

Vornado Reports Third Quarter Results

Company Release - 11/1/2005

PARAMUS, N.J.--(BUSINESS WIRE)--Nov. 1, 2005--VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Third Quarter 2005 Results

NET INCOME applicable to common shares for the quarter ended September 30, 2005 was \$27.2 million, or \$.19 per diluted share, versus \$104.5 million, or \$0.79 per diluted share, for the quarter ended September 30, 2004. Net income for the three months ended September 30, 2005 includes \$3.5 million of net gains on sales of real estate of partially-owned entities, as well as certain items that affect comparability which are listed in the table below. Net income for the three months ended September 30, 2004 includes \$9.9 million of net gains on sale of real estate, as well as certain items that affect comparability which are listed in the table below. These items net of minority interest, reduced net income by \$58.4 million or \$0.41 per diluted share for the quarter ended September 30, 2005 and had no impact on the prior year's quarter.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions (FFO)(1) for the quarter ended September 30, 2005 was \$93.3 million(1), or \$0.65 per diluted share, compared to \$156.7 million(1), or \$1.18 per diluted share, for the prior year's quarter. Adjusting FFO for certain items that affect comparability, third quarter 2005 FFO is 12.9% lower than third quarter 2004 on a per share basis, as detailed below:

FOR THE THREE MONTHS ENDED

(Amounts in thousands,
except per share amounts) September 30, 2005September 30, 2004

	Amount	Per Share	Amount	Per Share
FFO as shown above (1)	\$ 93,272	\$ 0.65	\$ 156,703	\$ 1.18

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Adjustments:

Expense from mark-to-market of Sears Holdings derivative position	66,627	--		
Write-off of perpetual preferred share and unit issuance costs	16,067	--		
Loss on early extinguishment of debt of partially owned entities - Newkirk MLP	7,992	--		
Alexander's stock appreciation rights compensation expense	5,961		8,796	
Impairment losses of partially-owned entities - Newkirk MLP	2,586		759	
Income from mark-to-market of McDonalds derivative position	(9,859)	--		
Net gain on disposition of Prime Group common shares	(9,017)	--		
Income from mark-to-market of GMH Communities LP warrants	(5,250)	--		
Net gain on sale of Alexander's condominiums	(1,960)	--		
Income from Monmouth Mall prepayment penalty	(2,173)	--		
Costs of acquisition not consummated	--		1,475	
Gain on sale of land parcels - Alexander's	--		(1,274)	
Limited partners' share of above adjustments	(9,495)		(1,250)	
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FFO, as adjusted for comparability	\$ 154,751	\$ 1.08	\$ 165,209	\$ 1.24
	=====	=====	=====	=====

(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the quarters ended September 30, 2005 and 2004.

Net income applicable to common shares for the nine months ended September 30, 2005 was \$387.4 million, or \$2.79 per diluted share, versus \$337.4 million, or \$2.59 per diluted share, for the nine months ended September 30, 2004. Net income for the nine months ended September 30, 2005 includes \$35.3 million of net gains on sale of real estate, as well as certain items that affect comparability which are listed in the table below. Net income for the nine months ended September 30, 2004 includes \$78.6 million of net gains on sale of real estate, as well as certain items that affect comparability which are listed in the table below. These items, net of minority interest, increased net income by \$95.1 million, or \$0.67 per diluted share in the nine months ended September 30, 2005 and decreased net income by \$46.7 million, or \$.36 per diluted share in the nine months ended September 30, 2004.

FFO(1) for the nine months ended September 30, 2005 was \$563.4 million, or \$3.95 per diluted share, compared to \$446.9 million, or \$3.41 per diluted share, for the prior year's nine months. Adjusting FFO for certain items that affect comparability, the nine months ended 2005 FFO is 2.0% lower than the nine months ended 2004 on a per share basis, as detailed below:

FOR THE NINE MONTHS ENDED			

(Amounts in thousands, except per share amounts) September 30, 2005September 30, 2004			

	Amount	Per Share	Amount Per Share
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FFO as shown above	\$ 563,377	\$ 3.95	\$ 446,925 \$ 3.41
	=====	=====	
Adjustments:			
Net gain on conversion of Sears common shares and derivative position to Sears Holdings common shares and derivative position (2)	(86,094)	--	
Net gain on sale of Alexander's condominiums	(28,134)	--	
Income from mark-to-market of McDonalds derivative position	(9,859)	--	
Net gain on disposition of Prime Group common shares	(9,017)	--	
Income from mark-to-market of GMH Communities LP warrants	(7,813)	--	
Income from Monmouth Mall prepayment penalty	(2,173)	--	

Net gain on sales of land parcels and condominiums	(1,469)	(2,050)
Write-off of perpetual preferred share and unit issuance costs	22,119	3,895
Expense from mark-to-market of Sears Holdings derivative position (2)	20,868	--
Alexander's stock appreciation rights compensation expense	15,428	20,880
Losses on early extinguishment of debt of partially-owned entities	7,992	1,434
Impairment losses of partially-owned entities	6,602	6,734
Net gain on sale of Newkirk MLP option units	--	(7,494)
Costs of acquisition not consummated	--	1,475
Limited partners' share of above adjustments	7,896	(3,449)
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FFO, as adjusted for comparability	\$ 499,723	\$ 3.50
	\$ 468,350	\$ 3.57
	=====	=====

(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the nine months ended September 30, 2005 and 2004.

(2) The aggregate net gain recognized on the shares directly held by the Company and the derivative position was \$146,955,000 from inception to September 30, 2005.

Supplemental Financial Information

Further details regarding the Company's results of operations, properties and tenants can be accessed at the Company's website www.vno.com. Vornado Realty Trust is a fully - integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by

such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

VORNADO REALTY TRUST
 OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED
 SEPTEMBER 30, 2005 AND 2004

FOR THE THREE MONTHS ENDED SEPTEMBER 30, FOR THE NINE MONTHS ENDED
 SEPTEMBER 30,

(Amounts in
 thousands, except
 per share amounts)

	2005	2004	2005	2004
Revenues	\$ 656,955	\$ 415,295	\$ 1,850,409	\$ 1,206,736

Income from continuing operations	\$ 69,321	\$ 132,088	\$ 502,579	\$ 383,063
(Loss) income from discontinued operations	(22)	9,885	32,484	77,064

Income before allocation to limited partners	69,299	141,973	535,063	460,127
Limited partners' interest in the Operating Partnership	(3,342)	(16,116)	(54,512)	(55,584)
Perpetual preferred unit distributions of the Operating Partnership	(27,215)	(17,334)	(60,908)	(51,580)

Net income	38,742	108,523	419,643	352,963
Preferred share dividends	(11,519)	(4,022)	(32,290)	(15,569)

Net income applicable to common shares	\$ 27,223	\$ 104,501	\$ 387,353	\$ 337,394
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Net income per
common share:

Basic \$ 0.20 \$ 0.83 \$ 2.94 \$ 2.71

Diluted \$ 0.19 \$ 0.79 \$ 2.79 \$ 2.59

Average number
of common
shares and
share
equivalents
outstanding:

Basic 136,452 126,397 131,682 124,624

Diluted 143,811 132,477 138,876 131,043

FFO applicable to
common shares plus
assumed

conversions \$ 93,272 \$ 156,703 \$ 563,377 \$ 446,925

FFO per diluted

share \$ 0.65 \$ 1.18 \$ 3.95 \$ 3.41

Average number
of common
shares and
share
equivalents
outstanding
used for
determining
FFO per

diluted share 144,197 132,477 142,589 131,043

The following table reconciles FFO and net income:

For The Three Months For The Nine Months
(Amounts in thousands) Ended September 30, Ended September 30,

Reconciliation of Net Income to FFO:	2005	2004	2005	2004

Net income	\$ 38,742	\$ 108,523	\$ 419,643	\$ 352,963
Depreciation and amortization of real property	68,164	56,799	200,458	164,931
Net gain on sale of real estate	--	(9,850)	(31,614)	(75,755)
Proportionate share of adjustments to equity in net income of partially- owned entities to arrive at FFO:				
Depreciation and amortization of real property	9,250	13,080	21,837	39,623
Net gain on sale of real estate	(3,509)	(43)	(3,723)	(2,822)
Limited partners' share of above adjustments	(8,082)	(8,050)	(22,327)	(18,832)

FFO	104,565	160,459	584,274	460,108
Preferred share dividends	(11,519)	(4,022)	(32,290)	(15,569)

FFO applicable to common shares	93,046	156,437	551,984	444,539
Interest on 3.875% exchangeable senior debentures	--	--	10,672	--
Series A convertible preferred share dividends	226	266	721	805
Series E-1 convertible preferred unit distributions	--	--	--	1,581

FFO applicable to common shares plus assumed conversions	\$ 93,272	\$ 156,703	\$ 563,377	\$ 446,925
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(1) FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income or loss determined in accordance with GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation

and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Consolidated Statements of Cash Flows. FFO 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. In addition to FFO, the Company also discloses FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, the Company believes it provides a meaningful presentation of operating performance. A reconciliation of net income to FFO is provided above. In addition, a reconciliation of FFO to FFO before certain items that affect comparability is provided on pages 1 and 2 of this press release.

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SOURCE: Vornado Realty Trust