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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, 1996

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 25, 1996 there were 24,540,157 common shares outstanding.

VORNADO REALTY TRUST

INDEX

PART I. FINANCIAL INFORMATION

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
ASSETS:		
Real estate, at cost:		
Land	$ 61,278	$ 61,278
Buildings and improvements	324,541	314,265
Leasehold improvements and equipment	8,115	6,933
Total	393,934	382,476
Less accumulated depreciation and amortization	(148,155)	(139,495)
Real estate, net	245,779	242,981
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $12,299 and $12,575	21,769	19,127
Marketable securities	31,004	70,997
Investment in and advances to Alexander's, Inc.	104,777	109,686
Investment in and advances to Vornado Management Corp.	5,006	5,074
Due from officer	8,418	8,418
Accounts receivable, net of allowance for doubtful accounts of $516 and $578	8,274	7,086
Mortgage note receivable	17,000	-
Receivable arising from the straight-lining of rents	16,288	14,376
Other assets	15,571	13,751
TOTAL ASSETS	$ 473,886	$ 491,496

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Notes and mortgages payable	$232,572	$233,353
Due for U.S. treasury obligations	13,563	43,875
Amounts due under revolving credit facility	10,000	-
Accounts payable and accrued expenses	5,743	6,545
Deferred leasing fee income	6,725	8,888
Other liabilities	4,316	4,561
Total liabilities	272,919	297,222
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized, 1,000,000 shares; issued, none		
Common shares of beneficial interest: $.04 par value per share; authorized, 50,000,000 shares; issued, 24,536,719 and 24,246,913 shares in each period	981	970
Additional capital	284,586	279,231
Accumulated deficit	(77,958)	(79,380)
	207,609	200,821
Unrealized loss on securities available for sale	(1,535)	(1,362)
Due from officers for purchase of common shares of beneficial interest	(5,107)	(5,185)
Total shareholders' equity	200,967	194,274
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$473,886	$491,496

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands except share amounts)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 1996	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996	SEPTEMBER 30, 1995
Revenues:				
Property rentals	$21,927	$20,406	$ 65,084	$ 59,390
Expense reimbursements	6,410	5,859	20,111	16,873
Other income (including fee income from related parties of $671 and $365 and $1,476 and $3,564)	726	365	1,723	3,639
Total revenues	29,063	26,630	86,918	79,902
Expenses:				
Operating	8,885	8,095	26,944	23,082
Depreciation and amortization	2,929	2,739	8,661	7,979
General and administrative	1,381	1,181	3,889	5,018
Total expenses	13,195	12,015	39,494	36,079
Operating income	15,868	14,615	47,424	43,823
Income/(loss) applicable to Alexander's:				
Equity in loss	(185)	(564)	(304)	(1,660)
Depreciation	(157)	(156)	(472)	(260)
Interest income on loan	1,708	1,994	5,167	4,379
Income from investment in and advances to Vornado Management Corp.	344	338	1,723	338
Interest income on mortgage note receivable	661	-	1,911	-
Interest and dividend income	728	1,183	2,501	4,233
Interest and debt expense	(4,208)	(3,922)	(12,623)	(12,494)
Net gain on marketable securities	180	79	654	230
NET INCOME	$14,939	$13,567	$ 45,981	$ 38,589
Net Income Per Share	$ .61	$ .56	$1.88	$1.66
Weighted average number of common shares and common share equivalents outstanding during period	24,553,758	24,422,032	24,498,095	23,265,433
Dividends per share	$ .61	$ .56	$1.83	$1.68

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 1996	SEPTEMBER 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 45,981	$ 38,589
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization (including debt issuance costs)	9,431	8,739
Straight-lining of rental income	(1,912)	(1,877)
Equity in loss of Alexander's, including depreciation of $472 and $260	776	1,920
Net gain on marketable securities	(654)	(230)
Changes in assets and liabilities:		
Trading securities	(1,016)	(1,295)
Accounts receivable	(1,188)	(680)
Accounts payable and accrued expenses	(802)	561
Other	(719)	(1,872)
Net cash provided by operating activities	49,897	43,855
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in mortgage note receivable	(17,000)	-
Additions to real estate	(11,459)	(14,454)
Investment in and advances to Alexander's	-	(100,251)
Investment in Vornado Management Corp.	-	(5,000)
Proceeds from sale or maturity of securities available for sale	41,490	12,641
Purchases of securities available for sale	-	(2,063)
Net cash provided by (used in) investing activities	13,031	(109,127)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings on U.S. treasury obligations	(40,312)	(10,093)
Proceeds from borrowings on U.S. treasury obligations	10,000	31,800
Proceeds from revolving credit facility	10,000	60,000
Repayments on mortgages and revolving credit facility	(781)	(60,623)
Dividends paid	(44,559)	(39,298)
Exercise of stock options	5,366	1,216
Net proceeds from issuance of common shares	-	79,831
Net cash (used in) provided by financing activities	(60,286)	62,833
Net increase/(decrease) in cash and cash equivalents	2,642	(2,439)
Cash and cash equivalents at beginning of period	19,127	23,559
Cash and cash equivalents at end of period	$ 21,769	$ 21,120
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 11,853	$ 11,734
NON-CASH TRANSACTIONS:		
Unrealized loss on securities available for sale	$ (173)	$ (3,110)*

* Reflects a reduction of $3,435 to the Company's investment in Alexander's as a result of the change from fair value to the equity method of accounting.

See notes to consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of September 30, 1996, the consolidated statements of income for the three and nine months ended September 30, 1996 and September 30, 1995 and the consolidated statements of changes in cash flows for the nine months ended September 30, 1996 and September 30, 1995 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 the Company's 1995 Annual Report to Shareholders. The results of operations for the period ended September 30, 1996 are not necessarily indicative of the operating results for the full year.

2. INVESTMENTS IN AND ADVANCES TO ALEXANDER'S (A RELATED PARTY):

Below are summarized Statements of Operations of Alexander's:

	Nine Months Ended September 30, 1996	Period from March 2, 1995 to September 30, 1995
Statement of Operations:		
Revenues	$ 15,749,000	$ 7,834,000
Expenses	(8,689,000)	(6,593,000)
Operating income	7,060,000	1,241,000
Interest and debt expense	(10,393,000)	(8,382,000)
Other income and interest income, net	2,294,000	1,005,000
Loss from continuing operations before income tax benefit	(1,039,000)	(6,136,000)
Reversal of deferred taxes	-	469,000
Net loss from continuing operations	$ (1,039,000)	$(5,667,000)
Vornado's 29.3% equity in loss	$ (304,000)	$(1,660,000)

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. INVESTMENT IN AND ADVANCES TO ALEXANDER'S (A RELATED PARTY) - CONTINUED

The unaudited proforma information set forth below presents the condensed statement of income for Vornado for the nine months ended September 30, 1995, as if on January 1, 1994, the investment in Alexander's and related agreements were consummated and 1,880,000 common shares of beneficial interest of Vornado were issued to partially fund the investment.

	Proforma Nine Months Ended September 30, 1995
Revenues	$ 79,762,000
Expenses	36,079,000
Operating income	43,683,000
Income/(loss) applicable to Alexander's:	
Equity in loss	(2,464,000)
Depreciation	(364,000)
Interest income on loan	5,941,000
Income from investment in and advances to Vornado Management Corp.	338,000
Interest and dividend income	3,601,000
Interest and debt expense	(11,651,000)
Net gain on marketable securities	230,000
Net income	$ 39,314,000
Net income per share	$1.65

The Company recognized leasing fee income under a leasing agreement (the "Leasing Agreement") with Alexander's of $157,000 and $125,000 for the three months ended September 30, 1996 and 1995 and $514,000 and $1,313,000 for the nine months ended September 30, 1996 and 1995. Leasing fee income for the nine months ended September 30, 1995 included $915,000 applicable to 1993 and 1994 (no leasing fee income was recognized prior to 1995 because required conditions had not been met). Subject to the payment of rents by Alexander's tenants, the Company is due $4,357,000 at September 30, 1996 under such agreement. The lease which the Company had previously negotiated with Caldor on behalf of Alexander's for its Rego Park I property was rejected in March 1996 in Caldor's bankruptcy proceedings, resulting in $1,717,000 of previously recorded leasing fees receivable and a corresponding credit (deferred leasing fee income) being reversed in the quarter ended March 31, 1996. In addition to the leasing fees received by the Company, Vornado Management Corp. receives management fees from Alexander's (see Note 3).

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. VORNADO MANAGEMENT CORP.

In July 1995, the Company assigned its management and development agreement (the "Management Agreement") with Alexander's to Vornado Management Corp. ("VMC"). In exchange, the Company received 100% of the non-voting preferred stock of VMC which entitles it to 95% of the distributions by VMC to its shareholders. Steven Roth and Richard West, Trustees of the Company, own the common stock of VMC. In addition, the Company lent $5,000,000 to VMC for working capital purposes under a three-year term loan bearing interest at the prime rate plus 2%. VMC is responsible for its pro-rata share of compensation and fringe benefits of employees and 30% of other expenses which are common to both Vornado and VMC. This entity is not consolidated and accordingly, the Company accounts for its investment in VMC on the equity method. Below are summarized Statements of Operations of VMC:

	Three Months Ended September 30, 1996	Nine Months Ended September 30, 1996	Period from July 6, 1995 to September 30, 1995
Revenues:			
Management fees from Alexander's	$1,037,000	$ 4,405,000	$1,088,000
Expenses:			
General and administrative	585,000	1,819,000	596,000
Interest, net	74,000	216,000	44,000
Income before income taxes	378,000	2,370,000	448,000
Income taxes	154,000	968,000	183,000
Net income	224,000	1,402,000	265,000
Preferred dividends to Vornado	(213,000)	(1,332,000)	(252,000)
Net income available to common shareholders	$ 11,000	$ 70,000	$ 13,000

The fee income in the nine months ended September 30, 1996, includes $1,443,000 of fees related to the substantial completion of the redevelopment of Alexander's Rego Park I property. In addition to the preferred dividends the Company received, it also earned interest income on its loan to VMC of $131,000 for the three months ended September 30, 1996, $391,000 for the nine months ended September 30, 1996, and $86,000 for the period from July 6, 1995 to September 30, 1995.

4. OTHER RELATED PARTY TRANSACTIONS

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were $565,000 and $192,000 for the three months ended September 30, 1996 and 1995 and $1,112,000 and $680,000 for the nine months ended September 30, 1996 and 1995.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. MORTGAGE NOTE RECEIVABLE

In January 1996, the Company provided $17 million of debtor-in-possession financing to Rickel Home Centers, Inc. ("Rickel"), which is operating under Chapter 11 of the Bankruptcy Code. The loan is secured by 27 of Rickel's leasehold properties and has a term of one year plus two annual extensions, but is due not later than the date on which Rickel's plan of reorganization is confirmed. The loan bears interest at 13% per annum for the first year and at a fixed rate of LIBOR plus 7.50% for the extension periods. In addition, the Company received a loan origination fee of 2% or $340,000 and will receive an additional fee of 2% of the outstanding principal amount on each extension.

6. EMPLOYEES' SHARE OPTION PLAN

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), which was effective for the Company as of January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages, but does not require compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply Accounting Principles Board ("APB") Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share in its annual financial statements.

7. PRINCIPAL TENANT

Bradlees, Inc. ("Bradlees") accounted for 22% of property rentals for the nine months ended September 30, 1996. The Company leases 21 locations to Bradlees, of which 18 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer with annual sales of $18 billion and a nineteenth is guaranteed as to 70% of rent. Further, Montgomery Ward & Co., Inc. remains liable on eight of such leases, including rent it was obligated to pay -- approximately 70% of rent.

In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. In October 1996, Bradlees filed an action in the United States Bankruptcy Court, Southern District of New York, seeking a declaration that certain provisions of an agreement among Bradlees, the Company and Stop & Shop be held unenforceable insofar as they restrict Bradlees rights to assume and assign or to reject the leases that are subject to such agreement. All of such leases are guaranteed by Stop & Shop.

VORNADO REALTY TRUST

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

RESULTS OF OPERATIONS

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were $29,063,000 in the quarter ended September 30, 1996, compared to $26,630,000 in the prior year's quarter, an increase of $2,433,000 or 9.1%. Revenues were $86,918,000 for the nine months ended September 30, 1996 compared to $79,902,000 in the prior year's nine months, an increase of $7,016,000 or 8.8%.

Property rentals were $21,927,000 in the quarter ended September 30, 1996, compared to $20,406,000 in the prior year's quarter, an increase of $1,521,000 or 7.5%. Property rentals were $65,084,000 for the nine months ended September 30, 1996, compared to $59,390,000 in the prior year's nine months, an increase of $5,694,000 or 9.6%. Of these increases (i) $1,245,000 and $3,072,000 resulted from step-ups in leases which are not subject to the straight-line method of revenue recognition, (ii) $285,000 and $357,000 resulted from the Company's purchase of an office building in June 1996 and (iii) $248,000 and $1,935,000 resulted from expansions of shopping centers and the previous acquisition of a retail property. The increase for the current year's quarter is net of $257,000 of property rentals lost from vacating tenants over property rentals received from new tenants. The rentals from tenants who vacated have been replaced at higher per square foot levels. The replacement rents will commence by the first quarter of 1997. The increase for the current year's nine month period includes $330,000 of property rentals received from new tenants over property rentals lost from vacating tenants.

Tenant expense reimbursements were $6,410,000 in the quarter ended September 30, 1996, compared to $5,859,000 in the prior year's quarter, an increase of $551,000. Tenant expense reimbursements were $20,111,000 for the nine months ended September 30, 1996, compared to $16,873,000 in the prior year's nine months, an increase of $3,238,000. These increases reflect a corresponding increase in operating expenses passed through to tenants.

Other income was $726,000 in the quarter ended September 30, 1996, compared to $365,000 in the prior year's quarter, an increase of $361,000. This increase resulted primarily from development fees and commissions in connection with the Company's management agreement with Interstate Properties. Other income was $1,723,000 for the nine months ended September 30, 1996, compared to $3,639,000 in the prior year's nine months, a decrease of $1,916,000. This decrease resulted from (i) including fee income pursuant to the Management Agreement with Alexander's in "Income from investment in and advances to Vornado Management Corp." (see page 11) for a full nine months in 1996, compared to a partial period in 1995 (July 6th to September 30th) and (ii) the recognition of fee income in the first quarter of 1995 in connection with the Leasing Agreement with Alexander's of $915,000 applicable to 1993 and 1994 (no leasing fee income was recognized prior to 1995 because required conditions had not been met), partially offset by (iii) the increase in fee income from Interstate Properties noted above.

Operating expenses were $8,885,000 in the quarter ended September 30, 1996, as compared to $8,095,000 in the prior year's quarter, an increase of $790,000. Operating expenses were $26,944,000 in the nine months ended September 30, 1996, compared to $23,082,000 in the prior year's nine months, an increase of $3,862,000. These increases resulted primarily from higher snow removal costs in the first six months of this year and higher real estate taxes, both of which were passed through to tenants.

Depreciation and amortization expense increased in 1996 as compared to 1995, primarily as a result of property expansions.

VORNADO REALTY TRUST

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

General and administrative expenses were $1,381,000 in the quarter ended September 30, 1996, compared to $1,181,000 in the prior year's quarter, an increase of $200,000. This increase resulted primarily from higher professional fees. General and administrative expenses were $3,889,000 in the nine months ended September 30, 1996, compared to $5,018,000 in the prior year's nine months, a decrease of $1,129,000. This decrease resulted primarily from a reduction in general corporate office expenses resulting from the assignment of the Company's Management Agreement with Alexander's to VMC in the third quarter of 1995.

Income applicable to Alexander's was $1,366,000 in the three months ended September 30, 1996, compared to $1,274,000 in the prior year's quarter, an increase of $92,000. Income applicable to Alexander's was $4,391,000 for the nine months ended September 30, 1996, compared to $2,459,000 in the prior year's nine months, an increase of $1,932,000. These increases resulted primarily from the commencement of rent from Alexander's Rego Park I property in March 1996 and interest income on the loan to Alexander's for a full nine months in 1996, compared to a partial period in 1995 (March 2nd to September 30th).

In July 1995, the Company assigned its Management Agreement with Alexander's to VMC. In exchange, the Company received 100% of the non-voting preferred stock of VMC which entitles it to 95% of the distributions by VMC to its shareholders. In addition, the Company lent $5,000,000 to VMC for working capital purposes under a three year term loan bearing interest at the prime rate plus 2%. VMC is responsible for its pro-rata share of compensation and fringe benefits of employees and 30% of other expenses which are common to both Vornado and VMC. Income from investment in and advances to VMC was $344,000 and $1,723,000 for the three and nine months ended September 30, 1996 as compared to $338,000 for the period from July 6th to September 30th in 1995. Income from investment in and advances to VMC for the nine months ended September 30, 1996 reflects additional fee income earned by VMC in the first quarter of 1996 relating to the substantial completion of the redevelopment of Alexander's Rego Park I property.

In January 1996, the Company lent Rickel Home Centers, Inc. ("Rickel") $17,000,000. The Company recognized $661,000 and $1,911,000 of interest income on this loan to Rickel in the three and nine months ended September 30, 1996.

Investment income (interest income on mortgage note receivable, interest and dividend income and net gains/(losses) on marketable securities) was $1,569,000 for the quarter ended September 30, 1996, compared to $1,262,000 in the prior year's quarter, an increase of $307,000 or 24.3%. Investment income was $5,066,000 for the nine months ended September 30, 1996, compared to $4,463,000 for the prior year's nine months an increase of $603,000 or 13.5%. These increases resulted from net gains on marketable securities and income earned on the mortgage note receivable exceeding income earned on the investment of such funds in 1995.

The increases in interest and debt expense of $286,000 for the current year's quarter and $129,000 for the current year's nine month period resulted primarily from a reduction in interest capitalized during construction, partially offset by lower average borrowings for the nine months ended September 30, 1996.

The Company operates in a manner intended to enable it to qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986 as amended (the "Code"). Under those sections, a real estate investment trust which distributes at least 95% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company intends to distribute to its shareholders an amount greater than its taxable income. Therefore, no provision for federal income taxes is required.

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

LIQUIDITY AND CAPITAL RESOURCES

Nine Months Ended September 30, 1996

Cash flows provided by operating activities of $49,897,000 was comprised of (i) net income of $45,981,000 and (ii) adjustments for non-cash items of $7,641,000, less (iii) the net change in operating assets and liabilities of $3,725,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $9,431,000, plus equity in income/(loss) of Alexander's of $776,000, offset by the effect of straight-lining of rental income of $1,912,000. Further, during this period in connection with the rejection of a lease by an Alexander's tenant, "Leasing fees and other receivables" decreased by $1,717,000 and "Deferred leasing fee income" correspondingly decreased. "Leasing fees and other receivables" of $1,592,000 were collected during this period. These amounts have been included in "Changes in assets and liabilities: other" in the Consolidated Statements of Cash Flows and are part of the net change in operating assets and liabilities shown in item (iii) above.

Net cash provided by investing activities of $13,031,000 was comprised of (i) proceeds from sale or maturity of securities available for sale of $41,490,000, offset by (ii) the Company's investment in a mortgage note receivable (see Note 5) of $17,000,000 and (iii) capital expenditures of $11,459,000 (including $8,923,000 for the purchase of an office building - see page 13).

Net cash used in financing activities of $60,286,000 was primarily comprised of (i) the net repayment of borrowings on U.S. Treasury obligations of $30,312,000 (ii) dividends paid of $44,559,000, offset by (iii) the proceeds from borrowings of $10,000,000 and (iv) the proceeds from the exercise of stock options of $5,366,000.

Nine Months Ended September 30, 1995

Cash flows provided by operating activities of $43,855,000 was comprised of (i) net income of $38,589,000 and (ii) adjustments for non-cash items of $8,552,000 less (iii) the net change in operating assets and liabilities of $3,286,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $8,739,000, plus equity in loss of Alexander's of $1,920,000, offset by the effect of straight-lining of rental income of $1,877,000.

Net cash used in investing activities of $109,127,000 was comprised of (i) the Company's investment in and advances to Alexander's of $100,251,000, (ii) capital expenditures of $14,454,000, and (iii) a loan to Vornado Management Corp. of $5,000,000, offset by (iv) the net proceeds from sale of securities available for sale of $10,578,000.

Net cash provided by financing activities of $62,833,000 was primarily comprised of (i) net proceeds from issuance of common shares of $79,831,000 and (ii) net borrowings on U.S. Treasury obligations of $21,707,000, offset by (iii) dividends paid of $39,298,000.

Funds from Operations for the Three and Nine Months Ended September 30, 1996 and 1995

Management considers funds from operations an appropriate supplemental measure of the Company's operating performance. Funds from operations were $17,575,000 in the quarter ended September 30, 1996, compared to $16,253,000 in the prior year's quarter, an increase of $1,322,000 or 8.1%. Funds from operations were $53,550,000 in the nine months ended September 30, 1996, compared to $45,407,000 in the nine months ended September 30, 1995, an increase of $8,143,000 or 17.9%. The following table reconciles funds from operations and net income:

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Net income	$14,939,000	$13,567,000	$45,981,000	$38,589,000
Depreciation and amortization of real property	2,828,000	2,681,000	8,394,000	7,679,000
Straight-lining of property rentals	(635,000)	(690,000)	(1,912,000)	(1,877,000)
Leasing fees received in excess of income recognized	468,000	625,000	1,358,000	437,000
Loss on sale of securities available for sale	-	-	-	360,000
Proportionate share of adjustments to Alexander's income/(loss) to arrive at funds from operations	(25,000)	70,000	(271,000)	219,000
Funds from operations *	$17,575,000	$16,253,000	$53,550,000	$45,407,000

* The Company's definition of funds from operations does not conform to the NAREIT definition because the Company deducts the effect of straight-lining of property rentals.

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

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Operating activities	$ 16,121,000	$16,216,000	$ 49,897,000	$ 43,855,000
Investing activities	$ (129,000)	$(9,757,000)	$ 13,031,000	$(109,127,000)
Financing activities	$(10,971,000)	$(3,373,000)	$(60,286,000)	$ 62,833,000

Bradless, Inc. ("Bradlees") accounted for 22% of property rentals for the nine months ended September 30, 1996. The Company leases 21 locations to Bradlees, of which 18 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer with annual sales of $18 billion and a nineteenth is quaranteed as to 70% of rent. Further, Montgomery Ward & Co., Inc. remains liable on eight of such leases, including rent it was obligated to pay -- approximately 70% of rent.

In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. In October 1996, Bradlees filed an action in the United States Bankruptcy Court, Southern District of New York, seeking a declaration that certain provisions of an agreement among Bradlees, the Company and Stop & Shop be held unenforceable insofar as they restrict Bradlees rights to assume and assign or to reject the leases that are subject to such agreement. All of such leases are guaranteed by Stop & Shop.

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

In January 1996, the Company provided $17 million of debtor-in-possession financing to Rickel, which is operating under Chapter 11 of the Bankruptcy Code. The loan is secured by 27 of Rickel's leasehold properties and has a term of one year plus two annual extensions, but is due not later than the date on which Rickel's plan of reorganization is confirmed. The loan bears interest at 13% per annum for the first year and at a fixed rate of LIBOR plus 7.50% for the extension periods. In addition, the Company received a loan origination fee of 2% or $340,000 and will receive an additional fee of 2% of the outstanding principal amount on each extension.

At September 30, 1996, the Company had $10,000,000 of borrowings outstanding under its unsecured revolving credit facility which provides for borrowings of up to $75,000,000. Average borrowings were $10,000,000 during the three months ended September 30, 1996 and $8,577,000 and $16,575,000 during the nine months ended September 30, 1996 and 1995. There were no borrowings outstanding during the three months ended September 30, 1995. Borrowings bear annual interest, at the Company's election, at LIBOR plus 1.35% or the higher of the federal funds rate plus .50% or the prime rate.

In June 1996, the Company entered into a joint venture (50% interest) to purchase the 149,000 square foot office portion of a multi-use building in midtown Manhattan, New York City. The space is 100% leased to a single tenant whose lease expires in 1999. The Company advanced the $8,923,000 purchase price and is entitled to an annual preferred return on its funds invested and the return of its funds invested prior to the other joint venture partner receiving any distributions. Vornado's consolidated financial statements include the accounts of the joint venture since Vornado currently exercises control over its operating and financial affairs.

The Company anticipates that cash from continuing operations, net liquid assets, borrowings under its revolving credit facility and/or proceeds from the issuance of securities under the Company's shelf registration statement will be adequate to fund its business operations, capital expenditures, continuing debt obligations and the payment of dividends.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Bradlees, Inc. ("Bradlees") accounted for 22% of property rentals for the nine months ended September 30, 1996. The Company leases 21 locations to Bradlees, of which 18 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer with annual sales of $18 billion and a nineteenth is guaranteed as to 70% of rent. Further, Montgomery Ward & Co., Inc. remains liable on eight of such leases, including rent it was obligated to pay -- approximately 70% of rent.

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

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

11 Statement Re Computation of Per Share Earnings.

27 Financial Data Schedule.

(b) Reports on Form 8-K

None

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 7, 1996

/s/ Joseph Macnow

JOSEPH MACNOW
Vice President - Chief Financial
Officer and Chief Accounting Officer

VORNADO REALTY TRUST

EXHIBIT INDEX

EXHIBIT 11

VORNADO REALTY TRUST

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Weighted average number of shares outstanding	24,454,393	24,238,937	24,338,899	23,089,836
Common share equivalents for options after applying treasury stock method	99,365	183,095	159,196	175,597
Weighted Average Number of Shares and Common Share Equivalents Outstanding	24,553,758	24,422,032	24,498,095	23,265,433
Net income	$14,939,000	$13,567,000	$45,981,000	$38,589,000
Net Income Per Share	$ .61	$ .56	$1.88	$1.66

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-31-1996
SEP-30-1996
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0
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45,981
1.88
1.88