

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

EXHIBIT INDEX ON PAGE 41

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: SEPTEMBER 30, 2001  
-----  
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

-----  
(State or other jurisdiction of incorporation  
or organization)

22-1657560

-----  
(I.R.S. Employer  
Identification Number)

888 SEVENTH AVENUE, NEW YORK, NEW YORK

-----  
(Address of principal executive offices)

10019

-----  
(Zip Code)

(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

As of November 1, 2001, 88,907,904 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

(amounts in thousands except share and per share amounts)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
		-----
<b>ASSETS</b>		
Real estate, at cost:		
Land .....	\$ 892,490	\$ 870,023
Buildings and improvements .....	3,455,990	3,328,760
Development costs and construction-in- progress .....	136,443	66,264
Leasehold improvements and equipment .....	37,102	29,795
	-----	-----
Total .....	4,522,025	4,294,842
Less accumulated depreciation and amortization .....	(487,513)	(393,787)
	-----	-----
Real estate, net .....	4,034,512	3,901,055
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$6,965 and \$27,793 .....		
	187,878	136,989
Escrow deposits and restricted cash .....	200,650	214,359
Marketable securities .....	111,950	120,340
Investments and advances to partially-owned entities, including Alexander's of \$188,549 and \$178,413 .....	1,289,036	1,459,211
Due from officers .....	19,092	20,549
Accounts receivable, net of allowance for doubtful accounts of \$9,278 and \$9,343 ..	62,424	47,937
Notes and mortgage loans receivable .....	216,496	188,722
Receivable arising from the straight-lining of rents .....	134,911	111,504
Other assets .....	272,887	169,648
	-----	-----

TOTAL ASSETS .....	\$ 6,529,836	\$ 6,370,314
	=====	=====

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable .....	\$ 2,356,438	\$ 2,231,897
Revolving credit facility .....	330,000	425,000
Accounts payable and accrued expenses .....	146,832	130,464
Officers' compensation payable .....	42,880	38,424
Deferred leasing fee income .....	7,467	7,852
Other liabilities .....	1,493	1,798
	-----	-----
Total liabilities .....	2,885,110	2,835,435
	-----	-----
Minority interest of unitholders in the Operating Partnership .....	1,468,170	1,456,159
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest:		
no par value per share; authorized, 45,000,000 shares;		
Series A: liquidation preference \$50.00 per share; issued 5,727,952 and 5,788,855 shares .....	286,401	288,507
Series B: liquidation preference \$25.00 per share; issued 3,400,000 shares ...	81,805	81,805
Series C: liquidation preference \$25.00 per share; issued 4,600,000 shares ...	111,148	111,148
Common shares of beneficial interest:		
\$.04 par value per share; authorized, 150,000,000 shares; issued and outstanding 88,896,330 and 86,803,770 shares .....	3,556	3,472
Additional capital .....	1,774,679	1,709,284
Accumulated deficit .....	(62,369)	(90,366)
	-----	-----
Accumulated other comprehensive loss .....	2,195,220	2,103,850
Due from officers for purchase of common shares of beneficial interest .....	(13,960)	(20,426)
	-----	-----
Total shareholders' equity .....	(4,704)	(4,704)
	-----	-----
Total shareholders' equity .....	2,176,556	2,078,720
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....	\$ 6,529,836	\$ 6,370,314
	=====	=====

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Rentals .....	\$ 211,541	\$ 178,617	\$ 628,511	\$ 514,626
Expense reimbursements .....	36,216	34,083	102,851	89,303
Other income (including fee income from related parties of \$250 and \$637 in each three month period and \$1,134 and \$1,304 in each nine month period) .	2,508	2,795	7,588	5,310
	-----	-----	-----	-----
Total revenues .....	250,265	215,495	738,950	609,239
	-----	-----	-----	-----

Expenses:				
Operating .....	102,222	82,700	299,436	233,371
Depreciation and amortization .....	29,275	25,026	91,226	72,966
General and administrative .....	15,043	13,304	51,706	34,271
Costs of acquisitions not consummated .....	--	--	5,000	--
	-----	-----	-----	-----
Total expenses .....	146,540	121,030	447,368	340,608
	-----	-----	-----	-----
Operating income .....	103,725	94,465	291,582	268,631
Income applicable to Alexander's .....	4,442	2,516	21,422	11,081
Income from partially-owned entities .....	18,856	25,758	62,074	71,269
Interest and other investment income .....	14,584	7,571	43,931	18,269
Interest and debt expense .....	(43,054)	(42,558)	(136,443)	(121,240)
Net gain on disposition of wholly-owned and partially-owned assets .....	6,495	8,405	3,706	10,965
Minority interest:				
Perpetual preferred unit distributions .....	(17,594)	(17,140)	(52,245)	(44,949)
Minority limited partnership earnings .....	(9,951)	(10,494)	(30,195)	(29,163)
Partially-owned entities .....	(723)	(404)	(1,491)	(1,470)
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle and extraordinary item .....	76,780	68,119	202,341	183,393
Cumulative effect of change in accounting principle .....	--	--	(4,110)	--
Extraordinary item .....	--	--	1,170	(1,125)
	-----	-----	-----	-----
Net income .....	76,780	68,119	199,401	182,268
Preferred stock dividends (including accretion of issuance expenses of \$0 and \$719 in each three month period and \$958 and \$2,156 in each nine month period) .....	(8,904)	(9,672)	(27,769)	(29,017)
	-----	-----	-----	-----
NET INCOME applicable to common shares .....	\$ 67,876	\$ 58,447	\$ 171,632	\$ 153,251
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE - BASIC .....	\$ .76	\$ .68	\$ 1.96	\$ 1.77
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE - DILUTED .....	\$ .74	\$ .65	\$ 1.90	\$ 1.73
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE .....	\$ .59	\$ .48	\$ 1.65	\$ 1.44
	=====	=====	=====	=====

See notes to consolidated financial statements.

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VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income .....	\$ 199,401	\$ 182,268
Adjustments to reconcile net income to net cash provided by operations:		
Cumulative effect of change in accounting principle .....	4,110	--
Extraordinary item .....	(1,170)	1,125
Minority interest .....	83,931	75,582
Net gain on disposition of wholly-owned and partially-owned assets .....	(3,706)	(10,965)
Depreciation and amortization .....	91,226	72,966
Straight-lining of rental income .....	(23,987)	(25,368)
Equity in income of Alexander's .....	(21,422)	1,467
Equity in income of partially-owned entities .....	(62,074)	(74,447)
Changes in operating assets and liabilities .....	(5,074)	(77,480)
	-----	-----
Net cash provided by operating activities .....	261,235	145,148

CASH FLOWS FROM INVESTING ACTIVITIES:		
Development costs and construction in progress .....	(68,152)	(34,293)
Proceeds from sale of real estate .....	146,197	46,832
Investments in partially-owned entities .....	(68,145)	(74,694)
Distributions from partially-owned entities .....	102,404	14,870
Investment in notes and mortgage loans receivable .....	(36,831)	(142,251)
Repayment of notes and mortgage loans receivable .....	9,057	4,222
Cash restricted for tenant improvements .....	13,709	(183,379)
Additions to real estate .....	(63,687)	(72,286)
Purchases of marketable securities .....	(9,657)	(25,861)
Acquisitions of real estate and other .....	(11,574)	(27,360)
Proceeds from sale of marketable securities .....	1,640	--
Real estate deposits and other .....	2,764	(9,225)
Net cash provided by (used in) investing activities .....	17,725	(503,425)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings .....	347,853	1,048,036
Repayments of borrowings .....	(388,319)	(629,891)
Debt issuance costs .....	--	(18,319)
Proceeds from issuance of preferred units .....	52,673	195,847
Distributions to minority partners .....	(79,452)	(53,548)
Dividends paid on common shares .....	(143,544)	(124,501)
Dividends paid on preferred shares .....	(26,811)	(17,907)
Exercise of stock options .....	9,529	10,214
Net cash (used in) provided by financing activities .....	(228,071)	409,931
Net increase in cash and cash equivalents .....	50,889	51,654
Cash and cash equivalents at beginning of period .....	136,989	112,630
Cash and cash equivalents at end of period .....	\$ 187,878	\$ 164,284
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest (including capitalized interest of \$9,495 in 2001 and \$5,646 in 2000) .....	\$ 133,051	\$ 120,045
NON-CASH TRANSACTIONS:		
Financing assumed in acquisitions .....	\$ --	\$ 36,640
Unrealized gain on securities available for sale .....	2,356	14,680

See notes to consolidated financial statements.

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 86% of the common limited partnership interest in, the Operating Partnership at September 30, 2001. 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 September 30, 2001, the consolidated statements of income for the three and nine months ended September 30, 2001 and 2000 and the consolidated statements of changes in cash flows for the nine months ended September 30, 2001 and 2000 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 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 Vornado's annual report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2001 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 equity 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 and joint ventures 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. Prior to January 1, 2001, the Company's equity interests in partially-owned entities also included investments in preferred stock affiliates (corporations in which the Company owned all of the preferred stock and none of the common equity). Ownership of the preferred stock entitled the Company to substantially all of the economic benefits in the preferred stock affiliates. On January 1, 2001, the Company acquired the common stock of the preferred stock affiliates, which was owned by Officers and Trustees of Vornado, and converted them to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated beginning January 1, 2001.

Management has 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 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.

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

3. RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended, which establishes accounting and reporting standards requiring every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company's investment securities include stock purchase warrants received from companies that provide fiber-optic network and broadband access to the Company's Office division tenants. Statement 133 requires these warrants to be marked-to-market at each reporting period with the change in value recognized currently in earnings. The Company has previously marked-to-market changes in value through accumulated other comprehensive loss. Under Statement 133, those changes are recognized through earnings, and accordingly, the Company has reclassified \$4,110,000 from accumulated other comprehensive loss to the consolidated statement of income as of January 1, 2001. Future changes in value of such securities will be recorded through earnings.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, BUSINESS COMBINATIONS (effective July 1, 2001) and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 141 prohibits pooling-of-interests accounting for acquisitions. SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. The Company is in the process of evaluating the financial statement impact of the adoption of SFAS No. 142.

In August 2001, FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (effective January 1, 2003) and SFAS No. 144 ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supercedes current accounting literature and now provides for a single accounting model for long lived-assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The Company is in the process of evaluating the financial statement impact of the adoption of SFAS No. 143 and 144.

4. ACQUISITIONS, DISPOSITIONS AND FINANCINGS

ACQUISITIONS

CHARLES E. SMITH COMMERCIAL REALTY L.P.

Vornado currently owns a 34% interest in Charles E. Smith Commercial Realty L.P. ("CESCR"). On October 19, 2001, the Company entered into a definitive agreement to acquire the remaining 66% of CESCR. See Note 14 - Subsequent Events for details of this pending acquisition.

## DISPOSITIONS

## NET GAIN ON DISPOSITION OF WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS

The following table sets forth the details of net gain on disposition of wholly-owned and partially-owned assets for the three and nine months ended September 30, 2001 and 2000:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
<b>Wholly-owned Assets:</b>				
Net gain from condemnation proceedings .....	\$ --	\$ --	\$ 3,050,000	\$ --
Write-off of investments in technology companies .....	--	--	(18,284,000)	--
Net gain on sale of other real estate .....	--	8,405,000	--	10,965,000
<b>Partially-owned Assets:</b>				
After-tax net gain on sale of Park Laurel condominium units .....	13,869,000	--	13,869,000	--
Write-off of net investment in the Russian Tea Room ("RTR") .....	(7,374,000)	--	(7,374,000)	--
Net gain on sale of 570 Lexington Avenue .....	--	--	12,445,000	--
	<u>\$ 6,495,000</u>	<u>\$ 8,405,000</u>	<u>\$ 3,706,000</u>	<u>\$ 10,965,000</u>
	=====	=====	=====	=====

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

## PARK LAUREL CONDOMINIUM PROJECT

In the third quarter of 2001, the Park Laurel joint venture (the "JV") (80% owned by the Company) closed on the sale of 48 condominium units of the total 53 units at the Park Laurel residential condominium project in New York. The JV received proceeds of \$123,700,000 and the Company recorded its share of the after tax net gain of \$13,869,000.

## 570 LEXINGTON AVENUE

On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for \$60,000,000, resulting in a gain of \$12,445,000.

## 550/600 MAMARONECK AVENUE

On August 6, 2001, the Company sold its leasehold interest in 550/600 Mamaroneck Avenue for \$22,500,000, which approximated its net book value.

## NET GAIN FROM CONDEMNATION PROCEEDING

In September 1998, Atlantic City condemned the Company's vacant property. In the third quarter of 1998, the Company recorded a gain of \$1,694,000, which reflected the condemnation award of \$3,100,000, net of the carrying value of the property of \$1,406,000. The Company appealed the amount and on June 27, 2001, was awarded an additional \$3,050,000, which has been recorded as a gain in the quarter ended June 30, 2001.

## WRITE-OFF INVESTMENTS IN TECHNOLOGY COMPANIES

In the first quarter of 2001, the Company recorded a charge of \$4,723,000

resulting from the write-off of an equity investment in a technology company. In the second quarter of 2001, the Company recorded an additional charge of \$13,561,000 resulting from the write-off of all of its remaining equity investments in technology companies due to both the deterioration of the financial condition of these companies and the lack of acceptance by the market of certain of their products and services.

WRITE-OFF OF NET INVESTMENT IN RTR

In the third quarter of 2001, the Company wrote-off its entire net investment of \$7,374,000 in RTR based on the operating losses and an assessment of the value of the real estate.

FINANCINGS

888 SEVENTH AVENUE

On January 11, 2001, the Company completed a \$105,000,000 refinancing of its 888 Seventh Avenue office building. The loan bears interest at a fixed rate of 6.6% and matures on February 11, 2006. A portion of the proceeds received were used to repay the then existing mortgage of \$55,000,000.

VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

INDUSTRIAL WAREHOUSES

On September 20, 2001, the Company completed a \$50,000,000 mortgage financing, cross-collateralized by its eight industrial warehouse properties. The loan bears interest at a fixed rate of 6.95% per annum and matures on October 1, 2011.

OFFERING OF PREFERRED UNITS

On September 21, 2001, the Company sold an aggregate of \$45,000,000 8.25% Series D-9 Cumulative Redeemable Preferred Units in the Operating Partnership to an institutional investor in a private placement, resulting in net proceeds of approximately \$43,875,000. The perpetual preferred units may be called without penalty at the option of the Company commencing on September 21, 2006.

WASHINGTON DESIGN CENTER

On October 16, 2001, the Company completed a \$49,000,000 refinancing of its Washington Design Center property. The loan bears interest at a fixed rate of 6.95% and matures on October 16, 2011. A portion of the proceeds received were used to repay the then existing mortgage of \$23,000,000.

5. 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

(amounts in thousands)	September 30, 2001	December 31, 2000
	-----	-----
Temperature Controlled Logistics .....	\$ 484,058	\$ 469,613
Charles E. Smith Commercial Realty L.P. ("CESCR")(1)	331,638	325,328
Alexander's .....	188,549	178,413
Newkirk Joint Ventures (2) .....	185,669	163,157
Hotel Pennsylvania (3) .....	--	73,531
Partially-Owned Office Buildings (4) .....	23,339	61,002
Vornado Ceruzzi Joint Ventures .....	26,837	28,847
Fort Lee .....	32,860	28,208
Park Laurel .....	2,576	70,007
Management Companies and Other (5) .....	13,510	61,105
	-----	-----
	\$1,289,036	\$1,459,211
	=====	=====

(1) Vornado currently owns a 34% interest in CESCR. On October 19, 2001, the Company entered into a definitive agreement to acquire the remaining 66% of CESCR. See Note 14 - Subsequent Events for details of this pending acquisition.

(2) The Company's investment in and advances to Newkirk Joint Ventures is comprised of



	September 30, 2001	December 31, 2000
	-----	-----
Investments in limited partnerships	\$ 139,242	\$ 116,730
Mortgages and loans receivable	39,511	39,511
Other	6,916	6,916
	-----	-----
	\$ 185,669	\$ 163,157
	=====	=====

- (3) As of December 31, 2000, the Company owned 98% of the hotel portion which was owned through a preferred stock affiliate. On January 1, 2001, the Company acquired the common stock of the preferred stock affiliate and converted it to a taxable REIT subsidiary. Accordingly, the hotel portion is consolidated in 2001.
- (4) Represents the Company's interests in 330 Madison Avenue (24.8%), and 570 Lexington Avenue (50%). On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for \$60,000, resulting in a gain of \$12,445 which is not included in income in the table above.
- (5) On January 1, 2001, the Company acquired the common stock of the preferred stock affiliates and converted them to taxable REIT subsidiaries. Accordingly, the management companies are consolidated in 2001.

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

INCOME

(amounts in thousands)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Income applicable to Alexander's:				
33.1% share of equity in income (loss) ...	\$ 592	\$ (1,945)	\$ 8,283(1)	\$ (1,467)
Interest income .....	2,659	3,251	9,021	8,930
Management and leasing fee income .....	1,191	1,210	4,118(1)	3,618
	-----	-----	-----	-----
	\$ 4,442	\$ 2,516	\$ 21,422	\$ 11,081
	=====	=====	=====	=====
Temperature Controlled Logistics:				
60% share of equity in net income .....	\$ 1,838	\$ 6,964	\$ 8,768	\$ 20,624
Management fee (40% of 1% per annum of Total Combined Assets, as defined) ....	1,402	1,380	4,141	4,060
	-----	-----	-----	-----
	3,240	8,344	12,909	24,684
	-----	-----	-----	-----
CESCR-34% share of equity in income .....	7,218	5,630	21,413	18,948
	-----	-----	-----	-----
Newkirk Joint Ventures:				
Equity in income of limited partnerships	6,635	6,139	19,738	12,531
Interest and other income .....	1,273	2,548	4,098	5,894
	-----	-----	-----	-----
	7,908	8,687	23,836	18,425
	-----	-----	-----	-----
Hotel Pennsylvania .....	--(2)	1,911	--(2)	5,218
Partially-Owned Office Buildings (3) .....	377	850	3,150	2,528
Management Companies and Other .....	113	336	766	1,466
	-----	-----	-----	-----
	\$ 18,856	\$ 25,758	\$ 62,074	\$ 71,269
	=====	=====	=====	=====

- (1) Equity in income includes \$6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001 and excludes \$1,170 representing the Company's share of Alexander's extraordinary gain on the early extinguishment of debt on this property which is reflected as an extraordinary item on the consolidated statements of income. Management and leasing fee income include a fee of \$520 paid to

- the Company in connection with the sale.
- (2) As of December 31, 2000, the Company owned 98% of the hotel portion which was owned through a preferred stock affiliate. On January 1, 2001, the Company acquired the common stock of the preferred stock affiliate and converted it to a taxable REIT subsidiary. Accordingly, the hotel portion is consolidated in 2001.
- (3) Represents the Company's interests in 330 Madison Avenue (24.8%), and 570 Lexington Avenue (50%). On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for \$60,000, resulting in a gain of \$12,445 which is not included in income in the table above.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

TEMPERATURE CONTROLLED LOGISTICS

On February 22, 2001, the Vornado/Crescent Partnerships ("Landlord") restructured the AmeriCold Logistics leases to among other things, (i) reduce 2001's contractual rent to \$146,000,000 (the same amount recognized as rental income in 2000's Funds from Operations), (ii) reduce 2002's contractual rent to \$150,000,000 (plus additional contingent rent in certain circumstances), (iii) increase the Landlord's share of annual maintenance capital expenditures by \$4,500,000 to \$9,500,000 effective January 1, 2000 and (iv) extend the deferred rent period to December 31, 2003 from March 11, 2002.

The tenant has advised the Landlord that (i) its revenue for the current quarter and nine months ended September 30, 2001 from the warehouses it leases from the Landlord, is lower than last year by 6.5% and 4.4%, and (ii) its gross profit before rent at these warehouses for the corresponding periods is lower than last year by \$8,445,000 (an 18.5% decline) and \$18,628,000 (a 13.8% decline). These decreases are attributable to a reduction in total customer inventory stored at the warehouses and customer inventory turns.

Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize income of \$5,311,000 and \$7,651,000 for the quarter and nine months ended September 30, 2001 and income of \$2,880,000 and \$5,280,000 for the quarter and nine months ended September 30, 2000. At September 30, 2001, the Company's balance of the tenant's total deferred rent is \$21,123,000 (Does not include \$1,174,000 applicable to the receivable arising from the straight-lining of rents which was deferred in the year ended December 31, 2000).

ALEXANDER'S

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.

At September 30, 2001, the Company has loans receivable from Alexander's of \$119,000,000, including \$24,000,000 under the \$50,000,000 line of credit the Company granted to Alexander's on August 1, 2000. On March 15, 2001, the interest rate on these loans was reset from 15.72% to 13.74%, using the same spread to treasuries as previously used.

On January 12, 2001, Alexander's sold its Fordham Road property for \$25,500,000, which resulted in a gain of \$19,026,000, of which the Company's share was \$6,298,000. In addition, Alexander's paid off the mortgage on this property at a discount, which resulted in an extraordinary gain from the early extinguishment of debt of \$3,534,000, of which the Company's share was \$1,170,000. The Company also received a commission of \$520,000 in connection with this sale.

On June 1, 2001, Alexander's completed a \$223,000,000 ten-year mortgage loan collateralized by its Kings Plaza Shopping Center. The note bears interest at a rate of 7.46%. A portion of the proceeds was used to repay the existing \$115,210,000 mortgage loan.

On August 1, 2001, the Company purchased 100 shares of preferred stock of 59th Street Corporation (a wholly-owned subsidiary of Alexander's) for \$1,200,000 in connection with tax planning for the development of Alexander's Lexington Avenue property. The non-convertible preferred stock is redeemable at any time at the option of 59th Street Corporation and entitles the Company to cumulative 10% dividends payable semi-annually.

On October 5, 2001, Alexander's entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for \$75,000,000. Further, Alexander's has obtained a \$68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The interest rate on the debt is 5.92% with interest payable monthly until maturity in October, 2011. The triple net rent for each year is the sum of \$700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20

years must include debt service sufficient to fully amortize the \$68,000,000 over the remaining 20 year lease period.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

6. NOTES AND MORTGAGES RECEIVABLE

LOAN TO PRIMESTONE INVESTMENT PARTNERS, L.P.

Primestone Investment Partners, L.P. has defaulted on the repayment of its loan from the Company which was due on October 25, 2001. The principal amount of the loan is \$62,000,000 and there is \$3,958,000 of unpaid interest and fees. The loan is secured by 7,944,893 partnership units in Prime Group Realty L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and is exchangeable into the same number of shares of PGE. It is also guaranteed by affiliates of the borrower. The loan was subordinate to \$37,957,000 of third party indebtedness secured by the same collateral. On October 31, 2001, the Company purchased the \$37,957,000 of third party indebtedness and has commenced foreclosure proceedings with respect to the collateral.

LOAN TO NORTHSTAR PARTNERSHIP L.P.

On October 30, 2001, NorthStar Partnership, L.P. made a quarterly principal payment of \$2,500,000 that was due on September 28, 2001.

7. OTHER RELATED PARTY TRANSACTIONS

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were \$249,934 and \$476,956 for the three months ended September 30, 2001 and 2000, and \$1,133,600 and \$864,358 for the nine months ended September 30, 2001 and 2000.

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 \$12,381,173 and \$11,443,115 for the three months ended September 30, 2001 and 2000, and \$38,005,878 and \$34,861,578 for the nine months ended September 30, 2001 and 2000.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

8. MINORITY INTEREST

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

Unit Series	Outstanding Units at September 30, 2001	Outstanding Units at December 31, 2000	Per Unit Liquidation Preference	Preferred or Annual Distribution Rate	Conversion Rate Into Class A Units
Common:					
Class A (1)	5,848,023	6,456,749	--	\$ 2.36	N/A
Class D	--	869,387	--	\$ 2.36	1.0 (2)
Convertible Preferred:					
5.0% B-1 Convertible Preferred	899,566	899,566	\$ 50.00	\$ 2.50	.914
8.0% B-2 Convertible Preferred	449,783	449,783	\$ 50.00	\$ 4.00	.914
6.5% C-1 Convertible Preferred	747,912	747,912	\$ 50.00	\$ 3.25	1.1431
6.5% E-1 Convertible Preferred	4,998,000	4,998,000	\$ 50.00	\$ 3.25 (3)	1.1364
Perpetual Preferred: (4)					
8.5% D-1 Cumulative Redeemable Preferred	3,500,000	3,500,000	\$ 25.00	\$ 2.125	N/A
8.375% D-2 Cumulative Redeemable Preferred	549,336	549,336	\$ 50.00	\$ 4.1875	N/A

8.25% D-3 Cumulative Redeemable Preferred.....	8,000,000	8,000,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-4 Cumulative Redeemable Preferred.....	5,000,000	5,000,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-5 Cumulative Redeemable Preferred.....	7,480,000	7,480,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-6 Cumulative Redeemable Preferred.....	840,000	840,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-7 Cumulative Redeemable Preferred.....	7,200,000	7,200,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-8 Cumulative Redeemable Preferred.....	360,000	360,000	\$ 25.00	\$ 2.0625	N/A
8.25% D-9 Cumulative Redeemable Preferred.....	1,800,000	--	\$ 25.00	\$ 2.0625	N/A
8.25% F-1 Cumulative Redeemable Preferred (5).....	400,000	--	\$ 25.00	\$ 2.0625	N/A

- 
- (1) Class A units are redeemable at the option of the holder for common shares of beneficial interest in Vornado, on a one-for-one basis, or at the Company's option for cash.
  - (2) Class D units automatically converted into Class A units in the third quarter of 2001. Prior to the conversion, the Class D unitholders participated in distributions at an annual rate of \$2.12, then parri passu with the Class A units.
  - (3) Increases to \$3.38 in March 2007.
  - (4) Convertible at the option of the holder for an equivalent amount of the Company's preferred shares and redeemable at the Company's option after the 5th anniversary of the date of issuance (ranging from December 1998 to September 2001).
  - (5) Issued in connection with the acquisition of a leasehold interest at 715 Lexington Avenue.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

9. INCOME PER SHARE

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

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
(amounts in thousands except per share amounts)				
Numerator:				
Income before cumulative effect of change in accounting principle and extraordinary item ...	\$ 76,780	\$ 68,119	\$ 202,341	\$ 183,393
Cumulative effect of change in accounting principle .....	--	--	(4,110)	--
Extraordinary item .....	--	--	1,170	(1,125)
	-----	-----	-----	-----
Net income .....	76,780	68,119	199,401	182,268
Preferred stock dividends .....	(8,904)	(9,672)	(27,769)	(29,017)
	-----	-----	-----	-----
Numerator for basic and diluted income per share - net income applicable to common shares ..	\$ 67,876	\$ 58,447	\$ 171,632	\$ 153,251
	=====	=====	=====	=====
Denominator:				
Denominator for basic income per share - weighted average shares .....	88,783	86,584	87,511	86,455
Effect of dilutive securities:				
Employee stock options .....	3,276	3,129	2,844	2,168
	-----	-----	-----	-----
Denominator for diluted income per share - adjusted weighted average shares and assumed conversions .....	92,059	89,713	90,355	88,623
	=====	=====	=====	=====
INCOME PER COMMON SHARE - BASIC:				
Income before cumulative effect of change in accounting principle and extraordinary item .	\$ .76	\$ .68	\$ 2.00	\$ 1.78

Cumulative effect of change in accounting principle .....	--	--	(.05)	--
Extraordinary item .....	--	--	.01	(.01)
Net income per common share .....	\$ .76	\$ .68	\$ 1.96	\$ 1.77
	=====	=====	=====	=====
INCOME PER COMMON SHARE - DILUTED:				
Income before cumulative effect of change in accounting principle and extraordinary item .	\$ .74	\$ .65	\$ 1.94	\$ 1.74
Cumulative effect of change in accounting principle .....	--	--	(.05)	--
Extraordinary item .....	--	--	.01	(.01)
Net income per common share .....	\$ .74	\$ .65	\$ 1.90	\$ 1.73
	=====	=====	=====	=====

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

10. COMPREHENSIVE INCOME

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

(amounts in thousands)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Net income applicable to common shares .....	\$ 67,876	\$ 58,447	\$ 171,632	\$ 153,251
Adjustment to record cumulative effect of change in accounting principle .....	--	--	4,110	--
Other comprehensive (loss) income .....	(6,694)	(13,001)(1)	2,356	(15,257)(1)
	-----	-----	-----	-----
Comprehensive income .....	\$ 61,182	\$ 45,446	\$ 178,098	\$ 137,994
	=====	=====	=====	=====

-----  
(1) Primarily reflects the fluctuations in the market value of Vornado's investments in companies that provide fiber-optic networks and broadband access to the Company's Office division tenants.

11. COSTS OF ACQUISITIONS NOT CONSUMMATED

The Company was unable to reach a final agreement with the Port Authority of NY & NJ to conclude a net lease of the World Trade Center. In the three months ended March 31, 2001, the Company wrote-off costs of \$5,000,000 primarily associated with this acquisition not consummated.

12. COMMITMENTS AND CONTINGENCIES

At September 30, 2001, in addition to the \$330,000,000 outstanding under the Company's revolving credit facility, the Company had utilized \$83,343,000 of availability under the facility for letters of credit and guarantees.

Each of the Company's 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 the Company.

From time-to-time, the Company has disposed of substantial amounts of real estate to third parties for which, as to certain properties, it remains contingently liable for rent payments or mortgage indebtedness.

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 flow.

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

13. SEGMENT INFORMATION

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics. Prior to this year, income from the Company's preferred stock affiliates was included in Income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its preferred stock affiliates and converted these entities to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the three and nine months ended September 30, 2000 have been prepared on a pro forma basis to reflect these entities as if consolidated as of January 1, 2000.

(amounts in thousands)

	For the Three Months Ended September 30, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals .....	\$ 211,541	\$ 117,455	\$ 30,501	\$ 48,394	\$ --	\$ 15,191
Expense reimbursements .....	36,216	21,548	11,417	2,335	--	916
Other income .....	2,508	977	562	905	--	64
<b>Total revenues .....</b>	<b>250,265</b>	<b>139,980</b>	<b>42,480</b>	<b>51,634</b>	<b>--</b>	<b>16,171</b>
Operating expenses .....	102,222	57,410	14,352	19,633	--	10,827
Depreciation and amortization .....	29,275	16,851	4,259	5,750	--	2,415
General and administrative .....	15,043	2,857	325	4,041	--	7,820
<b>Total expenses .....</b>	<b>146,540</b>	<b>77,118</b>	<b>18,936</b>	<b>29,424</b>	<b>--</b>	<b>21,062</b>
Operating income .....	103,725	62,862	23,544	22,210	--	(4,891)
Income applicable to Alexander's ...	4,442	--	--	--	--	4,442
Income from partially-owned entities	18,856	7,629	617	110	3,240(7)	7,260
Interest and other investment income	14,584	1,571	104	400	--	12,509
Interest and debt expense .....	(43,054)	(13,049)	(13,016)	(7,880)	--	(9,109)
Net gain on disposition of wholly- owned and partially-owned assets .	6,495	--	--	--	--	6,495
Minority interest .....	(28,268)	(13,613)	(3,910)	(3,641)	(2,469)	(4,635)
<b>Net income .....</b>	<b>76,780</b>	<b>45,400</b>	<b>7,339</b>	<b>11,199</b>	<b>771</b>	<b>12,071</b>
Minority interest .....	28,268	13,613	3,910	3,641	2,469	4,635
Net gain on disposition of wholly- owned and partially-owned assets .	--	--	--	--	--	--
Interest and debt expense(4) .....	65,772	22,960	13,680	7,880	6,712	14,540
Depreciation and amortization(4) ...	42,637	21,466	4,523	5,750	8,400	2,498
Straight-lining of rents(4) .....	(8,600)	(6,242)	(449)	(1,483)	--	(426)
Other .....	(1,329)	(1,671)	--	--	41	301(6)
<b>EBITDA(1) .....</b>	<b>\$ 203,528</b>	<b>\$ 95,526</b>	<b>\$ 29,003</b>	<b>\$ 26,987</b>	<b>\$ 18,393</b>	<b>\$ 33,619</b>

(amounts in thousands)

	For the Three Months Ended September 30, 2000 (Pro Forma)					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals .....	\$ 197,999	\$ 107,487	\$ 31,101	\$ 42,182	\$ --	\$ 17,229
Expense reimbursements .....	35,083	20,824	11,991	1,691	--	577
Other income .....	3,316	1,300	986	739	--	291
<b>Total revenues .....</b>	<b>236,398</b>	<b>129,611</b>	<b>44,078</b>	<b>44,612</b>	<b>--</b>	<b>18,097</b>
Operating expenses .....	100,123	55,419	12,280	20,621	--	11,803
Depreciation and amortization .....	25,907	14,983	4,861	3,907	--	2,156
General and administrative .....	14,952	3,207	(266)	2,422	--	9,589
<b>Total expenses .....</b>	<b>140,982</b>	<b>73,609</b>	<b>16,875</b>	<b>26,950</b>	<b>--</b>	<b>23,548</b>
Operating income .....	95,416	56,002	27,203	17,662	--	(5,451)
Income applicable to Alexander's ...	1,918	--	--	--	--	1,918
Income from partially-owned entities	26,027	6,912	488	242	8,344(7)	10,041
Interest and other investment income	8,018	2,043	--	753	--	5,222
Interest and debt expense .....	(43,627)	(17,594)	(13,346)	(8,720)	--	(3,967)
Net gain on disposition of wholly- owned and partially-owned assets .	8,405	8,405	--	--	--	--
Minority interest .....	(28,038)	(17,048)	(3,473)	(4,427)	(1,599)	(1,491)

Net income .....	68,119	38,720	10,872	5,510	6,745	6,272
Minority interest .....	28,038	17,048	3,473	4,427	1,599	1,491
Net gain on disposition of wholly-owned and partially-owned assets ..	(8,405)	(8,405)	--	--	--	--
Interest and debt expense(4) .....	65,196	25,809	13,993	9,955	6,909	8,530
Depreciation and amortization(4) ...	40,046	19,260	4,392	4,744	8,088	3,562
Straight-lining of rents(4) .....	(10,360)	(6,531)	(591)	(1,759)	(176)	(1,303)
Other .....	2,983	(252)	269	--	(451)	3,417
EBITDA(1) .....	\$ 185,617	\$ 85,649	\$ 32,408	\$ 22,877	\$ 22,714	\$ 21,969

See footnotes 1-7 on page 18.

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VORNADO REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(amounts in thousands)

For The Nine Months Ended September 30,

	2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals .....	\$ 628,511	\$ 345,575	\$ 89,837	\$ 145,517	\$ --	\$ 47,582
Expense reimbursements .....	102,851	56,509	33,857	10,166	--	2,319
Other income .....	7,588	2,362	2,533	2,442	--	251
Total revenues .....	738,950	404,446	126,227	158,125	--	50,152
Operating expenses .....	299,436	164,855	43,561	62,427	--	28,593(5)
Depreciation and amortization .....	91,226	52,795	13,069	18,256	--	7,106
General and administrative .....	51,706	8,864	372	13,286	--	29,184
Costs of acquisitions not consummated .....	5,000	--	--	--	--	5,000
Total expenses .....	447,368	226,514	57,002	93,969	--	69,883
Operating income .....	291,582	177,932	69,225	64,156	--	(19,731)
Income applicable to Alexander's .....	21,422	--	--	--	--	21,422
Income from partially-owned entities .....	62,074	24,689	3,009	219	12,909(7)	21,248
Interest and other investment income .....	43,931	5,766	520	1,777	--	35,868
Interest and debt expense .....	(136,443)	(44,063)	(41,429)	(25,866)	--	(25,085)
Net gain disposition of wholly-owned and partially-owned assets .....	3,706	12,445	3,050	--	--	(11,789)
Minority interest .....	(83,931)	(41,935)	(12,386)	(11,410)	(8,294)	(9,906)
Income before cumulative effect of change in accounting principle and extraordinary item .....	202,341	134,834	21,989	28,876	4,615	12,027
Cumulative effect of change in accounting principle .....	(4,110)	--	--	--	--	(4,110)
Extraordinary item .....	1,170	--	--	--	--	1,170
Net income .....	199,401	134,834	21,984	28,876	4,615	9,087
Cumulative effect of change in accounting principle .....	4,110	--	--	--	--	4,110
Extraordinary item .....	(1,170)	--	--	--	--	(1,170)
Minority interest .....	83,931	41,935	12,386	11,410	8,294	9,906
Net gain on disposition of wholly-owned and partially-owned assets .....	(15,495)	(12,445)	(3,050)	--	--	--
Interest and debt expense(4) .....	206,177	75,266	43,377	25,866	20,198	41,470
Depreciation and amortization(4) .....	136,473	67,102	13,862	18,256	25,211	12,042
Straight-lining of rents(4) .....	(22,676)	(16,247)	(1,144)	(3,871)	--	(1,414)
Other .....	(8,889)	(4,891)	--	--	222	(4,220)(6)
EBITDA(1) .....	\$ 581,862	\$ 285,554	\$ 87,420	\$ 80,537	\$ 58,540	\$ 69,811

September 30, 2001

Balance sheet data:

Real estate, net.....	\$4,044,388	\$2,426,958	\$ 530,510	\$ 882,218	\$ --	\$204,702
Investments and advances to partially-owned entities.....	1,286,460	355,842	29,243	10,239	484,058	407,078
Capital expenditures:						
Acquisitions.....	11,574	11,574	--	--	--	--
Other.....	181,623	62,390	4,771	40,568	--	73,894

(amounts in thousands)

For The Nine Months Ended September 30,

	2000 (Pro Forma)					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals .....	\$ 577,143	\$ 303,166	\$ 94,850	\$ 126,167	\$ --	\$ 52,960
Expense reimbursements .....	90,302	46,950	33,934	7,331	--	2,087
Other income .....	11,449	3,049	2,090	3,519	--	2,791
Total revenues .....	678,894	353,165	130,874	137,017	--	57,838
Operating expenses .....	276,002	147,303	40,379	55,513	--	32,807
Depreciation and amortization .....	77,142	42,269	13,485	14,792	--	6,596
General and administrative .....	46,660	9,215	213	10,588	--	26,644
Costs of acquisitions not consummated .....	--	--	--	--	--	--
Total expenses .....	399,804	198,787	54,077	80,893	--	66,047
Operating income .....	279,090	154,378	76,797	56,124	--	(8,209)
Income applicable to Alexander's .....	10,483	--	--	--	--	10,483
Income from partially-owned entities .....	64,141	22,040	987	242	24,684(7)	16,188
Interest and other investment income .....	18,500	2,687	8	916	--	14,889
Interest and debt expense .....	(124,204)	(45,727)	(38,002)	(26,625)	--	(13,850)
Net gain on disposition of wholly-owned and partially-owned assets .....	10,965	8,405	2,560	--	--	--
Minority interest .....	(75,582)	(38,902)	(11,307)	(10,438)	(7,708)	(7,227)
Income before cumulative effect of change in accounting principle and extraordinary item .....	183,393	102,881	31,043	20,219	16,976	12,274
Cumulative effect of change in accounting principle .....	--	--	--	--	--	--
Extraordinary item .....	(1,125)	--	(1,125)	--	--	--
Net income .....	182,268	102,881	29,918	20,219	16,976	12,274
Cumulative effect of change in accounting principle .....	--	--	--	--	--	--
Extraordinary item .....	1,125	--	1,125	--	--	--
Minority interest .....	75,582	38,902	11,307	10,438	7,708	7,227
Net gain on disposition of wholly-owned and partially-owned assets .....	(10,965)	(8,405)	(2,560)	--	--	--
Interest and debt expense(4) .....	189,818	71,961	39,947	27,860	20,946	29,104
Depreciation and amortization(4) .....	120,355	55,559	14,177	14,792	24,422	11,405
Straight-lining of rents(4) .....	(24,141)	(15,817)	(1,977)	(4,523)	(985)	(839)
Other .....	6,964	(252)	269	--	358	6,589
EBITDA(1) .....	\$ 541,006	\$ 244,829	\$ 92,206	\$ 68,786	\$ 69,425	\$ 65,760

December 31, 2000

Balance sheet data:

Real estate, net.....	\$3,901,055	\$2,388,393	\$551,183	\$862,003	\$ --	\$ 99,476
Investments and advances to partially-owned entities.....	1,459,211	394,089	31,660	41,670	469,613	522,179
Capital expenditures:						
Acquisitions.....	246,500	128,000	--	89,000	--	29,500
Other.....	200,181	106,689	7,251	37,362	28,582	20,297

See footnotes 1-7 on the next page.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Notes to segment information:

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. 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 EBITDA is comprised of:



(amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Hotel Pennsylvania (3).....	\$ 2,886	\$ 5,979	\$ 14,307(5)	\$ 17,040
Newkirk Joint Ventures:				
Equity in income of limited partnerships....	13,749	12,666	40,457	32,592
Interest and other income.....	1,343	2,548	4,545	5,894
Other partially-owned entities (Alexander's and other).....	1,506	274	11,145	8,928
After-tax net gain on sale of Park Laurel condominium units.....	13,869	--	13,869	--
Write-off of net investment in RTR.....	(7,374)	--	(7,374)	--
Write-off of investments in technology companies.....	--	--	(18,284)	--
Unallocated general and administrative expenses.....	(8,498)	(7,497)	(25,218)	(21,334)
Costs of acquisitions not consummated.....	--	--	(5,000)	--
Investment income and other.....	16,138	7,999	41,364	22,640
<b>Total.....</b>	<b>\$33,619</b>	<b>\$21,969</b>	<b>\$ 69,811</b>	<b>\$ 65,760</b>
	=====	=====	=====	=====

- (3) Average occupancy and REVPAR for the Hotel Pennsylvania were 65.5% and \$76.20 for the three months ended September 30, 2001 compared to 79.6% and \$112.88 for the prior year's quarter. Average occupancy and REVPAR for the Hotel Pennsylvania were 66.6% and \$74.61 for the nine months ended September 30, 2001 compared to 75.3% and \$83.44 for the prior year's nine month period.
- (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.
- (5) Includes a \$1,900 settlement from a hotel tenant for rent previously reserved.
- (6) Includes the elimination of \$6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.
- (7) Net of rent not recognized of \$5,311 and \$7,651 for the three and nine months ended September 30, 2001 and \$2,880 and \$5,280 for the three and nine months ended September 30, 2000.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

14. SUBSEQUENT EVENTS

The Company currently owns a 34% interest in CESC. On October 19, 2001, the Company entered into a definitive agreement pursuant to which Charles E. Smith Commercial Realty L.P. ("CESCR") will combine its operations with Vornado. The consideration for the remaining 66% of CESC is approximately \$1,593,043,000, consisting of a fixed amount of 15.7 million newly issued Vornado Operating Partnership units (valued at \$610,428,000) and \$982,615,000 of debt (66% of CESC's total debt). The closing is expected in the first quarter of 2002, subject to receipt of certain consents from third parties and other customary closing conditions.

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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, as amended, 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, and (l) general competitive factors.

OVERVIEW

The Company's physical properties were not directly affected by the catastrophic events of September 11th. Demand for New York City and Washington, D.C. office space has increased as a result of the buildings damaged or destroyed. The occupancy rate of the Company's New York City office portfolio has increased from 95% to 97%. The Company has experienced a significant reduction in occupancy at its Hotel Pennsylvania subsequent to September 11, 2001.

Below is a summary of net income and EBITDA(1) by segment for the three and nine months ended September 30, 2001 and 2000. Prior to this year, income from the Company's preferred stock affiliates was included in income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its preferred stock affiliates and converted these entities to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the three and nine months ended September 30, 2000 have been prepared on a pro forma basis to reflect these entities as if consolidated as of January 1, 2000.

	Three Months Ended September 30, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals.....	\$211,541	\$117,455	\$ 30,501	\$48,394	\$ --	\$15,191
Expense reimbursements.....	36,216	21,548	11,417	2,335	--	916
Other income.....	2,508	977	562	905	--	64
Total revenues.....	250,265	139,980	42,480	51,634	--	16,171
Operating expenses.....	102,222	57,410	14,352	19,633	--	10,827
Depreciation and amortization.....	29,275	16,851	4,259	5,750	--	2,415
General and administrative.....	15,043	2,857	325	4,041	--	7,820
Total expenses.....	146,540	77,118	18,936	29,424	--	21,062
Operating income.....	103,725	62,862	23,544	22,210	--	(4,891)
Income applicable to Alexander's.....	4,442	--	--	--	--	4,442
Income from partially-owned entities.....	18,856	7,629	617	110	3,240 (5)	7,260
Interest and other investment income.....	14,584	1,571	104	400	--	12,509
Interest and debt expense.....	(43,054)	(13,049)	(13,016)	(7,880)	--	(9,109)
Net gain on disposition of wholly-owned and partially-owned assets.....	6,495	--	--	--	--	6,495
Minority interest.....	(28,268)	(13,613)	(3,910)	(3,641)	(2,469)	(4,635)
Net income.....	76,780	45,400	7,339	11,199	771	12,071
Minority interest.....	28,268	13,613	3,910	3,641	2,469	4,635
Net gain on disposition of wholly-owned and partially-owned assets.....	--	--	--	--	--	--
Interest and debt expense(4).....	65,772	22,960	13,680	7,880	6,712	14,540
Depreciation and amortization(4).....	42,637	21,466	4,523	5,750	8,400	2,498
Straight-lining of rents(4).....	(8,600)	(6,242)	(449)	(1,483)	--	(426)
Other.....	(1,329)	(1,671)	--	--	41	301 (6)
EBITDA(1).....	\$203,528	\$95,526	\$ 29,003	\$26,987	\$18,393	\$33,619

Three Months Ended September 30, 2000 (Pro Forma)

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals.....	\$197,999	\$107,487	\$31,101	\$42,182	\$ --	\$17,229
Expense reimbursements.....	35,083	20,824	11,991	1,691	--	577
Other income.....	3,316	1,300	986	739	--	291
<b>Total revenues.....</b>	<b>236,398</b>	<b>129,611</b>	<b>44,078</b>	<b>44,612</b>	<b>--</b>	<b>18,097</b>
Operating expenses.....	100,123	55,419	12,280	20,621	--	11,803
Depreciation and amortization.....	25,907	14,983	4,861	3,907	--	2,156
General and administrative.....	14,952	3,207	(266)	2,422	--	9,589
<b>Total expenses.....</b>	<b>140,982</b>	<b>73,609</b>	<b>16,875</b>	<b>26,950</b>	<b>--</b>	<b>23,548</b>
Operating income.....	95,416	56,002	27,203	17,662	--	(5,451)
Income applicable to Alexander's.....	1,918	--	--	--	--	1,918
Income from partially-owned entities.....	26,027	6,912	488	242	8,344 (5)	10,041
Interest and other investment income.....	8,018	2,043	--	753	--	5,222
Interest and debt expense.....	(43,627)	(17,594)	(13,346)	(8,720)	--	(3,967)
Net gain on disposition of wholly-owned and partially-owned assets.....	8,405	8,405	--	--	--	--
Minority interest.....	(28,038)	(17,048)	(3,473)	(4,427)	(1,599)	(1,491)
<b>Net income.....</b>	<b>68,119</b>	<b>38,720</b>	<b>10,872</b>	<b>5,510</b>	<b>6,745</b>	<b>6,272</b>
Minority interest.....	28,038	17,048	3,473	4,427	1,599	1,491
Net gain on disposition of wholly-owned and partially-owned assets.....	(8,405)	(8,405)	--	--	--	--
Interest and debt expense(4).....	65,196	25,809	13,993	9,955	6,909	8,530
Depreciation and amortization(4).....	40,046	19,260	4,392	4,744	8,088	3,562
Straight-lining of rents(4).....	(10,360)	(6,531)	(591)	(1,759)	(176)	(1,303)
Other.....	2,983	(252)	269	--	(451)	3,417 (6)
<b>EBITDA(1).....</b>	<b>\$185,617</b>	<b>\$85,649</b>	<b>\$32,408</b>	<b>\$22,877</b>	<b>\$22,714</b>	<b>\$21,969</b>

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. 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 EBITDA is comprised of:

	For the Three Months Ended September 30,	
	2001	2000
Hotel Pennsylvania (3).....	\$2,886	\$5,979
Newkirk Joint Ventures:		
Equity in income of limited partnerships.....	13,749	12,666
Interest and other income.....	1,343	2,548
Other partially-owned entities (Alexander's and other).....	1,506	274
After-tax net gain on sale of Park Laurel condominium units.....	13,869	--
Write-off of net investment in the Russian Tea Room ("RTR").....	(7,374)	--
Unallocated general and administrative expenses.....	(8,498)	(7,497)
Investment income and other.....	16,138	7,999
<b>Total.....</b>	<b>\$33,619</b>	<b>\$21,969</b>

(3) Average occupancy and REVPAR for the Hotel Pennsylvania were 65.5% and \$76.20 for the three months ended September 30, 2001 compared to 79.6% and \$112.88 for the prior year's quarter.

(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.

- (5) Net of rent not recognized of \$5,311 and \$2,880 in the three months ended September 30, 2001 and 2000.
- (6) Includes the reversal of \$607 and \$1,131 of expenses incurred in connection with a deferred compensation arrangement in the three months ended September 30, 2001 and 2000.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000

Below are the details of the changes by segment in EBITDA.

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Three months ended September 30, 2000	\$ 185,617	\$ 85,649	\$ 32,408	\$ 22,877	\$ 22,714	\$ 21,969
2001 Operations:						
Same store operations(1).....	8,104	7,700	740	2,110	(4,321) (3)	1,875
Acquisitions, dispositions and non-recurring income and expenses	9,807	2,177	(4,145)	2,000	--	9,775
	-----	-----	-----	-----	-----	-----
Three months ended September 30, 2001.....	\$ 203,528	\$ 95,526 (2)	\$ 29,003	\$ 26,987	\$ 18,393	\$ 33,619
	=====	=====	=====	=====	=====	=====
% increase in same store operations.....	4.7%	9.0%(2)	2.3%	9.2%(4)	(19.0%)	8.5%

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase was \$74,955 and 10.5% for the New York City office portfolio and \$20,571 and 3.3% for the CESCO portfolio.
- (3) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. On February 22, 2001, the Landlord restructured the AmeriCold Logistics leases to among other things, (i) reduce 2001's contractual rent to \$146,000 (the same amount recognized as rental income in 2000's Funds from Operations), (ii) reduce 2002's contractual rent to \$150,000 (plus additional contingent rent in certain circumstances), (iii) increase the Landlord's share of annual maintenance capital expenditures by \$4,500 to \$9,500 effective January 1, 2000 and (iv) extend the deferred rent period to December 31, 2003 from March 11, 2002.

The tenant has advised the Landlord that (i) its revenue for the current quarter and nine months ended September 30, 2001 from the warehouses it leases from the Landlord, is lower than last year by 6.5% and 4.4%, and (ii) its gross profit before rent at these warehouses for the corresponding periods is lower than last year by \$8,445 (an 18.5% decline) and \$18,628 (a 13.8% decline). These decreases are attributable to a reduction in total customer inventory stored at the warehouses and customer inventory turns.

Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$5,311 and \$7,651 of income for the quarter and nine months ended September 30, 2001 and \$2,880 and \$5,280 of income for the quarter and nine months ended September 30, 2000. At September 30, 2001, the Company's balance of the tenant's total deferred rent is \$21,123 (Does not include \$1,174 applicable to the receivable arising from the straight-lining of rents which was deferred in the year ended December 31, 2000).

- (4) Includes 4.2% from the adjustment of an over-accrual of real estate taxes.

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues and other income were \$250,265 for the three months ended September 30, 2001, compared to

\$236,398 in the prior year's quarter, an increase of \$13,867. This increase by segment resulted from:

Property rentals: Acquisitions:	Date of Acquisition -----	Total -----	Office -----	Retail -----	Merchandise Mart -----	Other -----
7 West 34th Street.....	November 2000	\$3,649	\$3,649	\$ --	\$ --	\$ --
33 North Dearborn Street....	September 2000	1,313	--	--	1,313	--
L.A. Mart.....	October 2000	2,905	--	--	2,905	--
715 Lexington Avenue.....	July 2001	309	309	--	--	--
Dispositions and other.....		(1,150)	--	(1,150) (1)	--	--
Leasing activity.....		11,171	6,010	490	4,287	384
		-----	-----	-----	-----	-----
Total increase in property rentals.....		18,197	9,968	(660)	8,505	384
		-----	-----	-----	-----	-----
Tenant expense reimbursements: Increase in tenant expense reimbursements due to acquisitions/dispositions...		1,346	1,085	(165)	426	--
Other.....		(213)	(361)	(409)	218	339
		-----	-----	-----	-----	-----
Total increase in tenant expense reimbursements.....		1,133	724	(574)	644	339
		-----	-----	-----	-----	-----
Hotel activity.....		(2,422)	--	--	--	(2,422) (2)
Trade shows activity.....		(785)	--	--	(785)	--
Other income.....		(2,256)	(323)	(364)	(1,342)	(227)
		-----	-----	-----	-----	-----
Total increase in revenues.....		\$13,867	\$10,369	\$(1,598)	\$7,022	\$(1,926)
		=====	=====	=====	=====	=====

- (1) Results primarily from the 14th Street and Union Square property being taken out of service for redevelopment on February 9, 2001.
- (2) Average occupancy and REVPAR for the Hotel Pennsylvania were 65.5% and \$76.20 for the three months ended September 30, 2001 compared to 79.6% and \$112.88 for the prior year's quarter.

See supplemental information on page 33 for further details.

#### EXPENSES

The Company's expenses were \$146,540 for the three months ended September 30, 2001, compared to \$140,982 in the prior year's quarter, an increase of \$5,558. This increase by segment resulted from:

	Total -----	Office -----	Retail -----	Merchandise Mart -----	Other -----
Operating:					
Acquisitions, dispositions and non-recurring items..	\$5,333	\$1,478	\$1,324	\$2,531	\$ --
Same store operations....	(3,234)	513	748	(3,519)	(976)
	-----	-----	-----	-----	-----
	2,099	1,991	2,072	(988)	(976)
	-----	-----	-----	-----	-----
Depreciation and amortization:					
Acquisitions.....	1,274	663	96	515	--
Same store operations....	2,094	1,205	(698)	1,328	259
	-----	-----	-----	-----	-----
	3,368	1,868	(602)	1,843	259
	-----	-----	-----	-----	-----
General and administrative:					
Appreciation in value of Vornado shares and other securities held in officers' deferred compensation trust.....	(1,180)	--	--	--	(1,180)
Other expenses.....	1,271	(350)	591	1,619	(589)
	-----	-----	-----	-----	-----
	91	(350)	591	1,619	(1,769)

-----	-----	-----	-----	-----
\$5,558	\$3,509	\$2,061	\$2,474	\$(2,486)
=====	=====	=====	=====	=====

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was \$4,442 in the three months ended September 30, 2001, compared to \$1,918 in the prior year's quarter, an increase of \$2,524. This increase resulted primarily from the Company's share of \$1,947 of Alexander's stock appreciation rights compensation expense in the three months ended September 30, 2000. No such expense occurred during 2001.

Income from partially-owned entities was \$18,856 in the three months ended September 30, 2001, compared to \$26,027 in the prior year's quarter, a decrease of \$7,171. This decrease by segment resulted from:

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Increase (decrease) in equity in income:						
Temperature Controlled						
Logistics.....	\$(5,104)	\$ --	\$ --	\$ --	\$(5,104)	\$ --
Charles E. Smith						
Commercial Realty L.P.....	1,588	1,588	--	--	--	--
Newkirk Joint Ventures.....	(779)	--	--	--	--	(779)
Partially-owned						
office buildings.....	(911)	(911)	--	--	--	--
Other.....	(1,965)	40	129	(132)	--	(2,002)
	-----	-----	-----	-----	-----	-----
	\$(7,171)	\$ 717	\$ 129	\$ (132)	\$(5,104)	\$(2,781)
	=====	=====	=====	=====	=====	=====

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Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on sale of marketable securities) was \$14,584 for the three months ended September 30, 2001, compared to \$8,018 the prior year's quarter, an increase of \$6,566. This increase resulted primarily from the acquisition of NorthStar subordinated unsecured debt (22% effective rate) on September 19, 2000 and a loan to Primestone Investment Partners, L.P. (20% effective rate) on September 28, 2000.

Primestone Investment Partners, L.P. has defaulted on the repayment of its loan from the Company which was due on October 25, 2001. The principal amount of the loan is \$62,000 and there is \$3,958 of unpaid interest and fees. The loan is secured by 7,944,893 partnership units in Prime Group Realty L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and is exchangeable into the same number of shares of PGE. It is also guaranteed by affiliates of the borrower. The loan was subordinate to \$37,957 of third party indebtedness secured by the same collateral. On October 31, 2001, the Company purchased the \$37,957 of third party indebtedness and has commenced foreclosure proceedings with respect to the collateral.

On October 30, 2001, NorthStar Partnership, L.P. made a quarterly principal payment of \$2,500 that was due on September 28, 2001 on October 31, 2001.

Interest and debt expense was \$43,054 for the three months ended September 30, 2001, compared to \$43,627 in the prior year's quarter, a decrease of \$573. This decrease resulted primarily from a \$9,200 savings from a 303 basis point reduction in weighted average interest rates of variable rate debt, offset by interest on higher average outstanding loan balances.

Net gain on disposition of wholly-owned and partially-owned assets of \$6,495 for the three months ended September 30, 2001, is comprised of (i) \$13,869 of an after-tax net gain on sale of the 48 condominium units of the total 53 units at its Park Laurel residential condominium project in New York, partially offset by (ii) the write-off of its entire net investment of \$7,374 in RTR. Net gain on disposition of assets of \$8,405 for the three months ended September 30, 2000 related to the sale of the Company's Westport, Connecticut office property.

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## For The Nine Months Ended September 30, 2001

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals.....	\$628,511	\$345,575	\$ 89,837	\$145,517	\$ --	\$47,582
Expense reimbursements.....	102,851	56,509	33,857	10,166	--	2,319
Other income.....	7,588	2,362	2,533	2,442	--	251
Total revenues.....	738,950	404,446	126,227	158,125	--	50,152
Operating expenses.....	299,436	164,855	43,561	62,427	--	28,593(5)
Depreciation and amortization.....	91,226	52,795	13,069	18,256	--	7,106
General and administrative.....	51,706	8,864	372	13,286	--	29,184
Costs of acquisitions not consummated..	5,000	--	--	--	--	5,000
Total expenses.....	447,368	226,514	57,002	93,969	--	69,883
Operating income.....	291,582	177,932	69,225	64,156	--	(19,731)
Income applicable to Alexander's.....	21,422	--	--	--	--	21,422
Income from partially-owned entities...	62,074	24,689	3,009	219	12,909(7)	21,248
Interest and other investment income...	43,931	5,766	520	1,777	--	35,868
Interest and debt expense.....	(136,443)	(44,063)	(41,429)	(25,866)	--	(25,085)
Net gain on disposition of wholly-owned and partially-owned assets.....	3,706	12,445	3,050	--	--	(11,789)
Minority interest.....	(83,931)	(41,935)	(12,386)	(11,410)	(8,294)	(9,906)
Income before extraordinary item.....	202,341	134,834	21,989	28,876	4,615	12,027
Cumulative effect of change in accounting principle.....	(4,110)	--	--	--	--	(4,110)
Extraordinary item.....	1,170	--	--	--	--	1,170
Net income.....	199,401	134,834	21,989	28,876	4,615	9,087
Cumulative effect of change in accounting principle.....	4,110	--	--	--	--	4,110
Extraordinary item.....	(1,170)	--	--	--	--	(1,170)
Minority interest.....	83,931	41,935	12,386	11,410	8,294	9,906
Net gain on disposition of wholly-owned and partially-owned assets.....	(15,495)	(12,445)	(3,050)	--	--	--
Interest and debt expense(4).....	206,177	75,266	43,377	25,866	20,198	41,470
Depreciation and amortization(4).....	136,473	67,102	13,862	18,256	25,211	12,042
Straight-lining of rents(4).....	(22,676)	(16,247)	(1,144)	(3,871)	--	(1,414)
Other.....	(8,889)	(4,891)	--	--	222	(4,220)(6)
EBITDA(1).....	\$581,862	\$285,554	\$87,420	\$80,537	\$58,540	\$69,811

See footnotes on next page.

## For the Nine Months Ended September 30, 2000 (Pro Forma)

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals.....	\$577,143	\$303,166	\$94,850	\$126,167	\$ --	\$52,960
Expense reimbursements.....	90,302	46,950	33,934	7,331	--	2,087
Other income.....	11,449	3,049	2,090	3,519	--	2,791
Total revenues.....	678,894	353,165	130,874	137,017	--	57,838
Operating expenses.....	276,002	147,303	40,379	55,513	--	32,807
Depreciation and amortization.....	77,142	42,269	13,485	14,792	--	6,596
General and administrative.....	46,660	9,215	213	10,588	--	26,644
Costs of acquisitions not consummated..	--	--	--	--	--	--

Total expenses.....	399,804	198,787	54,077	80,893	--	66,047
Operating income.....	279,090	154,378	76,797	56,124	--	(8,209)
Income applicable to Alexander's.....	10,483	--	--	--	--	10,483
Income from partially-owned entities...	64,141	22,040	987	242	24,684(7)	16,188
Interest and other investment income...	18,500	2,687	8	916	--	14,889
Interest and debt expense.....	(124,204)	(45,727)	(38,002)	(26,625)	--	(13,850)
Net gain on disposition of wholly-owned and partially-owned assets.....	10,965	8,405	2,560	--	--	--
Minority interest.....	(75,582)	(38,902)	(11,307)	(10,438)	(7,708)	(7,227)
Income before extraordinary item	183,393	102,881	31,043	20,219	16,976	12,274
Extraordinary item.....	(1,125)	--	(1,125)	--	--	--
Net income.....	182,268	102,881	29,918	20,219	16,976	12,274
Extraordinary item.....	1,125	--	1,125	--	--	--
Minority interest.....	75,582	38,902	11,307	10,438	7,708	7,227
Net gain on disposition of wholly-owned and partially-owned assets.....	(10,965)	(8,405)	(2,560)	--	--	--
Interest and debt expense(4).....	189,818	71,961	39,947	27,860	20,946	29,104
Depreciation and amortization(4).....	120,355	55,559	14,177	14,792	24,422	11,405
Straight-lining of rents(4).....	(24,141)	(15,817)	(1,977)	(4,523)	(985)	(839)
Other.....	6,964	(252)	269	--	358	6,589
EBITDA(1).....	\$541,006	\$244,829	\$92,206	\$68,786	\$69,425	\$65,760

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. 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 EBITDA is comprised of:

	For the Nine Months Ended September 30,	
	2001	2000
Hotel Pennsylvania (3).....	\$ 14,307(5)	\$17,040
Newkirk Joint Ventures:		
Equity in income of limited partnerships.....	40,457	32,592
Interest and other income.....	4,545	5,894
Other partially-owned entities (Alexander's and other)...	11,145	8,928
After-tax net gain on sale of Park Laurel condominium units	13,869	--
Write-off of investments in technology companies.....	(18,284)	--
Write-off of net investment in a RTR.....	(7,374)	--
Unallocated general and administrative expenses.....	(25,218)	(21,334)
Costs of acquisitions not consummated.....	(5,000)	--
Investment income and other.....	41,364	22,640
Total.....	\$69,811	\$65,760

(3) Average occupancy and REVPAR for the Hotel Pennsylvania were 66.6% and \$74.61 for the nine months ended September 30, 2001 compared to 75.3% and \$83.44 for the prior year's nine month period.

(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.

(5) Includes a \$1,900 settlement from a hotel tenant for rent previously reserved.

(6) Includes the elimination of \$6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.

(7) Net of rent not recognized of \$7,651 and \$5,280 in the three and nine months ended September 30, 2001 and 2000.



Below are the details of the changes by segment in EBITDA.

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Nine months ended						
September 30, 2000....	\$541,006	\$244,829	\$92,206	\$68,786	\$69,425	\$65,760
2001 Operations:						
Same store operations(1).	28,701	27,533	2,131	5,351	(10,885) (3)	4,571
Acquisitions, dispositions and non-recurring income and expenses.....	12,155	13,192	(6,917)	6,400	--	(520)
	-----	-----	-----	-----	-----	-----
Nine months ended						
September 30, 2001....	\$581,862	\$285,554(2)	\$87,420	\$80,537	\$58,540	\$69,811
	-----	-----	-----	-----	-----	-----
% increase in same store operations....	5.3%	11.2%(2)	2.3%	7.8%	(15.7%)	7.0%

- 
- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
  - (2) EBITDA and the same store percentage increase was \$222,483 and 13.4% for the New York City office portfolio and \$63,071 and 3.8% for the CESCR portfolio.
  - (3) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. On February 22, 2001, the Landlord restructured the AmeriCold Logistics leases to among other things, (i) reduce 2001's contractual rent to \$146,000 (the same amount recognized as rental income in 2000's Funds from Operations), (ii) reduce 2002's contractual rent to \$150,000 (plus additional contingent rent in certain circumstances), (iii) increase the Landlord's share of annual maintenance capital expenditures by \$4,500 to \$9,500 effective January 1, 2000 and (iv) extend the deferred rent period to December 31, 2003 from March 11, 2002.

The tenant has advised the Landlord that (i) its revenue for the current quarter and nine months ended September 30, 2001 from the warehouses it leases from the Landlord, is lower than last year by 6.5% and 4.4%, and (ii) its gross profit before rent at these warehouses for the corresponding periods is lower than last year by \$8,445 (an 18.5% decline) and \$18,628 (a 13.8% decline). These decreases are attributable to a reduction in total customer inventory stored at the warehouses and customer inventory turns.

Based on the Company's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$5,311 and \$7,651 of income for the quarter and nine months ended September 30, 2001 and \$2,880 and \$5,280 of income for the quarter and nine months ended September 30, 2000. At September 30, 2001, the Company's balance of the tenant's total deferred rent is \$21,123 (Does not include \$1,174 applicable to the receivable arising from the straight-lining of rents which was deferred in the year ended December 31, 2000).

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#### REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues and other income were \$738,950 in the nine months ended September 30, 2001, compared to \$678,894 in the prior year's nine months, an increase of \$60,056. This increase by segment resulted from:

Property Rentals:	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
-------------------	------------------------	-------	--------	--------	---------------------	-------

Acquisitions:						
7 West 34th Street.....	November 2000	\$10,945	\$10,945	\$ --	\$ --	\$ --
33 North Dearborn Street..	September 2000	4,123	--	--	4,123	--
L.A. Mart.....	October 2000	8,915	--	--	8,915	--
715 Lexington Avenue.....	July 2001	309	309	--	--	--
Dispositions and non-recurring items.....		(6,625)	--	(6,625) (1)	--	--
Leasing activity.....		37,954	31,155	1,612	6,312	(1,125) (2)
Total increase in property rentals.....		55,621	42,409	(5,013)	19,350	(1,125)
Tenant expense reimbursements:						
Increase in tenant expense reimbursements due to acquisitions/dispositions.		3,809	3,104	(610)	1,315	--
Other.....		8,740	6,455	533	1,520	232
Total increase in tenant expense reimbursements....		12,549	9,559	(77)	2,835	232
Hotel activity.....		(4,253)	--	--	--	(4,253) (3)
Trade shows activity.....		1,508	--	--	1,508	--
Other income.....		(5,369)	(687)	443	(2,585)	(2,540)
Total increase in revenues....		\$60,056	\$51,281	\$(4,647)	\$21,108	\$(7,686)

- (1) Results primarily from the 14th Street and Union Square property being taken out of service for redevelopment on February 9, 2001 and the sale of the Company's Texas properties on March 2, 2000.
- (2) Results primarily from the termination of the Sports Authority lease at the Hotel Pennsylvania in January 2001.
- (3) Average occupancy and REVPAR for the Hotel Pennsylvania were 66.6% and \$74.61 for the nine months ended September 30, 2001 compared to 75.3% and \$83.44 for the prior year's nine month period.

See Supplemental Information on page 33.

#### EXPENSES

The Company's expenses were \$447,368 in the nine months ended September 30, 2001 compared to \$399,804 in the prior year's nine months, an increase of \$47,564. This increase by segment resulted from:

Operating:	Total	Office	Retail	Merchandise Mart	Other
Acquisitions, dispositions and non-recurring items...	\$12,655	\$ 4,616	\$ 727	\$7,312	\$ --
Same store operations.....	10,779	12,936	2,455	(398)	(4,214) (1)
	23,434	17,552	3,182	6,914	(4,214)
Depreciation and amortization:					
Acquisitions, dispositions and non-recurring items...	3,279	1,932	(145)	1,492	--
Same store operations.....	10,805	8,594	(271)	1,972	510
	14,084	10,526	(416)	3,464	510
General and administrative:					
Depreciation in value of Vornado's shares and other securities held in Officers' deferred compensation trust.....	(878)	--	--	--	(878)
Other expenses.....	5,924 (2)	(351)	159	2,698	3,418
	5,046	(351)	159	2,698	2,540
Costs of acquisitions not consummated.....	5,000 (3)	--	--	--	5,000
	\$47,564	\$27,727	\$2,925	\$13,076	\$ 3,836

(1) Includes a \$1,900 settlement from a hotel tenant for rent previously

- reserved.  
(2) Higher payroll expenses, partially offset by lower professional fees.  
(3) Primarily associated with the World Trade Center.

Income applicable to Alexander's (loan interest income, equity in income and depreciation) was \$21,422 in the nine months ended September 30, 2001, compared to \$10,483 in the prior year's nine months, an increase of \$10,939. This increase resulted primarily from the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.

Income from partially-owned entities was \$62,074 in the nine months ended September 30, 2001, compared to \$64,141 in the prior year's nine months, a decrease of \$2,067. This decrease by segment resulted from:

Increase (decrease) in equity in income:	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Temperature Controlled Logistics.....	\$ (11,775)	\$ --	\$ --	\$ --	\$ (11,775)	\$ --
CESCR.....	2,465	2,465	--	--	--	--
Newkirk Joint Ventures....	5,411	--	--	--	--	5,411
Partially-owned office buildings.....	184	184	--	--	--	--
Other.....	1,648	--	2,022	(23)	--	(351)
	-----	-----	-----	-----	-----	-----
	\$ (2,067)	\$ 2,649	\$ 2,022	\$ (23)	\$ (11,775)	\$ 5,060
	-----	-----	-----	-----	-----	-----

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on sale of marketable securities) was \$43,931 for the nine months ended September 30, 2001, compared to \$18,500 in the prior year's nine months, an increase of \$25,431. This increase resulted primarily from the acquisition of NorthStar subordinated unsecured debt (22% effective rate) on September 19, 2000 and a loan to Primestone Investment Partners, L.P. (20% effective rate) on September 28, 2000.

Primestone Investment Partners, L.P. has defaulted on the repayment of its loan from the Company which was due on October 25, 2001. The principal amount of the loan is \$62,000 and there is \$3,958 of unpaid interest and fees. The loan is secured by 7,944,893 partnership units in Prime Group Realty L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and is exchangeable into the same number of shares of PGE. It is also guaranteed by affiliates of the borrower. The loan was subordinate to \$37,957 of third party indebtedness secured by the same collateral. On October 31, 2001, the Company purchased the \$37,957 of third party indebtedness and has commenced foreclosure proceedings with respect to the collateral.

On October 30, 2001, NorthStar Partnership, L.P. made a quarterly principal payment of \$2,500 that was due on September 28, 2001.

Interest and debt expense was \$136,443 for the nine months ended September 30, 2001, compared to \$124,204 in the prior year's nine months, an increase of \$12,239. This increase resulted primarily from interest on higher average outstanding loan balances, partially offset by a \$14,100 savings from a 162 basis point reduction in weighted average interest rates on variable rate debt.

Net gain on disposition of wholly-owned and partially-owned assets of \$3,706 for the nine months ended September 30, 2001 is comprised of (i) \$13,869 of an after-tax net gain on sale of the 48 condominium units of the total 53 units at its Park Laurel residential condominium project in New York, (ii) net gain on sale of 570 Lexington Avenue -through a partially-owned entity of \$12,445, (iii) net gain from condemnation proceedings of \$3,050, partially offset by (iv) the write-off of investments in technology companies and (v) the write-off of its entire net investment of \$7,374 in RTR. Net gain on disposition of assets was \$10,965 for the nine months ended September 30, 2000 related to the sales of the Company's Westport, Connecticut office property and the company's three Texas shopping center properties.

Minority interest was \$83,931 for the nine months ended September 30, 2001, compared to \$75,582 in the prior year's nine months, an increase of \$8,349. This increase is primarily due to the issuance of perpetual preferred

units.

The Company recorded the cumulative effect of a change in accounting principle of \$4,110 in the first quarter of 2001. The Company had previously marked-to-market changes in value of stock purchase warrants through accumulated other comprehensive loss. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, those changes are recognized through earnings, and accordingly, the Company has reclassified \$4,110 from accumulated other comprehensive loss to the consolidated statement of income as of January 1, 2001. Future changes in value of such securities will be recorded through earnings.

The Company recorded an extraordinary item of \$1,170 in the first quarter of 2001 representing the Company's share of Alexander's extraordinary gain from early extinguishment of debt. The Company incurred an extraordinary loss of \$1,125 in the first quarter of 2000 due to the write-off of unamortized financing costs in connection with the prepayment of debt.

LIQUIDITY AND CAPITAL RESOURCES

NINE MONTHS ENDED SEPTEMBER 30, 2001

Cash flows provided by operating activities of \$261,235 was primarily comprised of (i) income of \$199,401, (ii) adjustments for non-cash items of \$97,442 partially offset by (iii) the net change in operating assets and liabilities of \$5,074. The adjustments for non-cash items are primarily comprised of (i) cumulative effect of change in accounting principle of \$4,110, (ii) the write-off of the Company's remaining equity investments in technology companies of \$18,284, (iii) the write-off of its entire net investment of \$7,374 in the Russian Tea Room, (iv) depreciation and amortization of \$91,226, (v) minority interest of \$83,931, partially offset by (vi) the effect of straight-lining of rental income of \$23,987, and (vii) equity in net income of partially-owned entities and income applicable to Alexander's of \$83,496.

Net cash provided by investing activities of \$17,725 was primarily comprised (i) recurring capital expenditures of \$36,173, (ii) non-recurring capital expenditures of \$68,152, (iii) development and redevelopment expenditures of \$68,152, (iv) investment in notes and mortgages receivable of \$36,831, (v) investments in partially-owned entities of \$68,145, (vi) acquisitions of real estate of \$11,574, offset by, of (vii) proceeds from the sale of real estate of \$146,197, (viii) distributions from partially-owned entities of \$102,404, and (ix) a decrease in restricted cash arising primarily from the repayment of mortgage escrows of \$13,709.

Net cash used in financing activities of \$228,071 was primarily comprised of (i) proceeds from borrowings of \$347,853, (ii) proceeds from the issuance of preferred units of \$52,673, offset by, (iii) repayments of borrowings of \$388,319, (iv) dividends paid on common shares of \$143,544, (v) dividends paid on preferred shares of \$26,811, and (vi) distributions to minority partners of \$79,452.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures.

Capital expenditures are categorized as follows:

Recurring -- capital improvements expended to maintain a property's competitive position within the market and tenant improvements and leasing commissions for costs to release expiring leases or renew or extend existing leases.

Non-recurring -- capital improvements completed in the year of acquisition and the following two years (which were planned at the time of acquisition) and tenant improvements and leasing commissions for space which was vacant at the time of acquisition of a property.

Development and Redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

Funded by the Company

Total	New York City Office	Retail	Merchandise Mart	Other	CESCR (34% Interest)
-----	-----	-----	-----	-----	-----

Capital Expenditures:

Expenditures to maintain the assets:

Recurring.....	\$ 13,703	\$ 8,010	\$1,142	\$ 2,265	\$ 2,286	\$ 1,328
Non-recurring.....	23,029	10,574	--	4,812	7,643	3,911
	-----	-----	-----	-----	-----	-----
	36,732	18,584	1,142	7,077	9,929	5,239
	-----	-----	-----	-----	-----	-----
Tenant improvements:						
Recurring.....	22,470	18,331	176	3,874	89	2,085
Non-recurring.....	4,485	4,485	--	--	--	37
	-----	-----	-----	-----	-----	-----
	26,955	22,816	176	3,874	89	2,122
	-----	-----	-----	-----	-----	-----
Total.....	\$ 63,687	\$41,400	\$1,318	\$10,951	\$10,018	\$ 7,361
	=====	=====	=====	=====	=====	=====

Leasing Commissions:

Recurring.....	\$ 10,978	\$10,126	\$442	\$137	\$273	\$889
Non-recurring.....	8,339	8,339	--	--	--	11
	-----	-----	-----	-----	-----	-----
	\$ 19,317	\$18,465	\$442	\$137	\$273	\$900
	=====	=====	=====	=====	=====	=====

Development and Redevelopment

Expenditures: (1)

Market Square on Main Street.....	\$ 26,227	\$ --	\$ --	\$26,227	\$ --	\$ --
Other.....	41,925	20,990	3,453	3,390	14,092	11,590(2)
	-----	-----	-----	-----	-----	-----
	\$ 68,152	\$20,990	\$3,453	\$29,617	\$14,092	\$11,590
	=====	=====	=====	=====	=====	=====

(1) Does not include \$51,962 of Fort Lee development costs which were funded by a construction loan and \$49,784 of Park Laurel development costs during the nine months ended September 30, 2001.

(2) \$8,747 relates to the development of Seven Skyline Place, which is 100% leased.

NINE MONTHS ENDED SEPTEMBER 30, 2000

Cash flows provided by operating activities of \$145,148 was primarily comprised of (i) income of \$182,268 and (ii) adjustments for non-cash items of \$32,340, offset by (iii) the net change in operating assets and liabilities of \$77,480 and (iv) the net gain on sale of real estate of \$10,965. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$72,966 and (ii) minority interest of \$75,582, partially offset by (iii) the effect of straight-lining of rental income of \$25,368 and (iv) equity in net income of partially-owned entities and income applicable to Alexander's of \$72,980.

Net cash used in investing activities of \$503,425 was primarily comprised of (i) capital expenditures of \$106,579, (ii) investment in notes and mortgages receivable of \$142,251, (iii) acquisitions of real estate of \$27,360, (iv) investments in partially-owned entities of \$74,694, (v) cash restricted of \$183,379, of which \$173,500 represents funds escrowed in connection with a mortgage financing, partially offset by (vi) proceeds from the sale of real estate of \$46,832 and distributions from partially-owned entities of \$14,870.

Below are the details of acquisitions of real estate, investments in partially-owned entities, investments in notes and mortgages receivable and capital expenditures.

	Cash	Debt Assumed	Value of Units Issued	Investment
	-----	-----	-----	-----
Acquisitions of Real Estate:				
Student Housing Complex (90% interest).....	\$ 6,660	\$17,640	\$ --	\$ 24,300
33 N. Dearborn Street.....	16,000	19,000	--	35,000
Other.....	4,700	--	--	4,700
	-----	-----	-----	-----
	\$ 27,360	\$36,640	\$ --	\$ 64,000
	=====	=====	=====	=====
Investments in Partially-Owned Entities:				
Vornado Ceruzzi Joint Venture (80% interest).....	\$ 18,220	\$ --	\$ --	\$ 18,220
Additional investment in Newkirk.....	1,231	--	6,119	7,350
Loan to Alexander's.....	15,000	--	--	15,000
Funding of Development Expenditures:				

Fort Lee (75% interest).....	9,898	--	--	9,898
Park Laurel (80% interest).....	30,345	--	--	30,345
	-----	-----	-----	-----
	\$ 74,694	\$ --	\$ 6,119	\$ 80,813
	=====	=====	=====	=====
Investments in Notes and Mortgages Receivable:				
Loan to NorthStar Partnership L.P.....	\$ 65,000	\$ --	\$ --	\$ 65,000
Loan to Primestone Investment Partners, L.P.....	62,000	--	--	62,000
Advances to Vornado Operating Company.....	15,251	--	--	15,251
	-----	-----	-----	-----
	\$142,251	\$ --	\$ --	\$142,251
	=====	=====	=====	=====

	Total	New York City Office	Retail	Merchandise Mart	Other
	-----	-----	-----	-----	-----
Capital expenditures:					
Expenditures to maintain the assets.....	\$ 12,735	\$ 8,068	\$ 542	\$ 4,010	\$ 115
Tenant improvements.....	42,808	36,901	2,651	3,044	212
Redevelopment and development expenditures.....	34,293	18,465	1,883	13,945	--
Corporate (primarily relocation of offices).....	16,743	--	--	--	16,743
	-----	-----	-----	-----	-----
	\$106,579	\$63,434	\$5,076	\$20,999	\$17,070
	=====	=====	=====	=====	=====

Net cash provided by financing activities of \$409,931 was primarily comprised of (i) proceeds from borrowings of \$1,048,036, (ii) proceeds from issuance of preferred units of \$195,847, partially offset by, (iii) repayments of borrowings of \$629,891, (iv) dividends paid on common shares of \$124,501 (v) dividends paid on preferred shares of \$17,907, and (vi) distributions to minority partners of \$53,548.

SUPPLEMENTAL INFORMATION

Below are the details of the changes by segment in EBITDA for the three months ended September 30, 2001 from the three months ended June 30, 2001.

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
	-----	-----	-----	-----	-----	-----
Three months ended June 30, 2001.....	\$188,693	\$96,898	\$29,382	\$27,912	\$18,966	\$15,535
2001 Operations:						
Same store operations(1).....	(1,747)	1,207	(379)	(925) (3)	(573)	(1,077) (4)
Acquisitions, dispositions and other non-recurring income and expenses.....	16,582	(2,579)	--	--	--	19,161 (5)
	-----	-----	-----	-----	-----	-----
Three months ended September 30, 2001.....	\$203,528	\$95,526	\$29,003	\$26,987	\$18,393	\$33,619
	=====	=====	=====	=====	=====	=====
% increase in same store operations.....	(0.9%)	1.2% (2)	(1.3%)	(3.3%)	(3.0%)	(6.9%)

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) Same store percentage increase was 1.6% for the New York City office portfolio, and a decrease of .4% for the CESC portfolio. Reflects reduction in occupancy rate from 97% at March 31, 2001 to 95% at June 30, 2001. The subsequent increase in the occupancy rate from 95% to 97% at September 30, 2001 will have a positive impact beginning in the fourth quarter.
- (3) Reflects lower income from trade shows (due to the timing of the trade shows) partially offset by an adjustment for a real estate tax accrual in the three months ended September 30, 2001.

- (4) Reflects same store decrease in the Hotel Pennsylvania EBITDA of \$3,255 offset by increases in EBITDA from the Company's other investments. Average occupancy and REVPAR at the hotel were 65.5% and \$76.20 for the three months ended September 30, 2001 compared to 76.8% and \$113.78 for the quarter ended June 30, 2001.
- (5) EBITDA for the three months ended September 20, 2001 includes an after-tax net gain on sale of Park Laurel condominiums of \$13,869, offset by the write-off of the Company's net investment in RTR of \$7,374. EBITDA for the prior quarter includes a write-off of all of the Company's remaining investments in technology companies of \$13,561.

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity for space previously occupied:

	Office			Merchandise Mart		Temperature Controlled Logistics
	New York City	CESCR (34% interest)	Retail	Office(1)	Showroom(1)	
As of September 30, 2001:						
Square feet.....	14,246	4,249	11,301	2,869	5,044	17,695
Cubic feet.....	--	--	--	--	--	445,200
Number of properties.....	21	50	55	9	9	89
Occupancy rate.....	97%	97%	91%	92%	97%	82%(5)
Leasing Activity:						
For the quarter ended September 30, 2001:						
Square feet.....	762	68	78(3)	24	215	--
Rent per square foot:						
Initial rent (2).....	\$47.58	\$29.72	\$12.04	\$21.38	\$21.10	--
Prior escalated rent.....	\$28.44	\$26.55	\$9.08	\$19.99	\$19.82	--
Percentage increase.....	67.3%	11.9%	32.6%	7.0%	6.5%	--
For the nine months ended September 30, 2001:						
Square feet.....	1,272(4)	497	326(3)	50	418	--
Rent per square foot:						
Initial rent (2).....	\$47.10	\$31.28	\$16.55	\$23.65	\$19.98	--
Prior escalated rent.....	\$29.62	\$25.26	\$14.89	\$21.55	\$18.25	--
Percentage increase.....	59.0%	23.8	11.1%	9.7%	9.5%	--
As of June 30, 2001:						
Square feet.....	14,465	4,249	11,301	2,869	5,044	17,569
Cubic feet.....	--	--	--	--	--	440,200
Number of properties.....	22	50	55	9	9	88
Occupancy rate.....	95%	96%	92%	90%	97%	74%(5)

	Office			Merchandise Mart		Temperature Controlled Logistics
	New York City	CESCR (34% interest)	Retail	Office(1)	Showroom(1)	
As of March 31, 2001:						

Square feet.....	14,410	4,248	11,300	2,869	5,044	17,495
Cubic feet.....	--	--	--	--	--	438,900
Number of properties.....	22	50	55	9	9	88
Occupancy rate.....	97%	98%	92%	91%	98%	73%(5)

As of December 31, 2000:

Square feet.....	14,396	4,248	11,293	2,869	5,044	17,495
Cubic feet.....	--	--	--	--	--	438,900
Number of properties.....	22	50	55	9	9	88
Occupancy rate.....	96%	98%	92%	90%	98%	82%

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- (1) The office and showroom space is contained in the same mixed-use properties.
- (2) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
- (3) Does not reflect the assignment to new tenants (Kohls, 83,000 square feet, Giant Foods, 85,000 square feet and Bed, Bath & Beyond, 94,000 square feet) of three former Bradlees leases, which continue to be subject to the guarantee of Stop & Shop Companies, Inc., under a Master Agreement and Guaranty, dated May 1, 1992.
- (4) In addition to the above, the Company leased 27,000 square feet of retail space at \$221.03 per square foot.
- (5) The tenant has advised the Landlord that (i) its revenue for the current quarter and nine months ended September 30, 2001 from the warehouses it leases from the Landlord, is lower than last year by 6.5% and 4.4%, and (ii) its gross profit before rent at these warehouses for the corresponding periods is lower than last year by \$8,445 (an 18.5% decline) and \$18,628 (a 13.8% decline). These decreases are attributable to a reduction in total customer inventory stored at the warehouses and customer inventory turns.

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FUNDS FROM OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Funds from operations was \$104,607 in the three months ended September 30, 2001, compared to \$84,629 in the prior year's quarter, an increase of \$19,978. Funds from operations for the three months ended September 30, 2001, includes (i) a \$13,869 after-tax net gain on sale of Park Laurel condominiums units and (ii) \$7,374 for the write-off of the Company's entire net investment in the Russian Tea Room. Funds from operations before these items and after minority interest was \$99,054, a \$14,425 increase over the prior year, a 13.8% increase on a per share basis.

Funds from operations was \$270,445 in the nine months ended September 30, 2001, compared to \$247,808 in the prior year's nine months, an increase of \$22,637. Funds from operations for the nine months ended September 30, 2001, includes (i) the gain, net of the impairment loss noted above for the quarter of \$6,495 (ii) a charge of \$5,000 for the write-off of costs associated with two acquisitions which were not consummated and (iii) a charge of \$18,284 resulting from the write-off of all of the Company's investments in technology companies. Funds from operations before these items and after minority interest was \$284,800, a \$36,992 increase over the prior year, a 12.8% increase on a per share basis.

The following table reconciles funds from operations and net income:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Net income applicable to common shares.....	\$67,876	\$58,447	\$171,632	\$153,251
Cumulative effect of a change in accounting principle.....	--	--	4,110	--
Extraordinary item.....	--	--	(1,170)	1,125
Depreciation and amortization of real property	28,342	24,587	88,423	71,665
Straight-lining of property rentals for rent escalations.....	(7,952)	(9,429)	(21,026)	(22,466)
Leasing fees received in excess of income recognized.....	(124)	409	(372)	1,379
Appreciation of securities held in officer's deferred compensation trus.....	607	2,183	1,276	3,673
Net gain on sale of 570 Lexington Avenue - through a partially-owned entity.....	--	--	(12,445)	--
Net gain from condemnation proceeding.....	--	--	(3,050)	--
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:				
Depreciation and amortization of real property.....	16,612	15,182	48,219	47,367



Net gain on sale of real estate (Alexander's Fordham Road property).....	--	--	(6,298)	--
Other.....	(540)	(362)	(1,290)	(2,171)
Net gain on sale of other depreciable real estate.....	--	(8,405)	--	(10,965)
Minority interest in excess of preferential distributions.....	(4,869)	(3,405)	(12,585)	(11,317)
	-----	-----	-----	-----
	99,952	79,207	255,424	231,541
Series A preferred shares.....	4,655	5,422	15,021	16,267
	-----	-----	-----	-----
Funds from operations--diluted (1).....	\$104,607	\$84,629	\$270,445	\$247,808
	=====	=====	=====	=====

The number of shares that should be used for determining funds from operations per share is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Weighted average shares used for determining diluted income per share.....	92,059	89,713	90,355	88,624
Series A preferred shares.....	7,933	8,018	7,933	8,018
	-----	-----	-----	-----
Shares used for determining diluted funds from operations per share (1).....	99,992	97,731	98,288	96,642
	=====	=====	=====	=====

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Funds from operations does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America 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 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 from this definition to adjust primarily for (i) the effect of straight-lining of property rentals for rent escalations and leasing fee income, and (ii) the reversal of income taxes (benefit) which are considered non-recurring because of the conversion of Temperature Controlled Logistics Companies to REITs in 2000.

Below are the cash flows provided by (used in) operating, investing and financing activities:

	For the Nine Months Ended September 30,	
	2001	2000
	-----	-----
Operating activities.....	\$261,235	\$145,148
	-----	-----
Investing activities.....	\$17,725	\$(503,425)
	-----	-----
Financing activities.....	\$(228,071)	\$409,931
	-----	-----

(1) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating funds from operations and the shares used in calculating funds from operations per share would be increased to reflect the conversion. Funds from operations per share would not change. The following table reconciles funds from operations as shown above, to the Operating Partnership's funds from operations for the three and nine months ended September 30, 2001:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Funds from operations, as above.....	\$104,607	\$84,629	\$270,445	\$247,808
Addback of minority interest reflected as equity in the Operating Partnership.....	13,831	13,019	38,519	38,301
Operating Partnership funds from operations..	\$118,438	\$97,648	\$308,964	\$286,109

The number of shares that should be used for determining Operating Partnership funds from operations per share is as follows:

Shares used for determining diluted funds from operations per share, as above.....	99,992	97,731	98,288	96,642
Convertible units:				
Non-Vornado owned Class A units.....	5,453	6,397	6,231	6,300
Class D units.....	--	869	--	869
B-1 units.....	822	822	822	822
B-2 units.....	411	411	411	411
C-1 units.....	855	855	855	855
E-1 units.....	5,680	5,680	5,680	5,680
Shares used for determining Operating Partnership diluted funds from operations per share.....	113,213	112,765	112,287	111,579

#### ACQUISITIONS

The Company currently owns a 34% interest in CESC. On October 19, 2001, the Company entered into a definitive agreement pursuant to which Charles E. Smith Commercial Realty L.P. ("CESC") will combine its operations with Vornado. The consideration for the remaining 66% of CESC is approximately \$1,593,043, consisting of a fixed amount of 15.7 million newly issued Vornado Operating Partnership units (valued at \$610,428) and \$982,615 of debt (66% of CESC's total debt). The closing is expected in the first quarter of 2002, subject to receipt of certain consents from third parties and other customary closing conditions.

#### FINANCINGS

##### 888 SEVENTH AVENUE

On January 11, 2001, the Company completed a \$105,000 refinancing of its 888 Seventh Avenue office building. The loan bears interest at a fixed rate of 6.6% and matures on February 11, 2006. A portion of the proceeds received were used to repay the then existing mortgage of \$55,000.

##### INDUSTRIAL WAREHOUSES

On September 20, 2001, the Company completed a \$50,000 mortgage financing, cross-collateralized by its eight industrial warehouse properties. The loan bears interest at a fixed rate of 6.95% per annum and matures on October 1, 2011.

##### OFFERING OF PREFERRED UNITS

On September 21, 2001, the Company sold an aggregate of \$45,000 8.25% Series D-9 Cumulative Redeemable Preferred Units in the Operating Partnership to an institutional investor in a private placement, resulting in net proceeds of

approximately \$43,875. The perpetual preferred units may be called without penalty at the option of the Company commencing on September 21, 2006.

WASHINGTON DESIGN CENTER

On October 16, 2001, the Company completed a \$49,000 refinancing of its Washington Design Center property. The loan bears interest at a fixed rate of 6.95% and matures on October 16, 2011. A portion of the proceeds received were used to repay the then existing mortgage of \$23,000.

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 would require funding from borrowings or equity offerings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company's exposure to a change in interest rates on its wholly-owned and partially-owned debt (all of which arises out of non-trading activity) is as follows:

(\$ in thousands, except per share amounts)

	September 30, 2001			December 31, 2000	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
<b>Wholly-owned debt:</b>					
Variable rate.....	\$ 1,438,879	4.64%	\$ 13,153	\$ 1,593,751	8.00%
Fixed rate.....	1,247,559	7.55%	--	1,063,146	7.61%
	\$ 2,686,438	5.99%	13,153	\$ 2,656,897	
=====					
<b>Partially-owned debt:</b>					
Variable rate.....	\$ 161,108	6.21%	1,611	\$ 204,462	8.40%
Fixed rate.....	1,214,943	7.50%	--	1,123,926	7.54%
	\$ 1,376,051	7.41%	1,611	\$ 1,328,388	
=====					
Minority interest.....			(2,141)		
-----					
Total decrease in the Company's annual net income.....			\$ 12,623		
			=====		
Per share-diluted.....			\$ .14		
			=====		

(1) Excludes the effect of a \$123,500 mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office properties, as the proceeds are in a restricted mortgage escrow account which bears interest at the same rate as the loan.

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 required by Item 601 of Regulation S-K are incorporated herein by reference and are listed in the attached Exhibit Index.
- (b) Reports on Form 8-K

During the quarter ended September 30, 2001, Vornado Realty Trust did not file any reports on Form 8-K.

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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: November 1, 2001                      By:            /s/ Joseph Macnow  
-----  
Joseph Macnow, Executive Vice President-  
Finance and Administration and  
Chief Financial Officer

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EXHIBIT INDEX

EXHIBIT  
NO.  
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- 3.1 -- Amended and Restated Declaration of Trust of Vornado, amended April 3, 1997--Incorporated by reference to Exhibit 3.1 of Vornado's Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997..... \*
- 3.2 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..... \*
- 3.3 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated April 22, 1998 (File No. 001-11954), filed on April 28, 1998..... \*
- 3.4 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado'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, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..... \*
- 3.6 -- Articles Supplementary Classifying Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997..... \*
- 3.7 -- Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998

(File No. 001-11954), filed on November 30, 1998..... \*

- 3.8 -- Articles Supplementary Classifying Additional Series D-1 Preferred Shares - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999..... \*
- 3.9 -- Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference \$25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..... \*
- 3.10 -- Articles Supplementary Classifying Vornado's Series C Preferred Shares - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999..... \*

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\* Incorporated by reference

EXHIBIT  
NO.  
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- 3.11 -- Articles Supplementary Classifying Vornado Realty Trust's Series D-2 Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... \*
- 3.12 -- Articles Supplementary Classifying Vornado's Series D-3 Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... \*
- 3.13 -- Articles Supplementary Classifying Vornado's Series D-4 Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... \*
- 3.14 -- Articles Supplementary Classifying Vornado's Series D-5 Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999..... \*
- 3.15 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-6 Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000..... \*
- 3.16 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-7 Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000..... \*
- 3.17 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-8 Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 1-11954), filed on December 28, 2000..... \*
- 3.18 -- Articles Supplementary to Declaration of Trust of Vornado Realty Trust with respect to the Series D-9 Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K dated September 21, 2001 (File No. 001-11954), filed on October 12, 2001..... \*
- 3.19 -- Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 1-11954), filed on March 9, 2000..... \*
- 3.20 -- Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 - Incorporated by reference to Exhibit 3.4 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 31, 1998 (the "1997 10-K").... \*
- 3.21 -- Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997--Incorporated by reference to Exhibit 3.5 of the 1997 10-K. \*

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\* Incorporated by reference

EXHIBIT  
NO.  
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- 3.22 -- Second Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998..... \*
- 3.23 -- Third Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998..... \*
- 3.24 -- Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999..... \*
- 3.25 -- Exhibit A, dated as of December 22, 1998, to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999..... \*
- 3.26 -- Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999.. \*
- 3.27 -- Exhibit A to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of March 11, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..... \*
- 3.28 -- Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... \*
- 3.29 -- Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... \*
- 3.30 -- Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999..... \*
- 3.31 -- Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... \*
- 3.32 -- Tenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..... \*

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 \* Incorporated by reference

EXHIBIT  
 NO.  
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- 3.33 -- Eleventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999..... \*
- 3.34 -- Twelfth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000..... \*
- 3.35 -- Thirteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000.... \*
- 3.36 -- Fourteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000..... \*
- 3.37 -- Fifteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 15, 2000 - incorporated by reference to Exhibit 4.35 of Vornado's registration statement on Form S-8 (File No. 333-68462), filed on August 27, 2001..... \*
- 3.38 -- Sixteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of

Vornado Realty L.P., dated as of July 25, 2001 - incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K dated September 21, 2001 (File No. 001-11954), filed on October 12, 2001..... \*

3.39 -- Seventeenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 21, 2001 - incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K dated September 21, 2001 of Vornado Realty Trust (File No. 001-11954), filed on October 12, 2001. \*

4.1 -- Instruments defining the rights of security holders (see Exhibits 3.1 through 3.18 of this Quarterly Report on Form 10-Q)..... \*

4.2 -- Indenture dated as of November 24, 1993 between Vornado Finance Corp. and Bankers Trust Company, as Trustee - Incorporated by reference to Vornado's current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993..... \*

4.3 -- Specimen certificate representing Vornado's Common Shares of Beneficial Interest, par value \$0.04 per share - Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995..... \*

4.4 -- Specimen certificate representing Vornado's \$3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference \$50.00 per share - Incorporated by reference to Exhibit 4.2 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997..... \*

4.5 -- Specimen certificate evidencing Vornado's Series B 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on March 15, 1999..... \*

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\* Incorporated by reference

EXHIBIT  
NO.  
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4.6 -- Specimen certificate evidencing Vornado's 8.5% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preferences \$25.00 per share, no par value - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed May 19, 1999..... \*

4.7 -- Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 1-11954), filed on March 9, 2000..... \*

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\* Incorporated by reference

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