, 2007 | \$ 584,437 | \$ 114,537 | \$ 91,178 | \$ 74,894 | \$ 32,321 | \$ 16,144 | \$ 214,088 | \$ 41,275 |

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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 25 of this Quarterly Report on Form 10-Q.

FFO applicable to common shares plus assumed conversions was \$281,741,000, or \$1.72 per diluted share for the three months ended June 30, 2007, compared to \$230,430,000, or \$1.49 per diluted share for the prior year's quarter. FFO applicable to common shares plus assumed conversions was \$551,906,000, or \$3.36 per diluted share for the six months ended June 30, 2007, compared to 442,346,000, or \$2.86 per diluted share for the prior years six months. Details of certain items that affect comparability are discussed in the financial results summary of our Overview.

| | For The Three | | For The Six | |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------|------------------------------|-------------|
| | Months Ended June 30, | | Months Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| (Amounts in thousands except per share amounts) | | | | |
| Reconciliation of Net Income to FFO: | | | | |
| Net income | \$ 165,920 | \$ 163,169 | \$ 332,851 | \$ 312,381 |
| Depreciation and amortization of real property | 114,511 | 84,156 | 208,176 | 160,599 |
| Net gains on sale of real estate | | (17,609) | | (33,769) |
| Proportionate share of adjustments to equity in net income of Toys to arrive at FFO: | | | | |
| Depreciation and amortization of real property | 17,112 | 12,155 | 51,035 | 27,923 |
| Net (gain) loss on sale of real estate | (493) | 658 | (493) | 329 |
| Income tax effect of above adjustments | (5,807) | (4,928) | (17,690) | (10,841) |
| Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO: | | | | |
| Depreciation and amortization of real property | 13,403 | 10,856 | 22,464 | 20,097 |
| Net (gain) loss on sale of real estate | | | | |
| Minority limited partners' share of above adjustments | (13,882) | (8,896) | (26,500) | (16,120) |
| FFO | 290,764 | 239,561 | 569,843 | 460,599 |
| Preferred share dividends | (14,295) | (14,404) | (28,591) | (28,811) |
| FFO applicable to common shares | 276,469 | 225,157 | 541,252 | 431,788 |
| Interest on 3.875% exchangeable senior debentures | 5,203 | 5,094 | 10,512 | 10,188 |
| Series A convertible preferred dividends | 69 | 179 | 142 | 370 |
| FFO applicable to common shares plus assumed conversions | \$ 281,741 | \$ 230,430 | \$ 551,906 | \$ 442,346 |

Reconciliation of Weighted Average Shares:

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| | | | | |
|----------------------------------------------------------------------------|---------|---------|---------|---------|
| Weighted average common shares outstanding | 151,794 | 141,418 | 151,612 | 141,275 |
| Effect of dilutive securities: | | | | |
| Employee stock options and restricted share awards | 6,770 | 7,640 | 6,916 | 7,529 |
| 3.875% exchangeable senior debentures | 5,559 | 5,531 | 5,559 | 5,531 |
| Series A convertible preferred shares | 118 | 304 | 122 | 315 |
| Denominator for diluted FFO per share | 164,241 | 154,893 | 164,209 | 154,650 |
| FFO applicable to common shares plus assumed conversions per diluted share | \$ 1.72 | \$ 1.49 | \$ 3.36 | \$ 2.86 |

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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 June 30, 2007 | | | As at December 31, 2006 | |
|-----------------------------------------------------------------------------------|---------------------|--------------------------------------|-----------------------------------------|-------------------------|--------------------------------------|
| | Balance | Weighted Average Interest Rate | Effect of 1% Change In Base Rates | Balance | Weighted Average Interest Rate |
| Consolidated debt: | | | | | |
| Variable rate | \$ 668,978 | 6.57% | \$ 6,690 | \$ 728,363 | 6.48% |
| Fixed rate | 11,903,484 | 5.24% | | 8,826,435 | 5.56% |
| | \$ 12,572,462 | 5.32% | 6,690 | \$ 9,554,798 | 5.63% |
| Pro-rata share of debt of non-consolidated entities (non-recourse): | | | | | |
| Variable rate excluding Toys | \$ 132,193 | 7.41% | 1,322 | \$ 162,254 | 7.31% |
| Variable rate Toys | 910,917 | 7.49% | 9,109 | 1,213,479 | 7.03% |
| Fixed rate (including \$1,008,702, and \$1,057,422 of Toys debt in 2007 and 2006) | 1,946,125 | 6.87% | | 1,947,274 | 6.95% |
| | \$ 2,989,235 | 7.08% | 10,431 | \$ 3,323,007 | 7.00% |
| Minority limited partners share of above | | | (1,712) | | |
| Total change in annual net income | | | \$ 15,409 | | |
| Per share-diluted | | | \$ 0.09 | | |

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 \$303,566,000, as of June 30, 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 \$493,627,000 at June 30, 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 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 and six months ended June 30, 2007, we recognized net gains aggregating approximately \$72,074,000 and \$81,454,000 respectively, 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 June 30, 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.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was 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.

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.

In connection with the acquisition, we have agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump's claim that the general partners of the partnerships we acquired 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

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than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

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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

On May 17, 2007, we held our annual meeting of shareholders, which we continued and concluded on May 22, 2007. The shareholders voted on the following matters: (i) the election of three nominees to serve on the Board of Trustees for a three-year term and until their respective successors are duly elected and qualified, (ii) the ratification of the selection of independent auditors with regard to the current fiscal year and (iii) a shareholder proposal requesting that the Board of Trustees initiate the appropriate process to amend the Company's governance documents to provide that trustee nominees be elected by an affirmative vote of the majority of votes cast at the annual meeting of shareholders, with a plurality vote standard retained for contested trustee elections, that is, when the number of trustee nominees exceeds the number of board seats. The results of the voting are shown below:

| | Votes Cast for | Votes Cast Against or Withheld | Broker Non-Votes | Abstentions |
|---------------------------------------------------------------------------------------|-----------------------|-------------------------------------------|-----------------------------|--------------------|
| (i) Election of Trustees: | | | | |
| Robert P. Kogod | 120,878,703 | 16,026,959 | | |
| David Mandelbaum | 133,687,423 | 3,218,239 | | |
| Dr. Richard R. West | 133,860,597 | 3,045,065 | | |
| (ii) Ratification of selection of independent auditors for the current fiscal year | 134,815,270 | 1,467,165 | | 623,227 |
| (iii) Shareholder proposal regarding majority voting in the election of trustees | 66,772,865 | 58,136,453 | 11,235,285 | 761,059 |

In addition to the three Trustees re-elected, Steven Roth, Michael D. Fascitelli, Russell B. Wight, Jr., Robert H. Smith, Anthony W. Deering, Michael Lynne and Ronald G. Targan continue to serve as Trustees after the meeting.

Item 5. Other Information

On July 25, 2007, we amended our Amended and Restated Declaration of Trust to (i) increase the number of authorized shares of beneficial interest from 620,000,000 to 720,000,000, of which 110,000,000 are designated as preferred shares, 250,000,000 are designated as common shares and 360,000,000 shares are designated as excess shares, (ii) correct certain typographical errors, and (iii) reclassify certain series of preferred shares. Also on July 25, 2007, following these actions, we restated such Declaration of Trust. Copies of the relevant documents are included as exhibits to and filed with this Quarterly Report on Form 10-Q.

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: July 31, 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 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 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 - 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 - 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 - 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 - 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 - 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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- 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

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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

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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

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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 *
- 3.65 - Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 - 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 27, 2007 *
- 3.66 - Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 - 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 June 27, 2007 *
- 3.67 - Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 - Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.68 - Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 - Incorporated by reference to Exhibit 3.4 to

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Vornado Realty L.P.'s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007

* Incorporated by reference.

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- 3.69 - Vornado Realty Trust Articles Supplementary, dated July 25, 2007
- 3.70 - Vornado Realty Trust Articles of Amendment of Declaration of Trust, dated July 25, 2007
- 3.71 - Vornado Realty Trust Certificate of Correction of Amendment of Declaration of Trust, dated July 25, 2007
- 3.72 - Vornado Realty Trust Certificate of Correction of Amendment of Declaration of Trust, dated July 25, 2007
- 3.73 - Vornado Realty Trust Certificate of Correction of Articles Supplementary, dated July 25, 2007
- 3.74 - Vornado Realty Trust Certificate of Correction of Articles Supplementary, dated July 25, 2007
- 3.75 - Vornado Realty Trust Articles of Restatement of Declaration of Trust, dated July 25, 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 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 *
- 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 - *

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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

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

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

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March 9, 2000

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

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| 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 | * |
| 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 | * |

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

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| 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 | ** | - | 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 | * |
| 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 | * |

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Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on
May 2, 2006

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

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| 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 (Filed 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 | * |
| 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 | * |
| 10.44 | ** | - | Amendment to 59 th 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 Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007, 2007 | * |

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

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| 10.46 | ** | - | Employment Agreement between Vornado Realty Trust and Mitchell Shear, as of April 19, 2007 Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007, 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 | |

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