EXHIBIT INDEX ON PAGE 25

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: SEPTEMBER 30, 1998

or

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

For the transition period from _______________________ to _____________________

Commission File Number: 1-11954

VORNADO REALTY TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	22-1657560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY	07663
(Address of principal executive offices)	(Zip Code)

(201) 587-1000

(Registrant's telephone number, including area code)

N/A

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

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

[X] Yes [ ] No

As of October 23, 1998 there were 84,222,096 common shares outstanding.

VORNADO REALTY TRUST

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PART I. FINANCIAL INFORMATION

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
ASSETS:		
Real estate, at cost:		
Land	$ 686,049	$ 436,274
Buildings and improvements	2,316,218	1,118,334
Leasehold improvements and equipment	10,471	9,485
Total	3,012,738	1,564,093
Less accumulated depreciation and amortization	(208,943)	(173,434)
Real estate, net	2,803,795	1,390,659
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $17,275 and $8,775	140,853	355,954
Restricted cash	37,412	27,079
Marketable securities	91,687	34,469
Investment in and advances to partially-owned entities, including investments in and advance to Alexander's of $103,456 and $108,752	840,986	482,787
Due from officers	15,414	8,625
Accounts receivable, net of allowance for doubtful accounts of $2,457 and $658	32,785	16,663
Mortgage loans receivable	10,625	88,663
Deposits in connection with real estate acquisitions	19,996	47,275
Receivable arising from the straight-lining of rents	41,847	24,127
Other assets	92,320	47,788
TOTAL ASSETS	$ 4,127,720	$ 2,524,089
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Notes and mortgages payable	$ 1,234,314	$ 586,654
Revolving credit facility	683,250	370,000
Accounts payable and accrued expenses	76,213	36,538
Officer's deferred compensation payable	34,664	25,000
Deferred leasing fee income	9,868	9,927
Other liabilities	2,735	3,641
	2,041,044	1,031,760
Minority interest	302,549	178,567
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized, 20,000,000 shares; liquidation preference $50.00 per share; issued 5,789,239 and 5,789,315 shares	282,039	279,884
Common shares of beneficial interest: $.04 par value per share; authorized, 100,000,000 shares; issued 84,222,096 and 72,164,654 shares	3,369	2,887
Additional capital	1,623,877	1,146,385
Accumulated deficit	(107,375)	(109,561)
	1,801,910	1,319,595
Unrealized loss on securities available for sale	(2,429)	(840)
Appreciation of securities held in officer's deferred compensation trust	(10,464)	--
Due from officers for purchase of common shares of beneficial interest	(4,890)	(4,993)
Total shareholders' equity	1,784,127	1,313,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 4,127,720	$ 2,524,089

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 1998	SEPTEMBER 30, 1997	SEPTEMBER 30, 1998	SEPTEMBER 30, 1997
Revenues:				
Property rentals	$ 118,197	$ 49,882	$ 299,924	$ 113,353
Expense reimbursements	20,210	10,763	53,000	25,924
Other income (including fee income from related parties of $450 and $592 and $1,635 and $1,236)	2,265	1,223	6,482	2,550
Total revenues	140,672	61,868	359,406	141,827
Expenses:				
Operating	58,607	21,899	144,214	48,557
Depreciation and amortization	16,210	6,611	41,605	15,040
General and administrative	6,775	3,460	18,792	8,208
Amortization of officer's deferred compensation expense	--	6,249	--	18,747
Total expenses	81,592	38,219	204,611	90,552
Operating income	59,080	23,649	154,795	51,275
Income (loss) applicable to Alexander's	(2,340)	1,344	806	4,186
Income from partially owned entities	11,195	669	20,871	1,471
Interest and other investment income	5,230	6,086	18,067	17,744
Interest and debt expense	(34,034)	(13,622)	(80,536)	(30,972)
Net gain from insurance settlement and condemnation proceeding	9,649	--	9,649	--
Minority interest	(3,698)	(2,500)	(10,767)	(4,600)
Net Income	45,082	15,626	112,885	39,104
Preferred stock dividends (including accretion of issuance expenses of $719 and $719 and $2,157 and $1,198)	(5,423)	(5,241)	(16,268)	(10,096)
Net Income applicable to common shares	$ 39,659	$ 10,385	$ 96,617	$ 29,008
Net Income per common share - basic	$ .47	$ .20	$ 1.22	$ .56
Net income per common share - diluted	$ .46	$ .19	$ 1.19	$ .54
Dividends per common share	$ .40	$ .32	$ 1.20	$ .96

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 1998	SEPTEMBER 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 112,885	$ 39,104
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization (including debt issuance costs)	41,605	16,012
Amortization of officer's deferred compensation expense	--	18,747
Straight-lining of rental income	(14,977)	(4,947)
Minority interest	10,767	4,600
Equity in (income) loss of Alexander's, including depreciation of $675 in each period	(806)	497
Equity in net income of partially-owned entities	(14,593)	(553)
Gain on marketable securities	(1,530)	(911)
Net gain from insurance settlement and condemnation proceeding	(9,649)	--
Changes in operating assets and liabilities	(23,817)	(8,532)
Net cash provided by operating activities	99,885	64,017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of real estate and other	(855,800)	(548,790)
Investments in partially-owned entities	(308,800)	(19,215)
Investment in mortgage loans receivable	(6,562)	(67,663)
Repayment of mortgage loans receivable	67,663	--
Cash restricted for tenant improvements	(6,133)	(27,571)
Additions to real estate	(67,392)	(4,080)
Purchases of securities available for sale	(73,773)	(3,436)
Proceeds from sale or maturity of securities available for sale	14,903	--
Real estate deposits and other	51,135	--
Net cash used in investing activities	(1,184,759)	(670,755)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,423,953	523,000
Repayments of borrowings	(883,043)	(151,177)
Debt issuance costs	(6,533)	(3,038)
Proceeds from issuance of common shares	445,282	--
Proceeds from issuance of preferred stock	--	276,000
Repayment of borrowings on U.S. Treasury obligations	--	(9,636)
Dividends paid on common shares	(94,430)	(50,091)
Dividends paid on preferred shares	(16,268)	(10,096)
Exercise of stock options	812	447
Net cash provided by financing activities	869,773	575,409
Net decrease in cash and cash equivalents	(215,101)	(31,329)
Cash and cash equivalents at beginning of period	355,954	89,696
Cash and cash equivalents at end of period	$ 140,853	$ 58,367
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 75,305	$ 29,983
NON-CASH TRANSACTIONS:		
Financing assumed in acquisitions	$ 497,300	$ 215,000
Minority interest in connection with acquisitions	140,000	177,000
Unrealized (loss) gain on securities available for sale	(1,589)	2,019

See notes to consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Vornado Realty Trust ("Vornado") is a fully-integrated real estate investment trust ("REIT"). In April 1997, Vornado transferred substantially all of its assets to Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). As a result, Vornado now conducts its business through, and substantially all of its interests in properties are held by, the Operating Partnership. Vornado is the sole general partner of the Operating Partnership and owns a 91.5% limited partnership interest in the Operating Partnership at September 30, 1998. All references to "Vornado" in these financial statements refer to Vornado Realty Trust; all references to the "Operating Partnership" refer to Vornado Realty L.P. and all references to the "Company" refer to Vornado and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of September 30, 1998, the consolidated statements of income for the three and nine months ended September 30, 1998 and September 30, 1997 and the consolidated statements of changes in cash flows for the nine months ended September 30, 1998 and September 30, 1997 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in Vornado's 1997 Annual Report to Shareholders. The results of operations for the three and nine month periods ended September 30, 1998 are not necessarily indicative of the operating results for the full year.

The accompanying unaudited consolidated condensed financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P. All significant intercompany amounts have been eliminated. Equity interests in partially-owned entities include partnerships, joint ventures and preferred stock affiliates (corporations in which the Company owns all of the preferred stock and none of the common equity) and are accounted for under the equity method of accounting as the Company exercises significant influence over such entities. These investments are recorded initially at cost and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. Ownership of the preferred stock entitles the Company to substantially all of the economic benefits in the preferred stock affiliates. The common stock of the preferred stock affiliates are owned by officers and trustees of Vornado.

Certain prior period amounts have been reclassified to conform to the September 30, 1998 financial statement presentation.

3. ACQUISITIONS AND FINANCINGS:

ACQUISITIONS:

Westport

On January 29, 1998, the Company acquired the Westport Corporate Office Park from a limited partnership that included members of the Mendik Group, a related party. The purchase price was approximately $14 million consisting of $6 million of cash and an $8 million mortgage loan.

One Penn Plaza

On February 9, 1998, the Company acquired a long-term leasehold interest in One Penn Plaza, a Manhattan office building. The purchase price was approximately $410 million consisting of $317 million of cash and a $93 million bridge mortgage loan.

150 East 58th Street

On March 9, 1998, the Company acquired 150 East 58th Street (the "Architects and Design Center"), a Manhattan office building, for a cash purchase price of approximately $118 million.

The Merchandise Mart Properties

On April 1, 1998, the Company acquired a real estate portfolio from the Kennedy Family for approximately $630 million, consisting of $187 million in cash, $116 million in Operating Partnership Units, $77 million in existing debt and $250 million of newly issued debt.

The acquired real estate assets consist of a portfolio of properties used for office, retail and trade showroom space which aggregate approximately 5.4 million square feet and include the Merchandise Mart in Chicago. The transaction also includes the acquisition of Merchandise Mart Properties, Inc. which manages the properties and trade shows.

Following is a summary of the notes and mortgages payable, collateralized by the Merchandise Mart Properties (amounts in thousands):

Merchandise Mart mortgage payable, due in 1999, non-amortizing with interest at LIBOR plus 1.35% (7.00% at September 30, 1998) (prepayable without penalty)	$250,000
Washington Office Center mortgage payable, due in 2004, amortization based on a 25 year term, with interest at 6.80% (prepayable with yield maintenance)	51,537
Washington Design Center mortgage payable, due in 2000, amortization based on a 25 year term, with interest at LIBOR plus 3.00% (8.59% at September 30, 1998) (prepayable without penalty)	24,335
	$325,872

888 Seventh Avenue and 40 Fulton Street

On June 2, 1998, the Company entered into an agreement to acquire the leasehold interest in 888 Seventh Avenue, a 46 story office building containing approximately 847,000 square feet located in midtown Manhattan, and simultaneously acquired 40 Fulton Street, a 29 story office building containing approximately 234,000 square feet located in downtown Manhattan. The aggregate consideration for both buildings is approximately $154.5 million. The acquisition of 888 Seventh Avenue is expected to be completed in the first quarter of 1999 and is subject to customary closing conditions.

770 Broadway

On July 24, 1998, the Company acquired 770 Broadway, a 1,000,000 square foot Manhattan office building, for approximately $149 million, including $18 million of Operating Partnership Units.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Trust

On July 28, 1998, the Company purchased $50 million of Capital Trust's 8.25% Step Up Convertible Trust Preferred Securities. The preferred securities are convertible at any time by the holder into common shares of Capital Trust at a price of $11.70 per share. The preferred shares have a 20-year maturity and are non-callable for five years. Capital Trust is a fully integrated, self-managed specialty finance company focused on the commercial real estate industry. Steven Roth, Chairman and Chief Executive Officer of Vornado joined Capital Trust's Board of Trustees.

689 Fifth Avenue

On August 12, 1998, the Company acquired 689 Fifth Avenue, a 84,000 square foot Manhattan specialty building for approximately $33 million.

OTHER FINANCINGS:

Sale of Common Shares

On April 15, 1998, the Company completed the sale of 10,000,000 common shares pursuant to an effective registration statement with net proceeds to the Company of approximately $401,000,000. On April 29, 1998, the Company sold 1,132,420 common shares to a unit investment trust, which were valued for the purpose of the trust at $41.06 per share, resulting in net proceeds of approximately $44,000,000.

One Penn Plaza

On June 15, 1998, the Company completed a $275,000,000 refinancing of its One Penn Plaza office building and borrowed $170,000,000 pursuant thereto. In the third quarter of 1998, the Company borrowed the remaining $105,000,000. The debt matures in June 2002, is prepayable at anytime, and bears interest at LIBOR + 1.25% (currently 6.91%). This debt replaced the $93,000,000 bridge-mortgage loan financing put in place when the property was acquired.

See "Investments in and Advances to Partially Owned Entities" for other acquisitions and financing activities of partially owned entities.

PRO FORMA INFORMATION

The unaudited pro forma condensed consolidated statements of income for Vornado for the nine months ended September 30, 1998 and 1997 are presented as if the acquisitions described above and those included in Investments in and Advances to Partially Owned Entities and the financings attributable thereto had occurred on January 1, 1997.

Condensed Consolidated Pro Forma Income Statements

	Pro Forma	
	Nine Months Ended	
	September 30, 1998	September 30, 1997
	(amounts in thousands, except per share amounts)	
Revenues	$ 479,700	$ 449,500
Net income	$ 126,100	$ 93,700
Preferred stock dividends	(16,300)	(15,200)
Net income applicable to common shares	$ 109,800	$ 78,500
Net income per common share - basic	$ 1.30	$ .93
Net income per common share - diluted	$ 1.27	$ .91

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES:

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

INVESTMENTS AND ADVANCES:

	September 30, 1998	December 31, 1997
	(amounts in thousands)	
Cold Storage Companies	$445,901	$243,846
Alexander's	103,456	108,752
Charles E. Smith Commercial Realty L.P.	61,554	60,437
Hotel Pennsylvania	46,789	20,152
Newkirk Joint Ventures	55,913	--
Mendik Partially-Owned Office Buildings	79,391	37,209
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties, Inc. and other	47,982	12,391
	$840,986	$482,787

INCOME:

	Three Months Ended		Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
	(amounts in thousands)			
Income Applicable to Alexander's	$ (2,340)	$ 1,344	$ 806	$ 4,186
Other Partially-Owned Entities:				
Cold Storage Companies	$ 5,008	$ --	$ 8,172	$ --
Charles E. Smith Commercial Realty L.P.	1,054	--	3,405	--
Hotel Pennsylvania	1,361	--	2,750	--
Newkirk Joint Ventures	1,006	--	1,006	--
Mendik Partially-Owned Office Buildings	959	271	2,181	553
Vornado Management Corp., Mendik Management Company, Merchandise Mart Properties Inc. and other	1,807	398	3,357	918
	$ 11,195	$ 669	$ 20,871	$ 1,471

Alexander's

Alexander's is managed by and its properties are leased by the Company pursuant to agreements with a one-year term which are automatically renewable. Subject to the payments of rents by Alexander's tenants, the Company is due $3,221,000 under its leasing agreement with Alexander's which amount is included in Investments in and Advances to Alexander's. Included in Income from Vornado Management Corp. is management fee income from Alexander's of $1,563,000 and $4,688,000 in each of the three and nine months ended September 30, 1998 and 1997, respectively.

On June 18, 1998, Alexander's increased its interest in the Kings Plaza Mall to 100% by acquiring Federated Department Store's ("Federated") 50% interest. The purchase price was approximately $28,000,000, which was paid in cash. In addition, Alexander's has agreed to pay Federated $15,000,000 to renovate its Macy's store in the mall in exchange for certain modifications to the Kings Plaza Operating Agreement. In connection with the acquisition, Alexander's has completed a $90 million three-year mortgage loan with Union Bank of Switzerland.

Cold Storage Companies

On April 23, 1998, the Cold Storage Companies completed a $550,000,000 non-recourse ten-year loan secured by 58 of its warehouses. The loan bears interest at 6.89%. The net proceeds from the loan together with working capital were used to repay $607,000,000 of bridge financing, which replaced high yield debt assumed at the date of acquisition.

On June 15, 1998, a partnership in which Vornado owns a 60% interest through a preferred stock affiliate acquired the assets of Freezer Services, Inc., consisting of nine cold storage warehouses in the central United States for approximately $133 million, including $107 million in cash and $26 million in indebtedness. On July 1, 1998, the Carmar Group cold storage warehouse business was similarly acquired for approximately $158 million, including $144 million in cash and $14 million in indebtedness. Carmar owns and operates five cold storage distribution warehouses in the midwest and southeast United States.

Hotel Pennsylvania

On May 1, 1998, the Company acquired an additional 40% interest in the Hotel Pennsylvania increasing its ownership to 80%. The Company purchased the additional 40% interest from Hotel Properties Limited (one of its joint venture partners) for approximately $70 million, including $48 million of existing debt.

Newkirk Joint Ventures

On July 8, 1998, the Company invested $47 million for a 30% share in joint ventures with affiliates of Apollo Real Estate Investment Fund III, L.P., collectively Newkirk Joint Ventures ("Newkirk"). Newkirk owns various equity and debt interests relating to 120 limited partnerships which own real estate primarily net leased to credit rated tenants. An additional $9 million was invested prior to September 30, 1998 and the Company has issued a $15.6 million letter of credit in connection with these joint ventures.

Mendik Partially-Owned Office Buildings

On April 20, 1998, the Company increased its interest from 5.6% to approximately 50% in 570 Lexington Avenue, a 49 story office building located in midtown Manhattan containing approximately 435,000 square feet. The Company purchased the additional interest for approximately $37.2 million, including $4.9 million of existing debt.

On August 4, 1998, the Company sold a 40% interest in a $27,000,000 mortgage on 20 Broad Street to one of the owners of the property for $10,800,000. On August 5, 1998, as part of a related transaction, the Company acquired the Mendik Group's 60% interest in the property for approximately $600,000 of Vornado Operating Partnership Units.

5. OTHER RELATED PARTY TRANSACTIONS

The Company lent Mr. Fascitelli, the President of the Company, $3,500,000 on March 2, 1998 and $2,600,000 on April 30, 1998, in accordance with the terms of his employment agreement. The loans have a five-year term and bear interest, payable quarterly, at a rate of 5.47% and 5.58%, respectively (based on the mid-term applicable federal rate provided under the Internal Revenue Code).

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 $184,000 and $470,000 for the three months ended September 30, 1998 and 1997 and $956,000 and $847,000 for the nine months ended September 30, 1998 and 1997.

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 acquired subsequent to September 30, 1997. The Company was charged fees for these services of $7,356,000 and $18,580,253 for the three and nine months ended September 30, 1998 and $3,292,000 for the three months ended September 30, 1997 and $5,899,000 for the period from April 15, 1997 to September 30, 1997. A portion of these fees is expected to be reimbursed to the Company by its tenants.

6. NET GAIN FROM INSURANCE SETTLEMENT AND CONDEMNATION PROCEEDINGS

In April 1997, the Company's Lodi shopping center was destroyed by a fire. In the third quarter of 1998, the Company and its insurer agreed that the estimated cost to reconstruct the shopping center is approximately $9,012,000 and the Company recorded a gain of $7,955,000 (the agreed upon amount, net of the carrying value of the shopping center of $1,057,000). The insurance carrier had previously advanced $5,550,000 to the Company. The reconstruction of the shopping center is expected to be completed in 1999.

On September 1, 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 reflects the condemnation award of $3,100,000, net of the carrying value of the building of $1,406,000). The Company is contesting the amount of the award.

7. COMMITMENTS AND CONTINGENCIES

At September 30, 1998, in addition to the $683,250,000 balance outstanding under the Company's revolving credit facility, the Company had utilized approximately $100,218,000 of availability under the facility for letters of credit and guarantees primarily related to pending acquisitions.

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. These lawsuits have since been consolidated. On June 2, 1998, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement"). The Settlement provides, among other things: (i) for Vornado to purchase the Partnership's interest in Two Park Avenue for approximately $34.6 million, which will be paid in cash, or at Vornado's election, in any combination of cash or shares of Vornado stock, plus the assumption of $39 million in existing debt; and (ii) for Vornado to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, NY for an aggregate price of $30 million in cash. On October 14, 1998, the Supreme Court of the State of New York for New York County approved the proposed settlement. On November 6, 1998, the Court's judgment became final. It is expected that the transaction will close within the next 30 days.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

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

	Three Months Ended		Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
	(amounts in thousands except per share amounts)			
Numerator:				
Net income	$ 45,082	$ 15,626	$ 112,885	$ 39,104
Preferred stock dividends	(5,423)	(5,241)	(16,268)	(10,096)
Numerator for basic and diluted earnings per share - income applicable to common shares	$ 39,659	$ 10,385	$ 96,617	$ 29,008
Denominator:				
Denominator for basic earnings per share -- weighted average shares	83,755	52,195	79,407	52,194
Effect of dilutive securities:				
Employee stock options	1,673	1,768	2,075	1,454
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	85,428	53,963	81,482	53,648
Net income per common share - basic	$ .47	$ .20	$ 1 .22	$ .56
Net income per common share - diluted	$ .46	$ .19	$ 1.19	$ .54

9. COMPREHENSIVE INCOME AND ACCOUNTING FOR DEFERRED COMPENSATION ARRANGEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components. The statement, which requires disclosure of net income including unrealized gains and losses recognized in the equity section of the balance sheet, was adopted by the Company in the first quarter of 1998.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, at September 30, 1998, the Company adopted Emerging Issues Task Force (EITF) Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested". This EITF provides the framework for the accounting for changes in the value of investments held in a Rabbi Trust and the effects of such changes on compensation expense.

The Company's comprehensive income was $34,766,000 and $11,408,000 for the three months ended September 30, 1998 and 1997 and $95,028,000 and $31,027,000 for the nine months ended September 30, 1998 and 1997.

10. SUBSEQUENT EVENTS

Vornado Operating Company

On October 16, 1998, the Company completed its spin-off of Vornado Operating Company. Holders of Vornado Realty Trust common shares and the Operating Partnership's Class A, Class C and Class D units ("Units") received one share of common stock, par value $.01 per share of Vornado Operating Company ("Common Stock") for every 20 common shares or units held of record on October 9, 1998. The conversion price of the Company's $3.25 Series A Convertible Preferred Shares was adjusted from $36.38 to $36.10 to reflect the distribution.

The Company has capitalized Vornado Operating Company with an equity contribution of $25 million. In addition, the Company has agreed to enter into a $75 million revolving credit agreement with Vornado Operating Company.

Las Catalinas Mall

On October 29, 1998, Vornado completed its acquisition of K Mart's 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico (adjacent to San Juan). In addition, Vornado acquired 75% and Vornado's partner in the Mall acquired 25% of K Mart's anchor store. Vornado's purchase price of $38 million was fully financed with 15 year non-recourse debt. The Las Catalinas Mall, which opened in 1997 contains 485,000 square feet, including a 123,000 square foot K Mart and a 146,000 square foot Sears.

VORNADO REALTY TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

RESULTS OF OPERATIONS

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were $140,672,000 in the quarter ended September 30, 1998, compared to $61,868,000 in the prior year's quarter, an increase of $78,804,000. Revenues were $359,406,000 for the nine months ended September 30, 1998, compared to $141,827,000 in the prior year's nine months, an increase of $217,579,000. These increases included $70,522,000 and $201,586,000 of revenues from properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented.

Property rentals were $118,197,000 in the quarter ended September 30, 1998, compared to $49,882,000 in the prior year's quarter, an increase of $68,315,000. Property rentals were $299,924,000 for the nine months ended September 30, 1998, compared to $113,353,000 in the prior year's nine months, an increase of $186,571,000. These increases resulted from:

Acquisitions:	Date of Acquisition	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1998
20 Broad Street	August 1998	$1,800,000	$1,800,000
689 Fifth Avenue	August 1998	472,000	472,000
770 Broadway	July 1998	2,935,000	2,935,000
40 Fulton Street	June 1998	1,504,000	1,993,000
Merchandise Mart Properties	April 1998	27,477,000	54,364,000
150 E. 58th Street	March 1998	3,978,000	9,128,000
One Penn Plaza	February 1998	14,859,000	39,468,000
Westport	January 1998	661,000	1,778,000
Green Acres Mall	December 1997	5,404,000	16,367,000
640 Fifth Avenue	December 1997	1,796,000	4,407,000
Riese	June 1997	--	486,000
90 Park Avenue	May 1997	--	13,889,000
Mendik	April 1997	--	24,949,000
Montehiedra Shopping Center	April 1997	--	2,203,000
		60,886,000	174,239,000
Leasing Activity and Step-Ups in Leases:			
Shopping centers		1,656,000	4,736,000
Office buildings		5,773,000	7,596,000
		$68,315,000	$186,571,000

VORNADO REALTY TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Tenant expense reimbursements were $20,210,000 in the quarter ended September 30, 1998, compared to $10,763,000 in the prior year's quarter, an increase of $9,447,000. Tenant expense reimbursements were $53,000,000 for the nine months ended September 30, 1998, compared to $25,924,000 in the prior year's nine months, an increase of $27,076,000. These increases included $9,450,000 and $27,590,000 from tenants at properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented.

Operating expenses were $58,607,000 in the quarter ended September 30, 1998, as compared to $21,899,000 in the prior year's quarter, an increase of $36,708,000. Operating expenses were $144,214,000 for the nine months ended September 30, 1998, compared to $48,557,000 in the prior year's nine months, an increase of $95,657,000. These increases included (i) $35,393,000 and $93,078,000 from properties acquired which are not reflected in operations for all or a portion of the prior year's periods presented and (ii) $1,315,000 and $2,579,000 primarily for building maintenance at the Company's other properties.

Depreciation and amortization was $16,210,000 in the quarter ended September 30, 1998, as compared to $6,611,000 in the prior year's quarter, an increase of $9,599,000. Depreciation and amortization was $41,605,000 for the nine months ended September 30, 1998, compared to $15,040,000 in the prior year's nine months, an increase of $26,565,000. These increases were primarily a result of acquisitions.

General and administrative expenses were $6,775,000 in the quarter ended September 30, 1998 compared to $3,460,000 in the prior year's quarter, an increase of $3,315,000. General and administrative expenses were $18,792,000 for the nine months ended September 30, 1998, compared to $8,208,000 in the prior year's nine months, an increase of $10,584,000. Of these increases: (i) $921,000 and $4,237,000 is attributable to acquisitions, (ii) $1,660,000 and $3,703,000 resulted from payroll, primarily for additional employees, and corporate office expenses and (iii) $734,000 and $2,644,000 resulted from professional fees.

The Company recognized an expense of $6,249,000 and $18,747,000 in the prior year's quarter and nine months representing the amortization of the deferred payment due to the Company's President, which was fully amortized at December 31, 1997.

Income (loss) applicable to Alexander's (loan interest income, equity in income (loss) and depreciation) was $(2,340,000) in the quarter ended September 30, 1998, compared to $1,344,000 in the prior year's quarter, a decrease of $3,684,000. Income applicable to Alexander's was $806,000 for the nine months ended September 30, 1998, compared to $4,186,000 in the prior year's nine months, a decrease of $3,380,000. These decreases resulted primarily from (i) the Company's equity in Alexander's loss of $4,423,000 from the write-off of the carrying value of Alexander's Lexington Avenue building and predevelopment costs, partially offset by (ii) income from the commencement of leases at Alexander's Rego Park and Kings Plaza store properties and (iii) income from Alexander's acquisition of the remaining 50% interest in the Kings Plaza Mall.

Income from partially-owned entities was $11,195,000 in the quarter ended September 30, 1998, compared to $669,000 in the prior year's quarter, an increase of $10,526,000. Income from partially-owned entities was $20,871,000 for the nine months ended September 30, 1998, compared to $1,471,000 in the prior year's nine months, an increase of $19,400,000. These increases resulted from:

Acquisitions:	Date of Acquisition	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1998
Cold Storage Companies	October 1997	$ 5,008,000	$ 8,172,000
Charles E. Smith Commercial Realty L.P.	October 1997	1,054,000	3,405,000
Hotel Pennsylvania	September 1997	1,361,000	2,750,000
Newkirk Joint Ventures	July 1998	1,006,000	1,006,000
Mendik partially-owned office buildings	April 1997	688,000	1,728,000
Merchandise Mart Management Company	April 1998	324,000	1,272,000
		9,441,000	18,333,000
Other		1,085,000	1,067,000
		$10,526,000	$19,400,000

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on marketable securities) was $5,230,000 for the quarter ended September 30, 1998, compared to $6,086,000 in the prior year's quarter, a decrease of $856,000. This decrease resulted primarily from lower average investments this year. Interest and other investment income was $18,067,000 for the nine months ended September 30, 1998, compared to $17,744,000 in the prior year's nine months, an increase of $323,000.

Interest and debt expense was $34,034,000 for the quarter ended September 30, 1998, compared to $13,622,000 in the prior year's quarter, an increase of $20,412,000. Interest and debt expense was $80,536,000 for the nine months ended September 30, 1998, compared to $30,972,000 in the prior year's nine months, an increase of $49,564,000. These increases resulted primarily from debt in connection with acquisitions.

In the third quarter of 1998, the Company recorded a net gain of $9,649,000, in connection with an insurance settlement and condemnation proceeding (see Note 6 to the Consolidated Financial Statements).

The minority interest is comprised of:

	For The Three Months Ended		For the Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
Preferential distributions to unit holders in the Operating Partnership	$ 3,423,000	$ 2,500,000	$10,492,000	$ 4,600,000*
40% interest in 20 Broad Street	275,000	--	275,000	--
	$ 3,698,000	$ 2,500,000	$10,767,000	$ 4,600,000

* For the period from April 15, 1997 to September 30, 1997

The preferred stock dividends of $5,423,000 and $16,268,000 for the three and nine months ended September 30, 1998 and $5,241,000 for the three months ended September 30, 1997 and $10,096,000 for the period from April 15, 1997 to September 30, 1997 apply to the Company's $3.25 Series A Convertible Preferred Shares issued in April and December 1997 and include accretion of expenses of issuing them.

VORNADO REALTY TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Nine Months Ended September 30, 1998

Cash flows provided by operating activities of $99,885,000 was primarily comprised of (i) income of $103,236,000 (net income of $112,885,000 less net gain from insurance settlement and condemnation proceeding of $9,649,000) and (ii) adjustments for non-cash items of $21,996,000, offset by (iii) the net change in operating assets and liabilities of $23,817,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of $41,605,000 and (ii) minority interest of $10,767,000, partially offset by (iii) the effect of straight-lining of rental income of $14,977,000 and (iv) equity in net income of partially-owned entities of $14,593,000. The net change in operating assets and liabilities reflects an increase in prepaid real estate taxes of $15,792,000.

Net cash used in investing activities of $1,184,759,000 was primarily comprised of (i) acquisitions of real estate of $855,800,000 (see detail below), (ii) investments in partially-owned entities of $308,000,000 (see detail below), (iii) capital expenditures of $67,392,000 and investments in securities of $73,773,000 (including $48,500,000 purchase of Capital Trust Preferred Stock), partially offset by (v) proceeds from the repayment of mortgage loans receivable of $67,663,000. Acquisitions of real estate and investments in partially-owned entities are comprised of (amounts in thousands):

	Cash	Debt Assumed	Value of Units Issued	Total Consideration
Real Estate:				
Merchandise Mart Properties	$ 187,000	$ 327,000	$ 116,000	$ 630,000
One Penn Plaza Office Building	317,000	93,000	--	410,000
770 Broadway Office Building	131,000	--	18,000	149,000
150 East 58th Street Office Building	118,000	--	--	118,000
40 Fulton Street Office Building	54,000	--	--	54,000
689 Fifth Avenue Office Building	33,000	--	--	33,000
Other	15,800	--	--	15,800
	$ 855,800	$ 420,000	$ 134,000	$1,409,800
Investments in Partially Owned Entities:				
Hotel Pennsylvania (acquisition of additional 40% interest increasing ownership to 80%)	$ 22,000	$ 48,000	$ --	$ 70,000
570 Lexington Avenue Office Building (increased interest from 5.6% to approximately 50%)	32,300	4,900	--	37,200
Acquisition of Freezer Services, Inc. (60% interest)	58,000	16,000	6,000	80,000
Reduction in Cold Storage Companies debt (60% interest)	44,000	--	--	44,000
Acquisition of Carmar Group (60% interest)	86,400	8,400	--	94,800
Investment in Newkirk Joint Ventures	56,000	--	--	56,000
Other	9,300	--	--	9,300
	$ 308,000	$ 77,300	$ 6,000	$ 391,300

Net cash provided by financing activities of $869,773,000 was primarily comprised of (i) proceeds from borrowings of $1,423,953,000, and (ii) proceeds from the issuance of common shares of $445,282,000, partially offset by (iii) repayment of borrowings of $883,043,000, (iv) dividends paid on common shares of $94,430,000 and (v) dividend paid on preferred shares of $16,268,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Nine Months Ended September 30, 1997

Cash flows provided by operating activities of $64,017,000 was comprised of (i) net income of $39,104,000 and (ii) adjustments for non-cash items of $33,445,000, partially offset by (iii) the net change in operating assets and liabilities of $8,532,000. The adjustments for non-cash items are primarily comprised of (i) amortization of deferred officer's compensation expense of $18,747,000, (ii) depreciation and amortization of $16,012,000, (iii) equity in loss of Alexander's of $497,000, and (iv) minority interest of $4,600,000, partially offset by (v) the effect of straight-lining of rental income of $4,947,000 and (vi) equity in net income of investees of $553,000.

Net cash used in investing activities of $670,755,000 was primarily comprised of (i) expenditures of $263,790,000 in connection with the Mendik Transaction, (ii) investments in mortgage loans receivable of $67,663,000, (iii) capital expenditures and investments in partnerships and joint ventures of $308,295,000 and (iv) restricted cash for tenant improvements of $27,571,000. Investments in mortgage loans receivable are comprised of (a) a loan of $41,000,000 to affiliates of the Riese Organization cross collateralized by ten Manhattan properties and (b) a mortgage on a 460,000 square foot office building at 20 Broad Street in Manhattan, New York, purchased at a discount from a bank for $27,000,000.

Net cash provided by financing activities of $575,409,000 was primarily comprised of proceeds from (i) borrowings of $523,000,000, and (ii) issuance of preferred shares of $276,000,000, partially offset by (iii) repayment of borrowings of $151,177,000, (iv) dividends paid of $60,187,000 and (v) the repayment of borrowings on U.S. Treasury obligations of $9,636,000.

Funds from Operations for the Three and Nine Months Ended September 30, 1998 and 1997

Funds from operations were $58,608,000 in the quarter ended September 30, 1998, compared to $17,056,000 in the prior year's quarter, an increase of $41,552,000. Funds from operations were $157,789,000 in the nine months ended September 30, 1998, compared to $43,789,000 in the prior year's nine months, an increase of $114,000,000. Funds from operations for the prior year's quarter and nine months reflect amortization of the deferred payment due to the Company's President of $6,249,000 and $18,747,000. The following table reconciles funds from operations and net income:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
Net income applicable to common shares	$ 39,659,000	$ 10,385,000	$ 96,617,000	$ 29,008,000
Depreciation and amortization of real property	15,969,000	6,466,000	41,002,000	14,623,000
Straight-lining of property rentals for rent escalations	(3,804,000)	(830,000)	(10,218,000)	(2,317,000)
Leasing fees received in excess of income recognized	310,000	480,000	1,047,000	1,333,000
Proportionate share of adjustments to equity in net income of partially owned entities to arrive at funds from operations	17,315,000	555,000	41,691,000	1,142,000
Net gain from insurance settlement and condemnation proceeding	(9,649,000)	--	(9,649,000)	--
Minority interest in excess of preferential distributions	(1,192,000)	--	(2,701,000)	--
	$ 58,608,000	$ 17,056,000	$ 157,789,000	$ 43,789,000

The number of shares that should be used for determining funds from operations per share is the number used for diluted earnings per share.

VORNADO REALTY TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs; however, funds from operations may not be comparable to similarly titled measures reported by other REITs since the Company's method of calculating funds from operations is 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 to adjust for the effect of straight-lining of property rentals for rent escalations and leasing fee income. Below are the cash flows provided by (used in) operating, investing and financing activities:

	For the Three Month Ended		For the Nine Months ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
Operating activities	$ 17,674,000	$ 13,028,000	$ 99,885,000	$ 64,017,000
Investing activities	$(205,078,000)	$ (40,942,000)	$ (1,184,759,000)	$(670,755,000)
Financing activities	$ 70,673,000	$(113,545,000)	$ 869,773,000	$ 575,409,000

Certain Cash Requirements Affecting the Company's Liquidity at September 30, 1998:

Pending Acquisitions and Investments

On June 2, 1998, the Company entered into an agreement to acquire the leasehold interest in 888 Seventh Avenue, a 46 story office building containing approximately 847,000 square feet located in midtown Manhattan, for approximately $100 million. The acquisition of 888 Seventh Avenue is expected to be completed not later than the third quarter of 1999 in conjunction with other unrelated transactions to be effected by the seller, and is subject to customary closing conditions.

On June 2, 1998, the Company entered into an agreement to settle existing litigation - see Legal Proceedings. The Settlement provides, among other things: (i) for Vornado to purchase the remaining 60% interest in Two Park Avenue for approximately $34.6 million, which will be paid in cash, or at the Company's election, in any combination of cash or shares of Vornado stock, plus the assumption of $39 million in existing debt; and (ii) for Vornado to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, New York for an aggregate price of $30 million in cash. On October 14, 1998, the Supreme Court of the State of New York for New York County approved the proposed settlement. On November 6, 1998, the Court's judgment became final. It is expected that the transaction will close within the next 30 days.

On October 29, 1998, Vornado completed its acquisition of K Mart's 50% interest in the Las Catalinas Mall located in Caguas, Puerto Rico (adjacent to San Juan). In addition, Vornado acquired 75% and Vornado's partner in the Mall acquired 25% of K Mart's anchor store. Vornado's purchase price of $38 million was fully financed with 15 year non-recourse debt.

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The Company entered into an agreement to acquire the 1,050,000 square foot Market Square Complex of showrooms in High Point, NC, for approximately $95 million consisting of $6 million of cash, $44 million of debt and $45 million of Operating Partnership Units and Convertible Preferred Operating Partnership Units. This transaction is currently expected to close in the fourth quarter; however there can be no assurance it will ultimately be consummated.

Financings:

On April 15, 1998, the Company completed the sale of 10,000,000 common shares pursuant to an effective registration statement with net proceeds to the Company of approximately $401,000,000. On April 29, 1998, the Company sold 1,132,420 common shares to a unit investment trust, which were valued for purposes of the trust at $41.06 per share, resulting in net proceeds of approximately $44,000,000.

On September 30, 1998, the Company had $683,250,000 outstanding under its $1,000,000,000 revolving credit facility at a blended interest rate of 6.49%.

Also, in February 1998, the Company completed a $160,000,000 refinancing of the Green Acres Mall and prepaid the then existing $118,000,000 debt on the property. The new 10-year debt matures in March 2008 and bears interest at 6.75%.

On April 23, 1998, the Cold Storage Companies completed a $550,000,000 non-recourse ten-year loan secured by 58 of its warehouses. The loan bears interest at 6.89%. The net proceeds from the loan together with working capital were used to repay $607,000,000 of bridge financing, which replaced high yield debt assumed at the date of acquisition.

On June 15, 1998, the Company completed a $275,000,000 refinancing of its One Penn Plaza office building and borrowed $170,000,000 pursuant thereto. In the third quarter, the Company borrowed the remaining $105,000,000. The debt matures in June 2002, is prepayable at anytime, and bears interest at LIBOR + 1.25%; (currently 6.91%). This debt replaced the $93,000,000 bridge-mortgage loan financing put in place when the property was acquired.

On October 16, 1998, the Company completed its spin-off of Vornado Operating Company, which the Company capitalized with an equity contribution of $25 million of cash. In addition, Vornado has agreed to enter into a $75 million revolving credit agreement with Vornado Operating Company.

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

Year 2000 Issues

Year 2000 compliance programs and information systems modifications were initiated by Vornado in early 1998 in an attempt to ensure that these systems and key processes will remain functional. This objective is expected to be achieved either by modifying present systems using existing internal and external programming resources or by installing new systems, and by monitoring supplier and other third-party interfaces. In many cases, Vornado will be relying on statements from outside vendors as to the Year 2000 readiness of their systems, and will not, in many circumstances, attempt any independent verification. Review of the systems affecting Vornado and its properties is progressing. The costs of Vornado's Year 2000 program to date have not been material, and Vornado does not anticipate that the costs of any required modifications to its information technology or embedded technology systems will have a material adverse effect on its financial position, results of operations or liquidity. Vornado has contingency plans for its own day-to-day operational systems and management is in the process of updating these plans for possible Year 2000 specific operational requirements.

Recently Issued Accounting Standards

In June of 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Because the Company does not currently utilize derivatives or engage in significant hedging activities, management does not anticipate that implementation of this statement will have a material effect on the Company's financial statements.

Quantitative and Qualitative Disclosures About Market Risks

The Company has no material exposure to market risk sensitive investments.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In January 1997, two individual investors in Mendik Real Estate Limited Partnership ("RELP"), the publicly held limited partnership that indirectly owns a 60% interest in the Two Park Avenue Property, filed a purported class action against NY Real Estate Services 1, Inc. ("NY Real Estate"), Mendik RELP Corp., B&B Park Avenue, L.P. (an indirect subsidiary of the Company which acquired the remaining 40% interest in Two Park Avenue) and Bernard H. Mendik in the Supreme Court of the State of New York, County of New York, on behalf of all persons holding limited partnership interests in RELP. The complaint alleges that, for reasons which include purported conflicts of interest, the defendants breached their fiduciary duty to the limited partners, that the then proposed transfer of the 40% interest in Two Park Avenue would result in a burden on the operation and management of Two Park Avenue and that the transfer of the 40% interest violates RELP's right of first refusal to purchase the interest being transferred and fails to provide limited partners in RELP with a comparable transfer opportunity. Shortly after the filing of the complaint, another limited partner represented by the same attorneys filed an essentially identical complaint in the same court. Both complaints seek unspecified damages, an accounting and a judgment requiring either the liquidation of RELP and the appointment of a receiver or an auction of Two Park Avenue. In August 1997, a fourth limited partner, represented by separate counsel, commenced another purported class action in the same court by serving a complaint essentially identical to the complaints in the two previously commenced actions. These lawsuits have since been consolidated. On June 2, 1998, the parties entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Settlement"). By Order dated July 9, 1998, the Court granted preliminary approval of the Settlement and certified a class pursuant to CPLR 902, for settlement purposes. The Settlement provides, among other things: (i) for Vornado to purchase the Partnership's interest in Two Park Avenue for approximately $34.6 million, which will be paid in cash, or at Vornado's election, in any combination of cash or shares of Vornado stock (which will be freely tradable pursuant to a Section 3(a)(10) exemption under the Securities Act of 1933), plus the assumption of $39 million in existing debt; and (ii) for Vornado Realty to purchase the Partnership's interest in 550-600 Mamaroneck Avenue, Harrison, New York and 330 West 34th Street, New York, NY for an aggregate price of $30 million in cash. On October 14, 1998, the Supreme Court of New York for New York County approved the proposed settlement. On November 6, 1998, the Court's judgment became final. It is expected that the transaction will close within the next 30 days.

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

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

10.7 Employment Agreement between Vornado Realty Trust and Joseph Macnow, dated January 1, 1998.

10.8 Employment Agreement between Vornado Realty Trust and Richard Rowan, dated January 1, 1998.

27 Financial Data Schedule.

(b) Reports on Form 8-K

During the quarter ended September 30, 1998, Vornado Realty Trust filed the reports on Form 8-K described below:

Date of Report (Date of Earliest Event Reported)	Item Reported	Date Filed
April 26,1998	Financial Statements and pro forma in connection with the acquisition of additional interest in 570 Lexington Avenue, the acquisition of 40 Fulton Street and 770 Broadway and the pending acquisition of 888 Seventh Avenue	July 15, 1998
June 2, 1998	Proposed settlement agreement to purchase the properties of the Mendik Real Estate Limited Partnership with the financial statements and pro forma in connection therewith	August 12, 1998
January 29, 1998	Proposed spin-off of Vornado Operating Company	September 28, 1998

VORNADO REALTY TRUST

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 6, 1998

/s/ Irwin Goldberg

IRWIN GOLDBERG
Vice President - Chief Financial Officer and Chief Accounting Officer

VORNADO REALTY TRUST

EXHIBIT INDEX

EXHIBIT NO.	
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27	Financial Data Schedule.

Exhibit 10.7

AGREEMENT

AGREEMENT, dated as of January 1, 1998, by and between VORNADO REALTY TRUST, a Maryland unincorporated business trust and Vornado Realty LP, a Delaware Operating Partnership (hereinafter referred to as "Employer") and JOSEPH MACNOW, an individual (hereinafter referred to as "Employee").

IN CONSIDERATION of the mutual covenants herein contained, and other good and valuable consideration, the parties hereto agree as follows:

1. Employment.

Employer hereby agrees to employ Employee, and Employee agrees to serve as Executive Vice President-Finance and Administration of Employer during the Period of employment, as defined in Section 2.

2. Period of Employment.

The "Period of Employment" shall be the period commencing on January 1, 1998 and, subject to the provisions of this Agreement, ending three years thereafter on December 31, 2000.

3. Duties During the Period of Employment.

Employee shall devote his full business time, attention and best efforts to the affairs of Employer and its subsidiaries during the Period of Employment; provided, however, that Employee may engage in other activities, such as activities involving charitable, educational, religious and similar types of organizations (all of which are deemed to benefit Employer), speaking engagements, membership on the board of directors of non-profit organizations, and similar type activities to the extent that such other activities do not materially impair the performance of his duties under this Agreement, or inhibit or conflict in any material way with the business of Employer and its subsidiaries, and to the extent Employer does not object to such other activities.

4. Cash Compensation.

Employer shall pay to Employee during the first year of the Period of Employment a salary ("Base Compensation") at an annual rate of $425,000.00, to be paid in equal biweekly installments. Employer shall pay to Employee during the second year of the Period of Employment a salary at an annual rate equal to the salary paid Employee during the first year of the Period of Employment, increased by a factor which is equal to 125% of the percentage increase in the Consumer Price Index (as hereafter defined) during the period from January 1998 through December 1998, to be paid in equal biweekly installments. Employer shall pay to Employee during the third year of the Period of Employment a salary at an annual rate equal to the salary paid Employee during the second year of the Period of Employment increased by a factor which is equal to 125% of the percentage increase in the Consumer Price Index during the period from January 1999 through December 1999, to be paid in equal biweekly installments. For purposes of this Agreement, the "Consumer Price Index" shall mean the Revised Consumer Price Index for Urban Wage Earners and Clerical Workers - All Items (CPI-W), Northeast Region, Class A, on the base 1982-84=100, published by the Bureau of Labor Statistics of the U.S. Department of Labor. Increases in Base Compensation resulting from the above, if any, shall then constitute the Base Compensation for all purposes of this Agreement. Employee's Base Compensation shall not be reduced during the term of this Agreement.

5. Stock Options.

During each year in the Period of Employment, the Employer shall grant Employee share options to purchase 75,000 shares of Employer's Common Shares of Beneficial Interest ("Stock") pursuant to the terms of the Employer's 1993 Omnibus Share Plan at a purchase price per share equal to the fair market value of the Stock on the date the options are granted. Such options shall be granted at the discretion of the Compensation Committee of the Board of Trustees of the Employer, at the first meeting of the Committee in which options are ordinarily granted. Employer shall take all necessary actions to ensure that such options qualify, to the extent permitted, as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and successor provisions.

6. Other Employee Benefits.

(a) Vacation and Sick Leave.

Employee shall be entitled to paid annual vacation periods and to sick leave in accordance with Employer's policy.

(b) Automobile.

Employer shall provide Employee with the use of an automobile of the same quality as that provided to other corporate officers of equal or similar position and pay all expenses incurred by Employee in connection with the use of the automobile.

(c) Regular Reimbursed Business Expenses.

Employer shall reimburse Employee for all expenses and disbursements reasonably incurred by Employee in the performance of his duties during the Period of Employment, and such other facilities or services as Employer and Employee may, from time to time, agree are reimbursable.

(d) Employee Benefit Plans or Arrangements.

In addition to the cash compensation provided for in Section 4 hereof and the stock options provided in Section 5 hereof, Employee, subject to meeting eligibility provisions and to the provisions of this Agreement, shall be entitled to participate in all employee benefits plans of Employer, as presently in effect or as they may be modified or added to by Employer from time to time, including, without limitation, plans providing retirement benefits, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance. Without limiting the foregoing, Employee shall be entitled to tax preparation and financial planning assistance of $15,000 per calendar year and upon approval by an insurance carrier, a $3 million five-year renewal term life insurance policy or at Employee's election other life insurance with a comparable cost to Employer.

7. Termination and Termination Benefits.

The termination of Employee's employment during the Period of Employment by Employee or Employer shall not be treated as a breach of this agreement.

(a) Termination by the Employer Without Cause.

The Employer may terminate the Period of Employment and Employee's employment hereunder without "Cause" upon written notice to Employee. For purposes of this Section 7(a), a termination of the Period of Employment by the Employer without Cause shall include any termination or nonextension by the Employer (other than a termination for Cause as defined in Section 7(b) below).

(b) Termination by the Employer for Cause.

Subject to the following paragraph, the Employer may terminate the Period of Employment and Employee's employment hereunder for "Cause" upon written notice to Employee. For purposes of this Section 7(b), a termination for Cause shall only mean a termination as a result of (i) Employee's willful misconduct with regard to Employer or to any entity in control of, controlled by or under common control with the Employer (an "Affiliate"), including, but not limited to, any preferred stock subsidiary of the Employer that is materially economically injurious to Employer, (ii) Employee's conviction of, or plea of guilty or nolo contendere to, a felony (other than a traffic violation) or (iii) Employee's willful and continued failure to use reasonable business efforts to attempt to substantially perform his duties hereunder (other than such failure resulting from Employee's incapacity due to a physical or mental illness or subsequent to the issuance of a notice of termination by Employee for Good Reason) after demand for substantial performance is delivered by Employer in writing that specifically identifies the manner in which Employer believes Employee has not used reasonable business efforts to attempt to substantially perform his duties.

For purposes of this Section 7(b), in addition to the other legal requirements to be "willful", no act, or failure to act, by Employee shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of Employer. In addition, no action or inaction shall give rise to a right of Employer to terminate this Agreement and Employee's employment hereunder for Cause pursuant to the preceding paragraph unless and until Employer has delivered to Employee a copy of a resolution duly adopted by a majority of the Board of Trustees ("Board") at a meeting of the Board called and held for such purpose after reasonable (but in no event less than thirty (30) days notice to

Employee and an opportunity for Employee, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, Employee was guilty of any conduct set forth in the preceding paragraph and specifying the particulars thereof in detail. This Section 7(b) shall not prevent Employee from challenging in any court of competent jurisdiction the Board's determination that Cause exists or that Employee has failed to cure any act (or failure to act) that purportedly formed the basis for the Board's determination.

(c) Termination by Employer Due to Disability.

If, due to illness, physical or mental disability, or other incapacity, Employee is substantially unable, for one hundred and eighty (180) consecutive days, to perform his duties hereunder, Employer may terminate the Period of Employment and his Employment hereunder upon at least thirty (30) days' prior written notice to Employee given after one hundred eighty (180) days, and provided Employee does not return to the substantial performance of his duties on a full-time basis within such thirty (30) day period.

(d) Termination by Employee With Good Reason.

Subject to the following paragraph, Employee may terminate the Period of Employment and his employment hereunder for "Good Reason" upon written notice to Employer. For purposes of this Section 7(d), a termination for Good Reason shall mean a termination as a result of (unless otherwise consented to in writing by Employee) (i) the failure to appoint Employee to the positions set forth in Section 1, the alteration of the duties, responsibilities and authority of Employee as set forth in Section 1 in a manner that is materially and adversely inconsistent with such duties, and responsibilities or authority or a change to Employee's position or title; (ii) a failure by Employer to pay when due any compensation to Employee or to substantially provide any benefit to Employee; (iii) the relocation of Employer's principal executive offices to a location other than the New York Metropolitan area or relocation of Employee's own office location from that of the principal offices; (iv) any purported termination of Employee's employment for Cause which is not effected pursuant to the procedures of Section 7(b) (and for purposes of this Agreement, no such purported termination shall be effective); (v) Employer's material breach of any material term contained in this Agreement; (vi) a Change in Control (as defined below), or (vii) any requirement that Employee report to anyone other than the Board, the President of Employer or the Chief Executive Officer of Employer. Employee's right to terminate his employment hereunder for Good Reason shall not be affected by his incapacity due to physical or mental illness.

For purposes of this Section 7(d), no action or inaction shall give rise to the right of Employee to terminate the Period of Employment and Employee's employment hereunder for Good Reason unless a written notice is given by Employee to the Employer within one hundred twenty (120) days after Employee has actual knowledge of the occurrence of the event giving rise to Employee's right to terminate pursuant to this Section 7(d), and such event has not been cured within thirty (30) days after such notice. Employee's continued employment during the one hundred and twenty (120) day period referred to above in this Section 7(d), shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of this Section 7(d), "Change in Control" shall mean the occurrence of any one of the following:

(i) individuals who, as of January 1, 1998, constitute the Board (the "Incumbent Trustees") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a trustee subsequent to January 1, 1998 whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Trustees then on the Board (either by a specific vote or by approval of the proxy statement of Employer in which such person is named as a nominee for trustee, without objection to such nomination) shall be an Incumbent Trustee, provided, however, that no individual initially elected or nominated as a trustee of Employer as a result of an actual or threatened election contest with respect to trustees or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Trustee.

(ii) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes, after January 1, 1998, a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Employer representing 30% or more of the combined voting power of Employer's then outstanding securities eligible to vote for the election of the Board (the "Employer's Voting Securities"), provided, however, that an event described in this paragraph (ii) shall not be deemed to be Change in Control if any of the following becomes such a beneficial owner: (A) Employer or any majority-owned subsidiary (provided, that this exclusion applies solely to the ownership levels of Employer or the majority-owned subsidiary), (B) any tax-qualified, broad-based employee benefit plan sponsored or maintained by Employer or any majority-owned subsidiary, (C) any underwriter temporarily holding securities pursuant to an offering of such securities, (D) any person pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii)), (E) Employee or any group of persons including Employee (or any entity controlled by Employee or any group of persons including Employee) or (F) (i) any of the partners (as of January 1, 1998) in Interstate Properties ("Interstate") including immediate family members and family trusts or family-only partnerships and any charitable foundations of such partners (the "Interstate Partners"), (ii) any entities the majority of the voting interests of which are beneficially owned by the Interstate Partners, or (iii) any "group" (as described in Rule 13d-5(b) (i) under the Exchange Act) including the Interstate Partners, provided, that the Interstate Partners beneficially own a majority of Employer's Voting Securities beneficially owned by such group (the persons in (i), (ii) and (iii) shall be individually and collectively referred to herein as, "Interstate Holders");

(iii) the consummation of a merger, consolidation, share exchange or similar form of transaction involving Employer or any of its Subsidiaries, or the sale or other disposition of all or substantially all of Employer's assets (a "Business Transaction"), unless immediately following such Business Transaction (y) more than fifty percent (50%) of the total voting power of the entity resulting from such Business Transaction or the entity acquiring Employer's assets of the Operating Partnership in such Business Transaction (the "Surviving Corporation") is beneficially owned, directly or indirectly, by the Interstate Holders or Employer's shareholders immediately prior to any such Business Transaction, and (z) no person (other than the persons set forth in clauses (A), (B), (C), or (F) of paragraph (ii) above or any tax-qualified, broad-based employee benefit plan of the Surviving Corporation or its Affiliates) beneficially owns, directly or indirectly, 30% or more of the total voting power of the Surviving Corporation (a "Non-Qualifying Transaction"); or

(iv) Board approval of a liquidation or dissolution of Employer, unless the voting common equity interests of an ongoing entity (other than a liquidating trust) are beneficially owned, directly or indirectly, by Employer's shareholders in substantially the same proportions as such shareholders owned Employer's outstanding voting common equity interests immediately prior to such liquidation and such ongoing entity assumes all existing obligations of

Employer under this Agreement and any equity grant.

(e) Termination by Employee Other Than Pursuant to Section 7(d). Employee may terminate this Agreement and Employee's employment hereunder at any time, for any reason upon ninety (90) days' prior written notice to Employer.

(f) Death Benefit. Notwithstanding any other provision of this Agreement, the Period of Employment shall terminate on the on the date of Employee's death. In such event, (i) Employee's estate shall be paid the amount specified in Section 7(g)(i) below and one (1) times Employee's annual rate of Base Salary and (ii) Employer shall provide Employee's spouse and dependents with welfare benefits as provided in Section 7(g)(ii) for one (1) year from the date of death.

(g) Termination Compensation. Upon the termination of the Period of Employment and Employee's employment hereunder (including any nonextension of the Period of Employment), Employer shall provide Employee with the payments and benefits set forth below. Employee acknowledges and agrees that the payments and benefits set forth in this Section and elsewhere herein and in other written grants and agreements constitute liquidated damages for termination of his employment hereunder (including any nonextension of the Period of Employment).

(i) Upon a termination of the Period of Employment and Employee's employment hereunder, Employee shall be entitled to promptly receive (A) his Base Compensation through the effective date of termination, (B) if such termination is other than pursuant to Section 7(b) hereof, any annual earned bonus for any completed fiscal year, (C) if such termination is pursuant to Sections 7(a), 7(c) or 7(d) hereof, a pro rata share of Employee's annual target bonus for the fiscal year of termination, (D) the benefits, fringes and perquisites, including without limitation accrued vacation (provided that if the termination is pursuant to Section 7(b) or 7(e) hereof, only such payment of accrued vacation as is required by law or Employer's vacation policy), provided pursuant to Section 6 hereof up to the effective date of such termination and (E) any other amount due to Employee under any other program or plan of Employer.

(ii) In the event of a termination of the Period of Employment and Employee's employment pursuant to Section 7(a) (such reference shall include, without limitation, a nonextension by Employer of this Agreement) or 7(d) hereof, Employee shall also be entitled to (A) receive an amount (the "Severance Amount") equal to the sum of (x) three times Employee's annualized Base Compensation (as in effect on the date of such termination or, if greater, immediately prior to the Good Reason event, if any, based on which the termination of employment occurs) and (y) three times Employee's Bonus Severance Amount (as defined herein). The "Bonus Severance Amount" shall mean an amount equal to the average of all annual bonuses earned by the Employee from Employer in the two (2) fiscal years ending immediately prior to Employee's termination; provided, however, that if Employee's termination occurs during fiscal 1998, the "Bonus Severance Amount" shall be the higher of Employee's annual bonus amount for the 1997 fiscal year or Employee's annual target bonus for 1998 (the Severance Amount shall be payable in a lump sum within thirty (30) days of such termination) and (B) Employee shall become fully vested in any stock options granted to Employee by the Board. In the event of a termination pursuant to Section 7(a), 7(c) or 7(d) hereof, Employee (his spouse and his dependents, if applicable) shall also be entitled to continue to participate in the medical, dental, hospitalization and life insurance programs existing on the date of termination (or any replacement plans for any such plans) with regard to senior executive officers of a similar level (or their cash equivalents, and, if Employer provides a cash payment in lieu of such benefits, it shall be calculated on a grossed-up tax basis as if Employee had remained an employee) for three (3) years from the date of termination; provided, that Employee shall be obligated to make all employee contributions required to receive such benefits under Employer's programs and that such continued benefits shall terminate on the date or dates Employee receives equivalent coverage and benefits, without waiting period or pre-existing conditions limitations, under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit, basis). Employee shall not be entitled to any compensation or benefits pursuant to this Section 7(g)(ii) if his employment hereunder is terminated pursuant to Section 7(b) or as a result of Employee's voluntary termination pursuant to Section 7(e).

(h) No Mitigation. All amounts due hereunder shall be paid without any obligation to mitigate and such amounts shall not be reduced by or offset by any other amounts earned by Employee or any claims of Employer.

8. Non-Competition and Non-Disclosure.

In consideration of the benefits to be provided to Employee hereunder, Employee covenants that he will not, without the consent in writing of Employer, (a) during the Period of Employment and the twelve (12) month period following his termination of employment for any reason other than pursuant to Section 7(c) hereof, Employee will not engage in any business otherwise competitive with that of Employer or any of its subsidiaries in the States of New Jersey, New York, Pennsylvania, Maryland, Massachusetts and Connecticut; and (b) upon termination of the Period of Employment for any reason whatsoever, Employee will not for a period of two years thereafter, (i) solicit or aid in soliciting any employees of Employer or its subsidiaries to leave their employment, or (ii) copy, remove from Employer or its subsidiaries, disclose or make any use of, any client list, confidential business information with respect to clients, material relating to the practices or procedures of Employer or its subsidiaries, or any other proprietary information. Employee acknowledges that the restrictions, prohibitions and other provisions of this Section 8 are reasonable, fair and equitable in scope, terms and duration, are necessary to protect the legitimate business interests of the Employer and are a material inducement to the Employer to enter into this Agreement. It is the intention of the parties hereto that the restrictions contained in this paragraph be enforceable to the fullest extent permitted by applicable law. Therefore, to the extent any court of competent jurisdiction shall determine that any portion of the foregoing restrictions is excessive, such provision shall not be entirely void, but rather shall be limited or revised only to the extent necessary to make it enforceable. Should Employee engage in or perform, directly or indirectly, any of the acts prohibited by Section 8 hereof, it is agreed that the Employer shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Employee and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such violative acts. The foregoing remedy available to Employer shall not be deemed to limit or prevent the exercise by the Employer of any or all further rights and remedies which may be available to the Employer hereunder or at law or in equity.

9. Burden and Benefit.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, personal and legal representatives, successors and assigns. In the event of the death of Employee at or after his termination, any amounts due hereunder shall be paid to his estate unless he has designated a beneficiary.

10. Legal Fees and Expenses.

If any contest or dispute shall arise between Employer and Employee regarding any provision of this Agreement or any equity grant or other agreement or compensation arrangement specifically set forth or provided for herein, Employer shall reimburse Employee for all legal fees and expenses reasonably incurred by Employee in connection with such contest or dispute, but only if Employee is successful in respect of substantially all of the Employee's claims brought and pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent Employer receives reasonable written evidence of such fees and expenses.

11. Governing Law.

This Agreement is governed by and is to be construed and enforced in accordance with the laws of the State of New Jersey. If under such law any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement; and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

12. Notices.

All notices under this Agreement shall be in writing and shall be deemed effective when delivered in person (in the Employer's case to its Secretary) or twenty-four (24) hours after deposit thereof in the U.S. mails, postage prepaid, for delivery as registered or certified mail -- addressed, in the case of Employee, to him at his residential address, and in the case of Employer, to its corporate headquarters, attention of the Secretary, or to such other address as

Employee or Employer may designate in writing at any time or from time to time to the other party. In lieu of notice by deposit in the U.S. mail, a party may give notice by telegram or telex.

13. Amendment.

No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Employee and by a duly authorized officer of the Employer, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

14. Survival.

The respective obligations of, and benefits afforded to, Employee and Employer as provided in Section 8 of this Agreement shall survive the termination of this Agreement.

15. No Conflict of Interest.

During the Period of Employment, Employee shall not directly, or indirectly render service, or undertake any employment or consulting agreement with another entity without the express written consent of the Board of Trustees of the Employer.

16. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one of the same instrument.

17. Section Headings.

The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

18. Miscellaneous.

This Agreement constitutes the entire understanding between Employer and Employee relating to employment of Employee by Employer and supersedes and cancels all prior written and oral agreements and understandings with respect to the subject matter of this Agreement. Any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the year and day first above written.

VORNADO REALTY TRUST and
VORNADO REALTY LP

By: /s/ Steven Roth

Steven Roth
Title: Chairman of the Board of Trustees

/s/ Joseph Macnow

Joseph Macnow

Exhibit 10.8

AGREEMENT

AGREEMENT, dated as of January 1, 1998, by and between VORNADO REALTY TRUST, a Maryland unincorporated business trust (hereinafter referred to as "Employer") and RICHARD ROWAN, an individual (hereinafter referred to as "Employee").

IN CONSIDERATION of the mutual covenants herein contained, and other good and valuable consideration, the parties hereto agree as follows:

1. Employment.

Employer hereby agrees to employ Employee, and Employee agrees to serve as Vice President-Real Estate of Employer during the Period of employment, as defined in Section 2.

2. Period of Employment.

The "Period of Employment" shall be the period commencing on January 1, 1998 and, subject to the provisions of this Agreement, ending three years thereafter on December 31, 2000.

3. Duties During the Period of Employment.

Employee shall devote his full business time, attention and best efforts to the affairs of Employer and its subsidiaries during the Period of Employment; provided, however, that Employee may engage in other activities, such as activities involving charitable, educational, religious and similar types of organizations (all of which are deemed to benefit Employer), speaking engagements, membership on the board of directors of non-profit organizations, and similar type activities to the extent that such other activities do not materially impair the performance of his duties under this Agreement, or inhibit or conflict in any material way with the business of Employer and its subsidiaries, and to the extent Employer does not object to such other activities.

4. Cash Compensation.

Employer shall pay to Employee during the first year of the Period of Employment a salary at an annual rate of $380,500.00, to be paid in equal biweekly installments. Employer shall pay to Employee during the second year of the Period of Employment a salary at an annual rate equal to the salary paid Employee during the first year of the Period of Employment, increased by a factor which is equal to 125% of the percentage increase in the Consumer Price Index during the period from January 1998 through December 1998, to be paid in equal biweekly installments. Employer shall pay to Employee during the third year of the Period of Employment a salary at an annual rate equal to the salary paid Employee during the second year of the Period of Employment increased by a factor which is equal to 125% of the percentage increase in the Consumer Price Index during the period from January 1999 through December 1999, to be paid in equal biweekly installments. For purposes of this Agreement, the "Consumer Price Index" shall mean the Revised Consumer Price Index for Urban Wage Earners and Clerical Workers - All Items (CPI-W), Northeast Region, Class A, on the base 1982-84=100, published by the Bureau of Labor Statistics of the U.S. Department of Labor.

5. Stock Options.

During each year in the Period of Employment, the Employer shall grant Employee share options to purchase 50,000 shares of Employer's common shares of the Common Shares of Beneficial Interest of the Employer ("Stock") pursuant to the terms of the Employer's 1993 Omnibus Share plan at a purchase price per share equal to the fair market value of the Stock on the date the options are granted. Such options shall be granted, at the discretion of the

Compensation Committee of the Board of Trustees of the Employer, at the first meeting of the Committee in which options are ordinarily granted. Employer shall take all necessary actions to ensure that such options qualify, to the extent permitted, as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and successor provisions.

6. Other Employee Benefits.

(a) Vacation and Sick Leave.

Employee shall be entitled to paid annual vacation periods and to sick leave in accordance with Employer's policy.

(b) Automobile.

Employer shall provide Employee with the use of an automobile of the same quality as that provided to other corporate officers of equal or similar position and pay all expenses incurred by Employee in connection with the use of the automobile.

(c) Regular Reimbursed Business Expenses.

Employer shall reimburse Employee for all expenses and disbursements reasonably incurred by Employee in the performance of his duties during the Period of Employment, and such other facilities or services as Employer and Employee may, from time to time, agree are reimbursable.

(d) Employee Benefit Plans or Arrangements.

In addition to the cash compensation provided for in Section 4 hereof and the stock options provided in Section 5 hereof, Employee, subject to meeting eligibility provisions and to the provisions of this Agreement, shall be entitled to participate in all employee benefits plans of Employer, as presently in effect or as they may be modified or added to by Employer from time to time, including, without limitation, plans providing retirement benefits, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance.

7. Termination.

Employee's employment hereunder shall terminate upon the earliest of the events described below. Employee acknowledges and agrees that the payments set forth in this Section 7 constitute liquidated damages for termination of his employment during the Period of Employment.

(a) Expiration.

The expiration of the Period of Employment. If Employee's employment is terminated pursuant to this Section 7(a), Employer shall continue to pay to Employee his then-current annual salary, as provided in Section 4, in biweekly installments for a two-year period following such date of termination, provided, however, that such payments shall be reduced by the amount of any compensation paid to Employee by another employer or earned by the Employee by being self-employed during such two-year period. In addition, for two years following such termination, the Employer shall continue to provide Employee, his spouse and his dependents, with the same level of medical, dental, accident, disability and life insurance benefits upon substantially the same terms and conditions (including contributions required by Employee for such benefits) as existed immediately prior to Employee's termination; provided, that, if Employee cannot continue to participate in the Employer plans providing such benefits, the Employer shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. Notwithstanding the foregoing, in the event Employee becomes reemployed with another employer and becomes eligible to receive comparable welfare benefits from such employer, the welfare benefits described herein shall cease.

(b) Death.

The death of Employee. If Employee's employment should terminate due to his death, Employer shall no longer have any obligations under this Agreement as of the date of termination.

(c) Disability.

If, as a result of Employee's Disability, Employee shall have been substantially unable to perform his duties hereunder for an entire period of six (6) consecutive months and within thirty (30) days after written notice of termination is given by the Employer after such six (6) month period, Employee shall not have returned to the substantial performance of his duties on a full-time basis, Employer shall have the right to terminate Employee's employment hereunder for "Disability". For purposes of this Agreement, "Disability" shall have the same meaning as that term is defined in the Employer's Long Term Disability Plan; provided, that, if no such plan exists, "Disability" shall have the same meaning as prescribed in Section 22(e)(3) of the Code. During any period that Employee fails to perform his duties hereunder as a result of Disability ("disability period"), Employee shall continue to receive his then-current annual salary for such period until his employment is terminated pursuant to this Section 7(c); provided, that, payments so made to Employee during the first six (6) months of the disability period shall be reduced by the sum of the amounts, if any, paid to the Employee at or prior to the time of any such payment under disability benefit plans of the Employer or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment.

(d) Without Just Cause.

The Employer shall have the right to terminate Employee's employment hereunder without "Just Cause" (as defined below). If Employer should terminate Employee's employment pursuant to this Section 7(d), Employer shall continue to pay to Employee his then-current annual salary, as provided in Section 4, in equal biweekly installments for a two-year period after the date of termination provided, however, that the amount of compensation paid to Employee hereunder shall be reduced by the amount of any compensation paid to Employee by another employer or earned by the Employee by being self-employed during such two year period. In addition, for two years following such termination, the Employer shall continue to provide Employee, his spouse and his dependents, with the same level of medical, dental, accident, disability and life insurance benefits upon substantially the same terms and conditions (including contributions required by Employee for such benefits) as existed immediately prior to Employee's termination; provided, that, if Employee cannot continue to participate in the Employer plans providing such benefits, the Employer shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. Notwithstanding the foregoing, in the event Employee becomes reemployed with another employer and becomes eligible to receive comparable welfare benefits from such employer, the welfare benefits described herein shall cease.

(e) Just Cause.

The Employer may terminate Employee's employment for just cause. If Employer should terminate Employee's employment pursuant to this Section 7(e), Employee will be entitled to be paid his annual salary, as provided in Section 4, through the end of the month in which the Period of Employment is terminated.

For purposes of this Agreement, "just cause" shall mean failure to follow the legitimate directions of Employer; conviction of a felony; habitual drug or alcohol abuse; absenteeism not related to illness, sick leave or vacations; dishonesty; or conflicts of interest which are continued after notice in writing from Employer.

(f) Voluntary Termination.

Employee may terminate this Agreement and Employee's employment hereunder at any time upon ninety (90) days prior written notice to the Employer. If Employee should terminate his employment pursuant to this Section 7(f), Employer shall no longer have any obligations under this Agreement as of the date of termination.

(g) Good Reason.

Employee may terminate his employment for "good reason" (as defined below). If Employee should terminate his employment pursuant to this Section 7(g), Employer shall, on the date of termination, pay to Employee an amount equal to the product of Employee's then current annual salary, as provided in Section 4, multiplied by 2.99. In addition, on the date of termination, Employee shall become fully vested in any stock options granted to Employee by the Board of Trustees of the Employer.

For purposes of this Agreement, "good reason" shall mean Employer's relocation to a site outside of the New York metropolitan area; a requirement the Employee report to anyone other than the Chief Executive Officer or President of the Employer or the Board of Trustees of the Employer, Employer's merger or consolidation with another entity where Employer is not the surviving entity; a material change in Employee's responsibilities, authority, compensation, or title; or the acquisition of 40% or more of the voting power of Employer's Stock by persons or entities other than shareholders currently owning 5% or more of the voting power of Employer's

Stock, Employer, its affiliates, employees of Employer (including the Employee) or its affiliates, and employee benefit plans maintained by Employer or its affiliates.

8. Non-Competition and Non-Disclosure.

In consideration of the benefits to be provided to Employee hereunder, Employee covenants that he will not, without the consent in writing of Employer, (a) during the Period of Employment and the twelve (12) month period following his termination of employment for any reason other than pursuant to Section 7(c) hereof, Employee will not engage in any business otherwise competitive with that of Employer or any of its subsidiaries in the States of New Jersey, New York, Pennsylvania, Maryland, Massachusetts and Connecticut; and (b) upon termination of the Period of Employment for any reason whatsoever, Employee will not for a period of two years thereafter, (i) solicit or aid in soliciting any employees of Employer or its subsidiaries to leave their employment, or (ii) copy, remove from Employer or its subsidiaries, disclose or make any use of, any client list, confidential business information with respect to clients, material relating to the practices or procedures of Employer or its subsidiaries, or any other proprietary information. Employee acknowledges that the restrictions, prohibitions and other provisions of this Section 8 are reasonable, fair and equitable in scope, terms and duration, are necessary to protect the legitimate business interests of the Employer and are a material inducement to the Employer to enter into this Agreement. It is the intention of the parties hereto that the restrictions contained in this paragraph be enforceable to the fullest extent permitted by applicable law. Therefore, to the extent any court of competent jurisdiction shall determine that any portion of the foregoing restrictions is excessive, such provision shall not be entirely void, but rather shall be limited or revised only to the extent necessary to make it enforceable. Should Employee engage in or perform, either directly or indirectly, any of the acts prohibited by Section

8 hereof, it is agreed that the Employer shall be entitled to full injunctive relief, to be issued by any competent court of equity, enjoining and restraining Employee and each and every other person, firm, organization, association, or corporation concerned therein, from the continuance of such violative acts. The foregoing remedy available to Employer shall not be deemed to limit or prevent the exercise by the Employer of any or all further rights and remedies which may be available to the Employer hereunder or at law or in equity.

9. Governing Law.

This Agreement is governed by and is to be construed and enforced in accordance with the laws of the State of New Jersey. If under such law any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation or ordinance, such portion shall be deemed to be modified or altered to conform thereto or, if that is not possible, to be omitted from this Agreement; and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

10. Notices.

All notices under this Agreement shall be in writing and shall be deemed effective when delivered in person (in the Employer's case to its Secretary) or twenty-four (24) hours after deposit thereof in the U.S. mails, postage prepaid, for delivery as registered or certified mail -- addressed, in the case of Employee, to him at his residential address, and in the case of Employer, to its corporate headquarters, attention of the Secretary, or to such other address as Employee or Employer may designate in writing at any time or from time to time to the other party. In lieu of notice by deposit in the U.S. mail, a party may give notice by telegram or telex.

11. Amendment.

No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Employee and by a duly authorized officer of the Employer, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. Survival.

The respective obligations of, and benefits afforded to, Employee and Employer as provided in Section 8 of this Agreement shall survive the termination of this Agreement.

13. No Conflict of Interest.

During the Period of Employment, Employee shall not directly, or indirectly render service, or undertake any employment or consulting agreement with another entity without the express written consent of the Board of Trustees of the Employer.

14. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

15. Section Headings.

The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

16. Miscellaneous.

This Agreement constitutes the entire understanding between Employer and Employee relating to employment of Employee by Employer and supersedes and cancels all prior written and oral agreements and understandings with respect to the subject matter of this Agreement. Any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled. This Agreement shall be binding upon and shall inure to the benefit of Employee, his heirs, executors, administrators, beneficiaries and assigns and to the benefit of Employer and its successors.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the year and day first above written.

VORNADO REALTY TRUST

By: /s/ Steven Roth

Steven Roth
Title: Chairman of the Board of Trustees

/s/ Richard Rowan

Richard Rowan

This schedule contains summary financial information extracted from the Company's unaudited financial statements for the nine months ended September 30, 1998 and is qualified in its entirety by reference to such financial statements.

9-MOS
DEC-31-1998
SEP-30-1998
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91,687
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0
0
96,617
1.22
1.19