

Section 1: 10-Q (FORM 10-Q)

1

EXHIBIT INDEX ON PAGE 26

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: MARCH 31, 1999

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: 1-11954

VORNADO REALTY TRUST
(Exact name of registrant as specified in its charter)

MARYLAND

22-1657560

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification Number)

PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY
(Address of principal executive offices)

07663
(Zip Code)

(201) 587-1000
(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

As of April 23, 1999 there were 85,196,765 common shares of the registrant's
shares of beneficial interest outstanding.

Page 1

2

INDEX

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements:

Page Number

Consolidated Balance Sheets as of March 31, 1999 and December 31, 1998.....	3
Consolidated Statements of Income for the Three Months Ended March 31, 1999 and March 31, 1998.....	4
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 1999 and March 31, 1998.....	5
Notes to Consolidated Financial Statements.....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	15
Item 3. Quantitative and Qualitative Disclosures About Market Risks.....	23
PART II. OTHER INFORMATION:	
Item 1. Legal Proceedings.....	24
Item 6. Exhibits and Reports on Form 8-K.....	24
Signatures	25
Exhibit Index	26

Page 2

3

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

(amounts in thousands except share amounts)

	MARCH 31, 1999	DECEMBER 31, 1998
	-----	-----
ASSETS		
Real estate, at cost:		
Land	\$ 754,324	\$ 743,324
Buildings and improvements	2,709,713	2,561,383
Leasehold improvements and equipment	12,254	11,184
Total	3,476,291	3,315,891
Less accumulated depreciation and amortization	(245,280)	(226,816)
Real estate, net	3,231,011	3,089,075
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$27,000 and \$56,500	80,139	167,808
Restricted cash	18,535	44,195
Marketable securities	76,244	77,156
Investments and advances to partially-owned entities, including Alexander's of \$102,267 and \$104,038	1,143,850	827,840
Due from officers	17,479	17,165
Accounts receivable, net of allowance for doubtful accounts of \$3,901 and \$3,044	35,905	35,517
Notes and mortgages receivable	71,250	10,683
Deposits in connection with real estate acquisitions	15,316	22,947
Receivable arising from the straight-lining of rents	56,767	49,711
Other assets	101,621	83,682
TOTAL ASSETS	\$ 4,848,117	\$ 4,425,779
	=====	=====

MARCH 31, 1999	DECEMBER 31, 1998
-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

Notes and mortgages payable	\$ 1,499,787	\$ 1,363,750
Revolving credit facility	607,250	687,250
Accounts payable and accrued expenses	87,483	109,925
Officer's deferred compensation payable	35,406	35,628
Deferred leasing fee income	8,725	10,051
Other liabilities	3,840	3,196
	-----	-----
	2,242,491	2,209,800
	-----	-----
Minority interest	734,317	433,301
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest:		
no par value per share; authorized,		
20,000,000 shares;		
Series A: liquidation preference \$50.00		
per share; issued 5,789,239 shares	283,476	282,758
Series B: liquidation preference \$25.00		
per share; issued 3,400,000 shares	82,305	--
Common shares of beneficial interest:		
\$.04 par value per share; authorized,		
125,000,000 shares; issued 85,096,765		
and 85,076,542 shares	3,404	3,403
Additional capital	1,653,634	1,653,208
Accumulated deficit	(126,668)	(132,837)
	-----	-----
Accumulated other comprehensive loss	1,896,151	1,806,532
Due from officers for purchase of common	(19,982)	(18,957)
shares	(4,860)	(4,897)
	-----	-----
Total shareholders' equity	1,871,309	1,782,678
	-----	-----
TOTAL LIABILITIES AND		
SHAREHOLDERS' EQUITY	\$ 4,848,117	\$ 4,425,779
	=====	=====

See notes to consolidated financial statements.

Page 3

4

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
	-----	-----
Revenues:		
Property rentals	\$ 138,159	\$ 72,365
Expense reimbursements	20,728	15,696
Other income (including fee income		
from related parties of \$465 and \$405) ...	4,677	2,150
	-----	-----
Total revenues	163,564	90,211
	-----	-----
Expenses:		
Operating	65,037	34,153
Depreciation and amortization	19,292	10,366
General and administrative	9,628	4,947
	-----	-----
Total expenses	93,957	49,466
	-----	-----
Operating income	69,607	40,745
Income applicable to Alexander's	1,502	1,656
Income from partially owned entities	19,093	3,920
Interest and other investment income	3,458	7,566
Interest and debt expense	(35,617)	(19,823)
Minority interest	(9,115)	(2,577)
	-----	-----
Net income	48,928	31,487
Preferred stock dividends (including accretion		
of issuance expenses of \$719 in each period)	(5,712)	(5,423)

Net income applicable to common shares	----- \$ 43,216 =====	----- \$ 26,064 =====
Net income per common share - basic	----- \$.51 =====	----- \$.36 =====
Net income per common share - diluted	----- \$.50 =====	----- \$.35 =====
Dividends per common share	----- \$.44 =====	----- \$.40 =====

See notes to consolidated financial statements.

Page 4

5

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 48,928	\$ 31,487
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization (including debt issuance costs)	19,292	11,171
Straight-lining of rental income	(7,056)	(2,292)
Minority interest	9,115	2,577
Equity in income of Alexander's, including depreciation of \$150 in each period	(282)	(120)
Equity in net income of partially-owned entities	(19,093)	(3,920)
Gain on marketable securities	(293)	(1,391)
Changes in operating assets and liabilities	(30,271)	(2,081)
Net cash provided by operating activities	20,340	35,431
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of real estate and other	(45,000)	(503,877)
Investments in partially-owned entities	(13,200)	--
Proceeds from sale of Cold Storage assets	22,769	--
Investment in notes and mortgages receivable	(60,567)	(2,500)
Cash restricted for tenant improvements	25,660	(340)
Additions to real estate	(61,228)	(20,435)
Purchases of securities available for sale	(3,818)	(13,616)
Proceeds from sale or maturity of securities available for sale ..	3,998	14,903
Real estate deposits and other	(9,706)	(18,000)
Net cash used in investing activities	(141,092)	(543,865)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	165,000	547,192
Repayments of borrowings	(163,963)	(118,714)
Debt issuance costs	(3,504)	(3,945)
Proceeds from issuance of preferred stock	82,305	--
Distributions to minority partners	(4,970)	(2,577)
Dividends paid on common shares	(37,047)	(28,505)
Dividends paid on preferred shares	(4,993)	(4,704)
Exercise of stock options	255	390
Net cash provided by financing activities	33,083	389,137
Net decrease in cash and cash equivalents	(87,669)	(119,297)
Cash and cash equivalents at beginning of period	167,808	355,954
Cash and cash equivalents at end of period	\$ 80,139	\$ 236,657
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest (including capitalized interest of \$705 in 1999)	\$ 35,143	\$ 19,418
NON-CASH TRANSACTIONS:		
Financing assumed in acquisitions	\$ 55,000	\$ 8,000
Minority interest in connection with acquisitions	297,800	398

See notes to consolidated financial statements.

Page 5

6

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). In April 1997, Vornado transferred substantially all of its assets to Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). As a result, Vornado now conducts its business through the Operating Partnership. Vornado is the sole general partner of, and owned approximately 85% of the common limited partnership interest in, the Operating Partnership at April 23, 1999. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of March 31, 1999, the consolidated statements of income for the three months ended March 31, 1999 and March 31, 1998 and the consolidated statements of changes in cash flows for the three months ended March 31, 1999 and March 31, 1998 are unaudited. In the opinion of management, 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 generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in Vornado's 1998 consolidated financial statements included in its Form 10-K as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 1999 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as interests acquired that individually (or in the aggregate with prior interests) exceed a 50% interest and the Company exercises unilateral control. All significant intercompany amounts have been eliminated. Equity interests in partially-owned entities include partnerships, joint ventures and preferred stock affiliates (corporations in which the Company owns all of the preferred stock and none of the common equity) and are accounted for under the equity method of accounting as the Company exercises significant influence. These investments are recorded initially at cost and subsequently adjusted for net equity in income (loss) and cash contributions and distributions. Ownership of the preferred stock entitles the Company to substantially all of the economic benefits in the preferred stock affiliates. The common stock of the preferred stock affiliates is owned by Officers and Trustees of Vornado.

Management has made estimates and assumptions that affect the reported amounts of 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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

3. ACQUISITIONS AND FINANCINGS

ACQUISITIONS

888 Seventh Avenue

In January 1999, the Company completed the acquisition of 888 Seventh Avenue, a 46 story Manhattan office building for approximately \$100,000,000.

Newkirk Joint Ventures

In March 1999, the Company and its joint venture partner completed the acquisition of additional equity interests in certain limited partnerships. The Company's investment of \$52,435,000 consisted of \$47,790,000 in Operating Partnership Units and \$4,645,000 in cash.

Page 6

7

VORNADO REALTY TRUST

Charles E. Smith Commercial Realty L.P. ("CESCR")

In March 1999, the Company made an additional \$242,000,000 investment in CESCR by contributing to CESCR the land under certain CESCR office properties in Crystal City, Arlington, Virginia and partnership interests in certain CESCR subsidiaries. The Company acquired these assets from Commonwealth Atlantic Properties, Inc. ("CAPI"), an affiliate of Lazard Freres Real Estate Investors L.L.C., immediately prior to the contribution to CESCR. Together with the Company's investment in CESCR made in 1997 and the units it reacquired in March 1999 from Vornado Operating Company, the Company owned approximately 34% of CESCR's limited partnership units as of March 31, 1999. In addition, the Company acquired from CAPI for \$8,000,000 the land under a Marriott Hotel located in Crystal City.

The purchase price was paid to CAPI by the Company issuing \$250,000,000 of 6% Convertible Preferred Units of the Company's Operating Partnership. The Preferred Units are convertible at \$44 per unit and the coupon increases to 6.50% over the next three years and then fixes at 6.75% in year eight. The Company will appoint one of three members to CESCR's Board of Managers, increasing under certain circumstances to two of four members in March 2002.

In connection with these transactions, the Company made a five-year \$41,000,000 loan to CAPI with interest at 8%, increasing to 9% ratably over the term. The loan is secured by approximately \$55,000,000 of the Operating Partnership's units issued to CAPI as well as certain real estate assets.

FINANCINGS

Two Penn Plaza Refinancing

In February 1999, the Company completed a \$165,000,000 refinancing of its Two Penn Plaza office building and prepaid the then existing \$80,000,000 debt on the property. The new 5-year debt matures in February 2004 and bears interest at 7.08%.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Offering of Preferred Shares

In March 1999, the Company completed the sale of 3 million 8.5% Series B Cumulative Redeemable Preferred Shares, at a price of \$25.00 per share, pursuant to an effective registration statement with net proceeds to the Company of approximately \$72,200,000. Additionally in March 1999, 400,000 shares were sold when the underwriters exercised their over-allotment option resulting in additional net proceeds to the Company of \$9,700,000. The perpetual preferred shares may be called without penalty at the option of the Company commencing on March 17, 2004.

PRO FORMA INFORMATION

The pro forma condensed consolidated operating results for Vornado for the three months ended March 31, 1999 and 1998 are presented as if the acquisitions described above and those included in Investments and Advances to Partially-Owned Entities and the financings attributable thereto had occurred on January 1, 1998.

Condensed Consolidated Pro Forma Operating Results

	Pro Forma	
	----- Three Months Ended March 31, -----	
	1999	1998
	-----	-----
(amounts in thousands, except per share amounts)		
Revenues	\$ 164,719 =====	\$ 156,828 =====
Net income	\$ 51,236	\$ 36,526
Preferred stock dividends	(5,712)	(5,423)
Net income applicable to common shares	\$ 45,524 =====	\$ 31,103 =====
Net income per common share - basic	\$.54	\$.37

	=====	=====
Net income per common share - diluted	\$.53	\$.36
	=====	=====

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS AND ADVANCES TO PARTIALLY-OWNED ENTITIES

The Company's investments and advances to partially-owned entities and income recognized from such investments are as follows:

Investments and Advances

	March 31, 1999	December 31, 1998
	-----	-----
(amounts in thousands)		
Cold Storage Companies.....	\$ 448,565	\$ 459,172
Alexander's.....	102,267	104,038
Charles E. Smith Commercial Realty L.P.....	313,204	49,151
Hotel Pennsylvania.....	48,832	47,813
Newkirk Joint Ventures.....	108,885	58,665
Mendik Partially-Owned Office Buildings.....	59,033	59,902
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties, Inc. and other.....	63,064	49,099
	-----	-----
	\$ 1,143,850	\$ 827,840
	=====	=====

Income

	Three Months Ended March 31,	
	1999	1998
	-----	-----
(amounts in thousands)		
Income Applicable to Alexander's.....	\$ 1,502	\$ 1,656
	=====	=====
Other Partially-Owned Entities:		
Cold Storage Companies, including income tax benefit of \$4,324 in 1999.....	\$ 11,990	\$ 1,714
Charles E. Smith Commercial Realty L.P.....	3,129	999
Hotel Pennsylvania.....	143	(56)
Newkirk Joint Ventures.....	2,032	--
Mendik Partially-Owned Office Buildings.....	317	913
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties Inc. and other.....	1,482	350
	-----	-----
	\$ 19,093	\$ 3,920
	=====	=====

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alexander's

The Company owns 29.3% of the outstanding shares of common stock of Alexander's. In March 1995, the Company lent Alexander's \$45,000,000. The loan, which was originally scheduled to mature in March 1998, has been renewed for two additional one year periods and currently matures in March 2000. The interest rate was reset in March 1999 from 13.87% per annum to 14.18% per annum.

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which

are automatically renewable. Subject to the payments of rents by Alexander's tenants, the Company is due \$3,445,000 under its leasing agreement with Alexander's which amount is included in Investments in and Advances to Alexander's. Included in income from Vornado Management Corp. is management fee income for Alexander's of \$954,000 and \$938,000 for the three months ended March 31, 1999 and 1998, respectively.

Cold Storage Companies

In March 1999, the partnerships in which affiliates of the Company have a 60% interest and affiliates of Crescent Real Estate Equities Company have a 40% interest ("Vornado/Crescent Partnerships") sold all of the non-real estate assets of the Cold Storage Companies encompassing the operations of the cold storage business for approximately \$48,000,000 to a new partnership owned 60% by Vornado Operating Company and 40% by Crescent Operating Inc. The new partnership leases the underlying cold storage warehouses used in this business from the Vornado/Crescent Partnerships which continue to own the real estate. The leases have a 15 year term with two-five year renewal options and provide for the payment of fixed base rent and percentage rent based on customer revenues. The new partnership is required to pay for all costs arising from the operation, maintenance and repair of the properties, as well as property capital expenditures in excess of \$5,000,000 annually. Fixed base rent and percentage rent for the initial lease year is projected to be approximately \$151,000,000. The new partnership has the right to defer a portion of the rent for up to three years beginning in March 1999 to the extent that available cash, as defined in the leases, is insufficient to pay such rent.

In connection with the sale of the Cold Storage non-real estate assets, the Company lent \$18,587,000 to Vornado Operating pursuant to a \$75,000,000 unsecured five-year revolving credit facility. Borrowing under the facility bears interest at LIBOR plus 3% (currently 8.01%).

5. OTHER RELATED PARTY TRANSACTIONS

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. For the three months ended March 31, 1999 and 1998, \$270,000 and \$198,000 of management fees were earned by the Company pursuant to the management agreement.

The Mendik Group owns an entity which provides cleaning and related services and security services to office properties, including the Company's Manhattan office properties. The Company was charged fees in connection with these contracts of \$11,011,000 and \$5,267,000 for the three months ended March 31, 1999 and 1998.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. MINORITY INTEREST

The minority interest represents limited partners', other than Vornado, interests in the Operating Partnership and are comprised of:

Unit Series	Outstanding Units at		Per Unit Liquidation Preference	Preferred or Annual Distribution Rate	Conversion Rate Into Class A Units
	March 31, 1999	December 31, 1998			
Class A	3,240,985	1,887,781	--	\$ 1.76	(a)
Class C	3,529,098	3,534,098	--	\$ 1.69(b)	1.0(c)
Class D	1,332,596	1,332,596	--	\$ 2.015	1.0(d)
5.0% B-1 Convertible Preferred	899,566	899,566	\$ 50.00	\$ 2.50	.914
8.0% B-2 Convertible Preferred	499,783	449,783	\$ 50.00	\$ 4.00	.914
6.5% C-1 Convertible Preferred	747,912	747,912	\$ 50.00	\$ 3.25	1.1431
8.5% D-1 Cumulative Redeemable Preferred	3,500,000	3,500,000	\$ 25.00	\$ 2.125	(e)
6.0% E-1 Convertible Preferred	4,998,000	--	\$ 50.00	\$ 3.00	1.1364

- (a) Class A units are convertible into one common share of beneficial interest in Vornado or cash at Vornado's option.
- (b) Class C unit holders participate in distributions at an annual rate of \$1.69, then pari passu with the Class A rate. Based on the current level of dividends, conversion will occur in November 1999.
- (c) Mandatory conversion of Class C units occurs after four consecutive quarters of distributions of at least \$.4225 per unit (\$1.69 annually).
- (d) Mandatory conversion of Class D units occurs after four consecutive

quarters of distributions of at least \$.50375 per unit (\$2.015 annually), then pari passu with the Class A rate.

(e) Convertible into an equivalent Vornado 8.5% preferred share.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. CONTINGENCIES

At March 31, 1999, in addition to the \$607,250,000 balance outstanding under the Company's revolving credit facility, the Company had utilized approximately \$91,615,000 of availability under the facility for letters of credit and guarantees primarily related to pending acquisitions.

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

8. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	----- 1999 -----	----- 1998 -----
(amounts in thousands except per share amounts)		
Numerator:		
Net income	\$ 48,928	\$ 31,487
Preferred stock dividends	(5,712)	(5,423)
	-----	-----
Numerator for basic and diluted earnings per share - net income applicable to common shares	\$ 43,216	\$ 26,064
	=====	=====
Denominator:		
Denominator for basic earnings per share - weighted average shares	85,086	72,165
Effect of dilutive securities:		
Employee stock options	1,611	2,188
	-----	-----
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	86,697	74,353
	=====	=====
Net income per common share - basic	\$.51	\$.36
	=====	=====
Net income per common share - diluted	\$.50	\$.35
	=====	=====

9. COMPREHENSIVE INCOME

The following table sets forth the Company's comprehensive income:

	Three Months Ended March 31,	
	----- 1999 -----	----- 1998 -----
(amounts in thousands)		
Net income applicable to common shares	\$ 43,216	\$ 26,064
Other comprehensive (loss) income	(1,025)	1,551
	-----	-----
Comprehensive income	\$ 42,191	\$ 27,615
	=====	=====

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. SEGMENT INFORMATION

The Company has four business segments: Office, Retail, Cold Storage and Merchandise Mart Properties.

(amounts in thousands)

	Three Months Ended March 31,					

	1999					
	Office	Retail	Cold Storage	Merchandise Mart	Other(2)	Total
	-----	-----	-----	-----	-----	-----
Total revenues	\$ 87,276	\$ 41,357	\$ --	\$ 32,988	\$ 1,943	\$ 163,564
Total expenses	51,484	17,157	--	18,502	6,814	93,957
Operating income	35,792	24,200	--	14,486	(4,871)	69,607
Income applicable to Alexander's ...	--	--	--	--	1,502	1,502
Income from partially-owned entities	3,407	200	11,990	1,176	2,320	19,093
Interest and other investment income	538	--	--	298	2,622	3,458
Interest and debt expense	(10,481)	(8,032)	--	(6,296)	(10,808)	(35,617)
Minority interest	(3,965)	(2,215)	(1,622)	(1,313)	--	(9,115)
Net income	25,291	14,153	10,368	8,351	(9,235)	48,928
Minority interest	3,965	2,215	1,622	1,313	--	9,115
Interest and debt expense(4)	14,605	8,689	6,665	6,296	13,444	49,699
Depreciation and amortization(4)	13,284	4,132	8,397	4,073	1,832	31,718
Straight-lining of rents(4)	(3,713)	(635)	--	(1,108)	579	(4,877)
Other	--	--	(4,123)(3)	--	1,469	(2,654)
EBITDA(1)	\$ 53,432	\$ 28,554	\$ 22,929	\$ 18,925	\$ 8,089	\$ 131,929
	=====	=====	=====	=====	=====	=====

March 31, 1999

Balance sheet data:

Real estate, net	\$1,908,676	\$575,387	\$ --	\$731,368	\$ 15,580	\$3,231,011
Investments and advances to partially-owned entities	381,862	2,552	448,565	27,873	282,998	1,143,850

	Three Months Ended March 31,					

	1998					
	Office	Retail	Cold Storage	Merchandise Mart	Other(2)	Total
	-----	-----	-----	-----	-----	-----
Total revenues	\$ 46,845	\$ 41,466	\$ --	\$ --	\$ 1,900	\$ 90,211
Total expenses	27,115	17,628	--	--	4,723	49,466
Operating income	19,730	23,838	--	--	(2,823)	40,745
Income applicable to Alexander's ...	--	--	--	--	1,656	1,656
Income from partially-owned entities	2,105	--	1,714	--	101	3,920
Interest and other investment income	1,515	1,156	--	--	4,895	7,566
Interest and debt expense	(4,018)	(7,778)	--	--	(8,027)	(19,823)
Minority interest	(1,301)	(1,160)	(116)	--	--	(2,577)
Net income	18,031	16,056	1,598	--	(4,198)	31,487
Minority interest	1,301	1,160	116	--	--	2,577
Interest and debt expense(4)	7,555	7,778	7,274	--	8,891	31,498
Depreciation and amortization(4)	7,443	3,953	9,516	--	1,168	22,080
Straight-lining of rents(4)	(1,441)	(933)	--	--	(263)	(2,637)
Other	--	--	--	--	224	224
EBITDA(1)	\$ 32,889	\$ 28,014	\$ 18,504	\$ --	\$ 5,822	\$ 85,229
	=====	=====	=====	=====	=====	=====

December 31, 1998

Balance sheet data:

Real estate, net	\$1,777,919	\$565,723	\$ --	\$729,485	\$ 15,948	\$3,089,075
Investments and advances to partially-owned entities	118,337	2,946	459,172	26,638	220,747	827,840

See footnotes 1-4 on the next page.

Page 13

14

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to segment information:

- (1) EBITDA represents net income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of real estate and the effect of straight-lining of property rentals for rent escalations. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other includes (i) the operations of the Company's warehouse and industrial properties, (ii) investments in the Hotel Pennsylvania, Alexander's, and Newkirk Joint Ventures, (iii) corporate general and administrative expenses and (iv) unallocated investment income and interest and debt expense.
- (3) Includes adjustment of \$(4,324) for income taxes, which are considered non-recurring because of the expected conversion of the Cold Storage Companies to REITs.
- (4) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

Page 14

15

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All of the amounts presented are in thousands, except share amounts and percentages)

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Certain factors could cause actual results to differ materially from those in the forward-looking statements. Factors that might cause such a material difference include, but are not limited to, (a) changes in the general economic climate, (b) local conditions such as an oversupply of space or a reduction in demand for real estate in the area, (c) conditions of tenants, (d) competition from other available space, (e) increased operating costs and interest expense, (f) the timing of and costs associated with property improvements, (g) changes in taxation or zoning laws, (h) government regulations, (i) failure of Vornado to continue to qualify as a REIT, (j) availability of financing on acceptable terms, (k) potential liability under environmental or other laws or regulations, (l) general competitive factors and (m) failure by Vornado, or by other companies with which it does business, to remediate possible Year 2000 problems in computer software or embedded technology.

OVERVIEW

The Company's net income was \$48,928 in the three months ended March 31, 1999, as compared to \$31,487 in the prior year's quarter, an increase of \$17,441. EBITDA, as defined, (1) was \$131,929 in the three months ended March 31, 1999, as compared to \$85,229 in the prior year's quarter, an increase of \$46,700.

Below is a summary of net income and EBITDA by segment for the three months ended March 31, 1999 and 1998:

March 31, 1999

Total	Office	Retail	Cold Storage	Merchandise Mart	Other (2)
-------	--------	--------	--------------	------------------	-----------

Total revenues	\$ 163,564	\$ 87,276	\$ 41,357	\$ --	\$ 32,988	\$ 1,943
Total expenses	93,957	51,484	17,157	--	18,502	6,814
Operating income	69,607	35,792	24,200	--	14,486	(4,871)
Income applicable to Alexander's ...	1,502	--	--	--	--	1,502
Income from partially-owned entities	19,093	3,407	200	11,990	1,176	2,320
Interest and other investment income	3,458	538	--	--	298	2,622
Interest and debt expense	(35,617)	(10,481)	(8,032)	--	(6,296)	(10,808)
Minority interest	(9,115)	(3,965)	(2,215)	(1,622)	(1,313)	--
Net income	48,928	25,291	14,153	10,368	8,351	(9,235)
Minority interest	9,115	3,965	2,215	1,622	1,313	--
Interest and debt expense (4)	49,699	14,605	8,689	6,665	6,296	13,444
Depreciation and amortization (4) ..	31,718	13,284	4,132	8,397	4,073	1,832
Straight-lining of rents (4)	(4,877)	(3,713)	(635)	--	(1,108)	579
Other	(2,654)	--	--	(4,123)(3)	--	1,469
EBITDA	\$ 131,929	\$ 53,432	\$ 28,554	\$ 22,929	\$ 18,925	\$ 8,089

March 31, 1998

	Total	Office	Retail	Cold Storage	Merchandise Mart	Other(2)
Total revenues	\$ 90,211	\$ 46,845	\$ 41,466	\$ --	\$ --	\$ 1,900
Total expenses	49,466	27,115	17,628	--	--	4,723
Operating income	40,745	19,730	23,838	--	--	(2,823)
Income applicable to Alexander's ...	1,656	--	--	--	--	1,656
Income from partially-owned entities	3,920	2,105	--	1,714	--	101
Interest and other investment income	7,566	1,515	1,156	--	--	4,895
Interest and debt expense	(19,823)	(4,018)	(7,778)	--	--	(8,027)
Minority interest	(2,577)	(1,301)	(1,160)	(116)	--	--
Net income	31,487	18,031	16,056	1,598	--	(4,198)
Minority interest	2,577	1,301	1,160	116	--	--
Interest and debt expense (4)	31,498	7,555	7,778	7,274	--	8,891
Depreciation and amortization (4) ..	22,080	7,443	3,953	9,516	--	1,168
Straight-lining of rents (4)	(2,637)	(1,441)	(933)	--	--	(263)
Other	224	--	--	--	--	224
EBITDA	\$ 85,229	\$ 32,889	\$ 28,014	\$ 18,504	\$ --	\$ 5,822

Footnotes 1-4 are explained on the following page.

Page 15

16

- (1) EBITDA represents net income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of real estate and the effect of straight-lining of property rentals for rent escalations. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Other includes (i) the operations of the Company's warehouse and industrial properties, (ii) investments in the Hotel Pennsylvania, Alexander's, and Newkirk Joint Ventures, (iii) corporate general and administrative expenses and (iv) unallocated investment income and interest and debt expense.
- (3) Includes adjustment of \$(4,324) for income taxes which are considered non-recurring because of the expected conversion of the Cold Storage Companies to REITs.
- (4) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

Page 16

17

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 1998

Below are the details of the changes by segment in EBITDA. The change in the Cold Storage EBITDA is discussed in Income from partially-owned entities.

	Total	Office	Retail	Cold Storage	Merchandise Mart	Other
	-----	-----	-----	-----	-----	-----
Three months ended						
March 31, 1998	\$ 85,229	\$ 32,889	\$ 28,014	\$ 18,504	\$ --	\$ 5,822
1999 Operations:						
Same store operations(1)	4,591	3,659	1,379	185	--	(632)
Acquisitions and other	42,109	16,884	(839)	4,240	18,925	2,899
	-----	-----	-----	-----	-----	-----
Three months ended						
March 31, 1999	\$131,929	\$ 53,432	\$ 28,554	\$ 22,929	\$ 18,925	\$ 8,089
	=====	=====	=====	=====	=====	=====
% increase in same						
store operations	5.4%	11.1%	4.9%	1.0%	*	(10.9%)

* not applicable

(1) Represents operations which were owned for the same period in each year.

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were \$163,564 in the three months ended March 31, 1999, compared to \$90,211 in the prior year's quarter, an increase of \$73,353. This increase by segment resulted from:

	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
	-----	-----	-----	-----	-----	-----
Property Rentals:						
Acquisitions:						
888 Seventh Avenue	January 1999	\$ 5,278	\$ 5,278	\$ --	\$ --	\$ --
Market Square Complex	December 1998	3,458	--	--	3,458	--
Mendik RELP	December 1998	6,826	6,826	--	--	--
20 Broad Street	August 1998	2,702	2,702	--	--	--
689 Fifth Avenue	August 1998	861	861	--	--	--
770 Broadway	July 1998	2,678	2,678	--	--	--
40 Fulton Street	June 1998	1,568	1,568	--	--	--
Merchandise Mart Properties	April 1998	27,227	--	--	27,227	--
150 E. 58th Street	March 1998	2,403	2,403	--	--	--
One Penn Plaza	February 1998	5,478	5,478	--	--	--
Westport	January 1998	274	274	--	--	--
		-----	-----	-----	-----	-----
		58,753	28,068	--	30,685	--
		-----	-----	-----	-----	-----
Leasing activity, including						
\$312 of step-ups						
in Retail		7,041	6,979	414	--	(352)
		-----	-----	-----	-----	-----
Total increase in property						
rentals		65,794	35,047	414	30,685	(352)
		-----	-----	-----	-----	-----
Tenant expense reimbursements:						
Increase in tenant expense						
reimbursements due to						
acquisitions		4,385	2,433	--	1,952	--
Other		647	831	(117)	--	(67)
		-----	-----	-----	-----	-----
Total increase in tenant						
expense reimbursements		5,032	3,264	(117)	1,952	(67)
		-----	-----	-----	-----	-----
Other income		2,527	2,120	(406)	351	462
		-----	-----	-----	-----	-----
Total increase in revenues		\$73,353	\$40,431	\$(109)	\$32,988	\$ 43
		=====	=====	=====	=====	=====

Expenses

The Company's expenses were \$93,957 in the three months ended March 31, 1999, compared to \$49,466 in the prior year's quarter, an increase of \$44,491. This increase by segment resulted from:

	Total	Office	Retail	Merchandise Mart	Other
	-----	-----	-----	-----	-----
Operating:					
Acquisitions	\$27,589	\$ 14,768	\$ --	\$ 12,821	\$ --
Same store operations	3,295	3,442	(348)	--	201
	-----	-----	-----	-----	-----
	30,884	18,210	(348)	12,821	201
	-----	-----	-----	-----	-----
Depreciation and amortization:					
Acquisitions	7,611	3,538	--	4,073	--
Same store operations	1,315	1,443	(93)	--	(35)
	-----	-----	-----	-----	-----
	8,926	4,981	(93)	4,073	(35)
	-----	-----	-----	-----	-----
General and administrative:	4,681(2)	1,148	--	1,608	1,925(1)
	-----	-----	-----	-----	-----
	\$44,491	\$ 24,339	\$ (441)	\$ 18,502	\$ 2,091
	=====	=====	=====	=====	=====

(1) Retail general and administrative expenses are included in corporate expenses which are not allocated.

(2) Of this increase: (i) \$2,005 is attributable to acquisitions, (ii) \$1,420 resulted from payroll, primarily for additional employees and corporate office expenses, and (iii) \$1,256 resulted from professional fees.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was \$1,502 in the three months ended March 31, 1999, compared to \$1,656 in the prior year's quarter, a decrease of \$154. This decrease resulted primarily from the Company's equity in the write-off of an asset arising from the straight-lining of rent of \$879, partially offset by income from Alexander's acquisition of the remaining 50% interest in the Kings Plaza Mall.

Income from partially-owned entities was \$19,093 in the three months ended March 31, 1999, compared to \$3,920 in the prior year's quarter, an increase of \$15,173. This increase by segment resulted from:

	Date of Acquisition	Total	Office	Retail	Cold Storage	Merchandise Mart	Other
	-----	-----	-----	-----	-----	-----	-----
Acquisitions:							
Cold Storage:							
Freezer Services	June 1998	\$ 2,550	\$ --	\$ --	\$ 2,550	\$ --	\$ --
Carmar Group	July 1998	1,358	--	--	1,358	--	--
Newkirk Joint Ventures	July 1998	2,032	--	--	--	--	2,032
Merchandise Mart Management Company	April 1998	1,176	--	--	--	1,176	--
Caguas	November 1998	200	--	200	--	--	--
		-----	-----	-----	-----	-----	-----
		7,316	--	200	3,908	1,176	2,032
Increase (decrease) in equity in income:							
Americold and URS		6,201(1)	--	--	6,201(1)	--	--
Charles E. Smith Commercial Realty L.P.		2,130	2,130	--	--	--	--
Hotel Pennsylvania		199	--	--	--	--	199
Mendik partially-owned office buildings		(596)(2)	(596)(2)	--	--	--	--
Other		(77)	(232)	--	167	--	(12)
		-----	-----	-----	-----	-----	-----
		\$ 15,173	\$ 1,302	\$ 200	\$10,276	\$1,176	\$ 2,219
		=====	=====	=====	=====	=====	=====

(1) Includes a benefit for income taxes of \$4,324 resulting from the reversal of income taxes because of the expected conversion of the Cold Storage Companies to REITs.

(2) Reflects the elimination of the Company's equity in income of Two Park Avenue which is wholly-owned as of November 17, 1998 and accordingly is consolidated in 1999.

securities) was \$3,458 for the three months ended March 31, 1999, compared to \$7,566 in the prior year's quarter, a decrease of \$4,108. This decrease resulted primarily from lower average investments this year.

Interest and debt expense was \$35,617 for the three months ended March 31, 1999, compared to \$19,823 in the prior year's quarter, an increase of \$15,794. This increase resulted primarily from debt in connection with acquisitions.

Minority interest was \$9,115 for the three months ended March 31, 1999, compared to \$2,577 in the prior year's quarter, an increase of \$6,538. Of this increase \$4,332 is due to acquisitions and \$2,206 results from higher income.

Preferred stock dividends were \$5,712 for the three months ended March 31, 1999, compared to \$5,423 in the prior year's quarter, an increase of \$289. This increase resulted from the issuance of the Company's Series B Cumulative Redeemable Preferred shares in March 1999.

LIQUIDITY AND CAPITAL RESOURCES

Three Months Ended March 31, 1999

Cash flows provided by operating activities of \$20,340 was primarily comprised of (i) income of \$48,928 and (ii) adjustments for non-cash items of \$1,683, offset by (iii) the net change in operating assets and liabilities of \$30,271. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$19,292 and (ii) minority interest of \$9,115, partially offset by (iii) the effect of straight-lining of rental income of \$7,056 and (iv) equity in net income of partially-owned entities of \$19,093. The net change in operating assets and liabilities primarily reflects an increase in prepaid expenses of \$16,295.

Net cash used in investing activities of \$141,092 was primarily comprised of (i) capital expenditures of \$61,228 (see detail below), (ii) investment in notes and mortgages receivable of \$60,567 (including \$41,200 loan to CAPI and \$18,587 loan to Vornado Operating Company), (iii) acquisitions of real estate of \$45,000 (see detail below), (iv) investments in partially-owned entities of \$13,200 (see detail below), (v) real estate deposits of \$9,706 and (vi) investments in securities of \$3,818, partially offset by (vii) the use of cash restricted for tenant improvements of \$25,660, (viii) proceeds from sale of Cold Storage assets of \$22,769 and (ix) proceeds from sale or maturity of securities available for sale of \$3,998.

Acquisitions of real estate and investments in partially-owned entities are comprised of:

	Cash ----	Debt Assumed -----	Value of Units Issued -----	Assets Acquired -----
Real Estate:				
888 Seventh Avenue	\$45,000 =====	\$ 55,000 =====	\$ -- =====	\$100,000 =====
Investments in Partially Owned Entities:				
Charles E. Smith Commercial Realty L.P.:				
Additional investment	\$ --	\$ --	\$242,000	\$242,000
Reacquired units from Vornado Operating Company	13,200	--	--	13,200
Crystal City hotel land	--	--	8,000	8,000
Additional investment in Newkirk Joint Ventures	--	--	47,800	47,800
	-----	-----	-----	-----
	\$13,200 =====	\$ -- =====	\$297,800 =====	\$311,000 =====

Capital expenditures were comprised of:

	New York City Office -----	Retail -----	Merchandise Mart -----	Other -----	Total -----
Expenditures to maintain the assets	\$ 1,258	\$ 271	\$1,428	\$ 1,712	\$ 4,669
Tenant allowances and leasing commissions	3,464	231	4,464	--	8,159
Redevelopment expenditures	36,392	12,008	--	--	48,400
	-----	-----	-----	-----	-----
	\$41,114 =====	\$12,510 =====	\$5,892 =====	\$ 1,712 =====	\$61,228 =====

Net cash provided by financing activities of \$33,083 was primarily comprised of (i) proceeds from borrowings of \$165,000, and (ii) proceeds from the issuance of Series B Cumulative Redeemable Preferred Shares of \$82,305, partially offset by (iii) repayment of borrowings of \$163,963, (iv) dividends paid on common shares of \$37,047, (v) dividends paid on preferred shares of \$4,993 and (vi) distributions to minority partners of \$4,970.

Three Months Ended March 31, 1998

Cash flows provided by operating activities of \$35,431 was primarily comprised of (i) net income of \$31,487 and (ii) adjustments for non-cash items of \$6,025, offset by (iii) the net change in operating assets and liabilities of \$2,081. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$11,171 and (ii) minority interest of \$2,577, partially offset by (iii) the effect of straight-lining of rental income of \$2,292 and (iv) equity in net income of partially-owned entities of \$3,920.

Net cash used in investing activities of \$543,865 was primarily comprised of (i) acquisitions of real estate of \$503,877 (One Penn Plaza (\$369,000), 150 East 58th Street (\$112,100) and Westport (\$14,000)), (ii) capital expenditures of \$20,435 and (iii) real estate deposits and other of \$18,000.

Net cash provided by financing activities of \$389,137 was primarily comprised of (i) proceeds from borrowings of \$547,192, partially offset by (ii) repayment of borrowings of \$118,714, (iii) dividends paid on common shares of \$28,505, (iv) dividend paid on preferred shares of \$4,704 and (v) distributions to minority partners of \$2,577.

Funds from Operations for the Three Months Ended March 31, 1999 and 1998

Funds from operations was \$65,387 in the three months ended March 31, 1999, compared to \$44,612 in the prior year's quarter, an increase of \$20,775. The following table reconciles funds from operations and net income:

	For the Three Months Ended March 31,	
	1999	1998
	-----	-----
Net income applicable to common shares	\$ 43,216	\$ 26,064
Depreciation and amortization of real property	18,752	10,194
Straight-lining of property rentals for rent escalations	(5,295)	(2,292)
Leasing fees received in excess of income recognized	380	368
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations	8,902	10,947
Appreciation of securities held in officer's deferred compensation trust	920	--
Gain on sale of securities available for sale	(294)	--
Minority interest in excess of preferential distributions	(1,154)	(669)
	-----	-----
	\$ 65,427	\$ 44,612
	=====	=====

The number of shares that should be used for determining funds from operations per share is the number used for diluted earnings per share. (See Note 8 of Notes to Consolidated Financial Statements).

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income. Below are the cash flows provided

by (used in) operating, investing and financing activities:

	For the Three Months Ended March 31,	
	1999	1998
Operating activities	\$ 20,340	\$ 35,431
Investing activities	\$(141,092)	\$(543,865)
Financing activities	\$ 33,083	\$ 389,137

Page 21

22

Financings

In February 1999, the Company completed a \$165,000 refinancing of its Two Penn Plaza office building and prepaid the then existing \$80,000 debt on the property. The new 5-year debt matures in February 2004 and bears interest at 7.08%.

In February 1999, the Company also exercised its option to extend the maturity date on the \$250,000 loan on its Chicago Merchandise Mart building from March 31, 1999 to September 30, 1999. In connection therewith, the Company paid a fee of 1/8%.

In March, 1999, the Vornado/Crescent Partnerships sold all of the non-real estate assets of the Cold Storage Companies encompassing the operations of the cold storage business for approximately \$48,000 to a new partnership owned 60% by Vornado Operating Company and 40% by Crescent Operating Inc.

In March 1999, the Company completed the sale of 3 million 8.5% Series B Cumulative Redeemable Preferred Shares, at a price of \$25.00 per share, pursuant to an effective registration statement with net proceeds to the Company of approximately \$72,200. Further in March 1999, 400,000 shares were sold when the underwriters exercised their over-allotment option resulting in additional net proceeds to the Company of \$9,700. The perpetual preferred shares may be called without penalty at the option of the Company commencing on March 17, 2004.

The Company anticipates that cash from continuing operations will be adequate to fund business operations and the payment of dividends and distributions on an on-going basis for more than the next twelve months; however, capital outlays for significant acquisitions will require funding from borrowings or equity offerings.

Year 2000 Issues

Year 2000 compliance programs and information systems modification were initiated by the Company in early 1998 to address the risk posed by the year 2000 issue. The Company developed a plan to address their affected informational (accounting, billing, payroll) and operational (refrigeration, HVAC, security, elevators, lighting, energy management) systems. The Company's plan also considers statements from outside vendors as to their year 2000 readiness.

The Company and its partially-owned entities have completed their initial assessment, inventory and planning phases of their plan and have determined that the majority of their systems, including all mission critical systems are already year 2000 compliant. The Company anticipates that any issues encountered with informational or operational systems will be remediated. The Company expects that where appropriate, all mission critical systems will be tested by June 30, 1999. The cost of the Company's year 2000 plan is not expected to be material to 1999 operations.

The Company believes that its exposure may be the failure of third parties (i.e., energy providers) in meeting their commitments which may result in temporary business interruption at the Company's buildings, retail centers, mart properties, cold storage warehouses and other real estate related properties. The Company has contingency plans for its own day to day informational and operational systems and is in the process of updating these plans. Failure of third parties with which the Company conducts business to successfully respond to their year 2000 issues may have an adverse effect on the Company.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Because the

Company does not currently utilize derivatives or engage in significant hedging activities, management does not anticipate that implementation of this statement will have a material effect on the Company's financial statements.

Page 22

23

In April, 1998 the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("SOP 98-5), which is effective for the Company in the first quarter of 1999. The Company has no deferred organization costs or other deferred start-up costs as defined in SOP 98-5, and therefore adoption of SOP 98-5 had no impact in the first quarter of 1999.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

At March 31, 1999, the Company had \$1,486,138,000 of variable rate debt at a weighted average interest rate of 6.32% and \$620,899,000 of fixed rate debt bearing interest at a weighted average interest rate of 7.01%. A one-percent increase in the base used to determine the interest rate of the variable rate debt would result in a \$14,861,000 decrease in the Company's annual net income (\$.17 per diluted share).

Page 23

24

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits: The following exhibits are filed with this Quarterly Report on Form 10-Q.

EXHIBIT NO.

27 Financial Data Schedule.

(b) Reports on Form 8-K and Form 8-K/A

During the quarter ended March 31, 1999, Vornado Realty Trust filed the reports on Form 8-K and Form 8-K/A described below:

Date of Report (Date of Earliest Event Reported) -----	Item Reported -----	Date Filed -----
August 12, 1998	Financial statements and pro forma in connection with the completed acquisitions of 689 Fifth Avenue, certain properties from the Mendik Real Estate Limited Partnership, Market Square Complex and 888 Seventh Avenue	February 12, 1999
August 12, 1998	Amended pro forma in connection with the completed acquisitions of 689 Fifth Avenue, certain properties from the Mendik Real Estate Limited Partnership, Market Square Complex and 888 Seventh Avenue	February 24, 1999
November 12, 1998	Issuance of additional Series D-1 Preferred Units by Vornado Realty L.P.	February 9, 1999
December 1, 1998	Issuance of Class A Units and Series C-1 Preferred Units by Vornado Realty L.P.	February 9, 1999
March 3, 1999	Increased investment in Charles E. Smith Realty L.P. increased investment in Newkirk Joint Ventures, and agreement to sell Series B Preferred Shares in public offering	

Page 24

25

SIGNATURES

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

VORNADO REALTY TRUST

(Registrant)

Date: May 6, 1999

By: /s/ Irwin Goldberg

IRWIN GOLDBERG
Vice President, Chief Financial Officer

Page 25

26

EXHIBIT INDEX

EXHIBIT NO.

27 Financial Data Schedule

Page 26

[\(Back To Top\)](#)

Section 2: EX-27 (FINANCIAL DATA SCHEDULE)

5

This schedule contains summary financial information extracted from the Company's unaudited financial statements for the three months ended March 31, 1999 and is qualified in its entirety by reference to such financial statements.

1,000

-TYPE>	3-MOS	
-YEAR-END>	DEC-31-1999	
-END>	MAR-31-1999	
		80,139
		76,244
		35,905
		3,901
		0
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&E>		3,476,291
		(245,280)
-ASSETS>		4,848,117
-LIABILITIES>		0
		2,107,037
-MANDATORY>		0
		365,781
		3,403
-SE>		1,502,124
-LIABILITY-AND-EQUITY>		4,848,117
		0
-REVENUES>		163,564
		0
-COSTS>		65,037
-EXPENSES>		28,920
-PROVISION>		920
-EXPENSE>		35,617
-PRETAX>		48,928
-TAX>		0
-CONTINUING>		48,928
		0

	0
	0
-INCOME>	43,216
-PRIMARY>	.51
-DILUTED>	.50

[\(Back To Top\)](#)