SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A

AMENDMENT NO. 2

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

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 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 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	22-1657560 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
PARK 80 WEST, PLAZA II, SADDLE BROOK, NEW JERSEY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	07663 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: (201) 587-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON SHARES OF BENEFICIAL INTEREST, $.04 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust as reflected in the table in Item 12 of this Annual Report, at March 7, 1997 was $1,085,100,000.

As of March 8, 1997, there were 26,547,680 shares of the registrant's shares of beneficial interest outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Proxy Statement for Annual Meeting of Shareholders held on May 28, 1997.

THIS FORM 10-K/A AMENDS THE COMPANY'S ANNUAL REPORT ON FORM 10-K PREVIOUSLY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 13, 1997 AND AMENDED ON JULY 18, 1997.

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(1) These items are omitted because the Registrant filed a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 1996, which is incorporated by reference herein. Information relating to Executive Officers of the Registrant appears on page 11 of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

The Company is a fully-integrated real estate investment trust ("REIT") which owns, leases, develops, redevelops and manages retail and industrial properties primarily located in the Midatlantic and Northeast regions of the United States.

On December 2, 1996, Michael D. Fascitelli became the President of the Company and was elected to the Company's Board. Mr. Fascitelli was formerly the Partner at Goldman, Sachs & Co. in charge of its real estate practice. Mr. Fascitelli also has been elected a director of Alexander's, Inc.

To date, the Company's primary focus has been on shopping centers. The Company may expand its focus by utilizing its senior management's skills and its access to capital to take advantage of strategic opportunities to acquire additional real estate assets or interests therein, mortgage loans secured by underlying real estate and companies that own real estate. Acquisitions may include, among others, assets or interests in the retail, office building, hotel and residential sectors in the geographic areas where it presently operates or in other comparable markets. Investments are not necessarily required to be based on specific allocation by type of property. To the extent to which the Company would use that financing varies with the type of investment and the economic conditions. The Company may offer its shares in exchange for property and repurchase or otherwise reacquire its shares or any other securities and may engage in such activities in the future.

On March 12, 1997, the Company entered into a definitive agreement (the "Agreement") to acquire interests in all or a portion of seven Manhattan office buildings and a management company held by the Mendik Company and certain of its affiliates. In conjunction with this transaction, the Company will convert to an Umbrella Partnership REIT (UPREIT). The estimated consideration for the transaction is approximately $654,000,000, including $269,000,000 in cash, $168,000,000 in UPREIT limited partnership units and $217,000,000 in indebtedness. The Agreement is subject to the consent of third parties and other customary conditions. It is currently expected that the proposed transaction would be consummated in the second quarter, but there can be no assurance that the proposed transaction will be completed.

The Company's shopping centers are generally located on major regional highways in mature densely populated areas. The Company believes its shopping centers attract consumers from a regional, rather than a neighborhood, marketplace because of their location on regional highways and the high percentage of square feet dedicated to large stores. As of December 31, 1996, the Company owned 57 shopping centers in seven states containing 10.0 million square feet, including 1.2 million square feet built by tenants on land leased from the Company. The Company's shopping centers accounted for 92% of the Company's rental revenue for the years ended December 31, 1996 and 1995. The occupancy rate of the Company's shopping center properties was 90% and 91% as of February 1, 1997 and 1996, respectively, and has been over 90% in each of the past five years.

Further, the Company owns eight warehouse/industrial properties in New Jersey containing 2.0 million square feet and two office buildings containing 250,000 square feet. In addition, the Company owns 29.3% of the common stock of Alexander's, Inc. ("Alexander's") which has nine properties in the New York City region. See "Relationship with Alexander's" for a discussion of Alexander's properties.

As of December 31, 1996, approximately 80% of the square footage of the Company's shopping centers was leased to large stores (over 20,000 square feet) and over 93% was leased to tenants whose businesses are national or regional in scope. The Company's large tenants include destination retailers such as discount department stores, supermarkets, home improvements stores, discount apparel stores, membership warehouse clubs and "category killers." Category killers are large stores which offer a complete selection of a category of items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. The Company's large store tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price. The

Company believes that this tenant mix mitigates the effects on its properties of adverse changes in general economic conditions. Substantially all of the Company's large store leases are long-term with fixed base rents and provide for step-ups in rent typically occurring every five years.

In addition, the Company's leases generally provide for additional rents based on a percentage of tenants' sales. Of the Company's $87,424,000 of rental revenue in 1996, base rents accounted for approximately 99% and percentage rents accounted for approximately 1%. The Company's leases generally pass through to tenants the tenant's share of all common area charges (including roof and structure, unless it is the tenant's direct responsibility), real estate taxes and insurance costs and certain capital expenditures. As of December 31, 1996, the average annual base rent per square foot for the Company's shopping centers was $9.09.

From 1992 through 1996, the Company's property rentals from shopping centers (including the effects of straight-lining of rents) were $56,900,000, $61,900,000, $64,700,000, $74,300,000 and $80,000,000, respectively. Straight-lining of rents averages the rent increases provided for in leases such that property rentals for financial statement purposes is constant throughout the term of the lease. This convention applies to leases entered into after November 14, 1985.

As of December 31, 1996, no single shopping center property accounted for more than 6.2% of the Company's total leasable area for its shopping center properties or more than 5.8% of property rentals for its shopping center properties. Bradlees, Inc. ("Bradlees") accounted for 22%, 21% and 19% of total property rentals for the years ended December 31, 1996, 1995 and 1994, respectively. Home Depot represented 5.5% and Sam's Wholesale/Wal*Mart, Shop Rite, Pathmark, T.J. Maxx/Marshalls and Staples each accounted for approximately 3.0% of the total property rentals for the year ended December 31, 1996.

In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 17 locations to Bradlees. Of these locations, 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent. Several of the Company's other tenants, whose rents aggregated less than 3.0% of the Company's total property rentals for the year ended December 31, 1996, have also filed for protection under Chapter 11.

Vornado, Inc., the immediate predecessor to the Company, was merged with the Company on May 6, 1993 in connection with the Company's conversion to a REIT.

The Company administers all operating functions, including leasing, management, construction, finance, legal, accounting and data processing, from its executive offices (other than the leasing of the Company's three Texas properties, which is done by an employee locally).

The Company's principal executive offices are located at Park 80 West, Plaza II, Saddle Brook, New Jersey 07663; telephone (201) 587-1000.

RELATIONSHIP WITH ALEXANDER'S

In March 1995, the Company purchased all of the 1,353,468 shares of common stock of Alexander's then owned by Citibank, N.A. ("Citibank"), representing 27.1% of the outstanding shares of common stock of Alexander's, for $40.50 per share in cash. As a result of the acquisition, the Company owns 29.3% of the common stock of Alexander's. (See "Interstate Properties" for a description of its ownership of the Company and Alexander's.)

Alexander's has nine properties (where its department stores were formerly located) consisting of:

Operating properties:

(i) the Rego Park I property located in Queens, New York;

(ii) a 50% interest in the 427,000 square feet of mall stores at the Kings Plaza Shopping Center (the "Kings Plaza Mall") in Brooklyn, New York;

(iii) the Fordham Road property located in the Bronx, New York;

(iv) the Flushing property located in Flushing, New York; and

(v) the Third Avenue property in the Bronx, New York.

The occupancy rate of Alexander's operating properties was 95% and 69% as of December 31, 1996 and 1995, respectively.

Non-operating properties to be redeveloped:

(vi) the Lexington Avenue property which comprises the entire square block bounded by Lexington Avenue, East 59th Street, Third Avenue and East 58th Street in Manhattan, New York. This Property is owned by a limited partnership in which Alexander's is the general partner and owns approximately 92% of the limited partnership interests. Alexander's redevelopment plans include razing the existing building and developing a large, multi-use building, requiring capital expenditures in excess of $300 million. No development decisions have been finalized;

(vii) the Paramus property which consists of 39.3 acres of land, including its former store building, located at the intersection of Routes 4 and 17 in Paramus, New Jersey. Approximately 9 acres located on the property's periphery are subject to condemnation by the State of New Jersey. Alexander's and the New Jersey Department of Transportation (the "DOT") are negotiating an agreement, pursuant to which the DOT will pay approximately $14.7 million for the acreage subject to condemnation and grant Alexander's the right to develop up to 550,000 square feet on the remaining acreage. The agreement with the DOT is subject to negotiation of final documentation and to certain municipal approvals. Alexander's is considering razing the existing building and developing a two or three level shopping center on the site. The estimated total cost of such redevelopment is between $60 million and $70 million. No development decisions have been finalized;

(viii) the Kings Plaza Store, a 339,000 square foot anchor store, which is one of the two anchor stores at the Kings Plaza Mall Shopping Center. In January 1997, Sears leased 289,000 square feet at this location for use as a full-line department store expected to open in the last quarter of 1997, and

(ix) Rego Park II, comprising one and one-half blocks of vacant land adjacent to the Rego Park I location.

Vornado expects to provide a portion of the financing required for Alexander's redevelopment projects. None of the redevelopment plans for the non-operating properties above have been finalized. See Item 2. "Properties -- Alexander's".

In March 1995, the Company lent Alexander's $45 million to repay its creditors and provide working capital. The loan matures in March 1998, and bears interest at 15.60%. Management believes there are no indications of impairment in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan".

In September 1995, Caldor, which leases the Fordham Road and Flushing properties from Alexander's, filed for protection under Chapter 11. Caldor accounted for approximately 36% and 56% of Alexander's consolidated revenues for the years ended December 31, 1996 and 1995, respectively. On February 11, 1997, Caldor announced that, subject to Bankruptcy Court approval, it expects to close its Fordham Road store in May 1997.

The Company manages, develops and leases the Alexander's properties under a management and development agreement (the "Management Agreement") and a leasing agreement (the "Leasing Agreement") pursuant to which the Company receives annual fees from Alexander's.

Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX".

Interstate Properties

As of December 31, 1996, Interstate Properties owned 24.4% of the common shares of beneficial interest of the Company and 27.1% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are partners. Mr. Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties, and the Chief Executive Officer and a director of Alexander's. Messrs. Mandelbaum and Wight are trustees of the Company and are also directors of Alexander's. Effective March 2, 1995, for a three-year period, the Company and Interstate Properties agreed not to own in excess of two-thirds of Alexander's common stock or enter into certain other transactions with Alexander's, without the consent of the independent directors of Alexander's.

COMPETITION

The leasing of real estate is highly competitive. Demand for retail space has been impacted by the recent bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry which could adversely affect the ability of the Company to attract or retain tenants. The principal means of competition are price, location and the nature and condition of the facility to be leased. The Company directly competes with all lessors and developers of similar space in the areas in which its properties are located.

ENVIRONMENTAL REGULATIONS

See "Note 11 -- Contingencies" to the Consolidated Financial Statements at page 40.

EMPLOYEES

The Company employs 72 people.

SEGMENT DATA

The company operates in one business segment -- real estate. See "Note 9 -- Leases" to the Consolidated Financial Statements at page 39 for information on significant tenants. Vornado engages in no foreign operations.

ITEM 2.

PROPERTIES

The Company leases 27,000 square feet in Saddle Brook, New Jersey for use as it's executive offices

The following table sets forth certain information as of December 31, 1996 relating to the properties owned by the Company

The Principal Tenants as described below, which are primarily tenants which occupy 30,000 square feet or more, accounted for approximately 70% of total square footage.

			LEASABLE BUILDING SQUARE FOOTAGE			
LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	OWNED/ LEASED BY COMPANY	OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS 12/31/96	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)
SHOPPING CENTERS						
NEW JERSEY						
Atlantic City	1965	17.7	135,774	--	--	--
Bordentown	1958	31.2	178,678	--	4	$ 6.54
Bricktown	1968	23.9	259,888	2,764	19	10.22
Cherry Hill	1964	37.6	231,142	63,511	13	8.38
Delran	1972	17.5	167,340	1,200	5	5.32
Dover	1964	19.6	172,673	--	12	5.87
East Brunswick	1957	19.2	219,056	10,400	7	11.45
East Hanover	1962	24.6	271,066	--	16	10.21
Hackensack	1963	21.3	207,548	59,249	19	14.75
Jersey City	1965	16.7	222,478	3,222	10	11.99
Kearny	1959	35.3	41,518	62,471	4	6.47
Lawnside	1969	16.4	145,282	--	3	9.07
Lodi	1975	8.7	130,000	--	1	8.50
Manalapan	1971	26.3	194,265	2,000	7	8.84
Marlton	1973	27.8	173,238	6,836	10	8.29
Middletown	1963	22.7	179,584	52,000	21	12.25
Morris Plains	1985	27.0	171,493	1,000	18	11.04
North Bergen	1959	4.6	6,515	55,597	3	25.78
North Plainfield(4)	1989	28.7	217,360	--	16	8.71

LOCATION	PERCENT LEASED	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
SHOPPING CENTERS			
NEW JERSEY			
Atlantic City	--	--	
Bordentown	100%	Bradlees(2)(3)	2001/2021
		Shop-Rite	2011/2016
Bricktown	99%	Caldor	2008/2028
		Shop-Rite	2002/2017
Cherry Hill	94%	Bradlees(2)(3)	2006/2026
		Drug Emporium	2002
		Shop & Bag	2007/2017
		Toys "R" Us	2012/2042
Delran	95%	Sam's Wholesale	2011/2021
Dover	97%	Ames	2017/2037
		Shop-Rite	2012/2022
East Brunswick	100%	Bradlees(3)	2003/2023
		Shoppers World	2007/2012
		T.J. Maxx	1999
East Hanover	97%	Home Depot	2009/2019
		Marshalls	2004/2009
		Pathmark	2001/2024
		Todays Man	2009/2014
Hackensack	96%	Bradkees(3)	2012/2017
		Pathmark	2014/2024
		Rickel Home Center	2003/2013
Jersey City	92%	Bradlees(3)	2002/2022
		Shop-Rite	2008/2028
Kearny	89%	Pathmark	2013/2033
		Rickel Home Center	2008
Lawnside	100%	Home Deposit	2012/2027
		Drug Emporium	2007
Lodi	100%	National Wholesale Liquidators	2013/2023
Manalapan	100%	Bradlees(3)	2002/2022
		Grand Union	2012/2022
Marlton	100%	Kohl's(2)(3)	2011/2031
		Shop-Rite	1999/2009
Middletown	96%	Bradlees(3)	2002/2022
		Grand Union	2009/2029
Morris Plains	97%	Caldor	2002/2023
		Shop-Rite	2002
North Bergen	100%	A&P	2012/2032

North Plainfield(4)............................	96%	KMart	2006/2016
		Pathmark	2001/2011

LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS 12/31/96	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)
Totowa..	1957	40.5	201,471	93,613	8	15.96
Turnersville..................................	1974	23.3	89,453	6,513	3	5.98
Union...	1962	24.1	257,045	--	12	17.48
Vineland......................................	1966	28.0	143,257	--	4	6.95
Watchung......................................	1959	53.8	49,979	115,660	6	17.80
Woodbridge....................................	1959	19.7	232,755	3,614	10	13.00
NEW YORK						
14th Street and Union Square, Manhattan........	1993	0.8	231,770	--	1	9.92
Albany (Menands)..............................	1965	18.6	140,529	--	2	6.35
Buffalo (Amherst)(4)...........................	1968	22.7	184,832	111,717	10	6.71
Coram(4)......................................	1976	2.4	103,000	--	1	2.22
Freeport......................................	1981	12.5	166,587	--	3	11.50
New Hyde Park(4)..............................	1976	12.5	101,454	--	1	13.55
North Syracuse(4).............................	1976	29.4	98,434	--	1	2.74
Rochester (Henrietta)(4).......................	1971	15.0	147,812	--	1	5.86
Rochester.....................................	1966	18.4	176,261	--	1	6.05
PENNSYLVANIA						
Allentown.....................................	1957	86.8	262,607	356,938	19	9.63

LOCATION	PERCENT LEASED	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
Totowa..	97%	Bradlees(3)	2013/2028
		Home Depot	2015/2025
		Marshall's	2007/2012
Turnersville..................................	100%	Bradlees(2)(3)	2011/2031
Union...	100%	Bradlees(3)	2002/2022
		Toys "R" Us	2015
		Cost Cutter Drug	2000
Vineland......................................	51%	Rickel Home Center	2005/2010
Watchung......................................	96%	BJ Wholesale	2024
Woodbridge....................................	96%	Bradlees(3)	2002/2022
		Foodtown	2007/2014
		Syms	2000
NEW YORK			
14th Street and Union Square, Manhattan........	100%	Bradlees	2019/2029
Albany (Menands)..............................	100%	Fleet Bank	2004/2014
		Albany Public Mkts.(5)	2000
Buffalo (Amherst)(4)...........................	96%	Circuit City	2017
		Media Play	2002/2017
		MJ Design	2006/2017
		Toys "R" Us	2013
		TJ Maxx	1999
Coram(4)......................................	100%	May Department Stores(5)	2011
Freeport......................................	100%	Home Depot	2011/2021
		Cablevision	2004
New Hyde Park(4)..............................	100%	Bradlees(6)	2019/2029
North Syracuse(4).............................	100%	Reisman Properties	2014
Rochester (Henrietta)(4).......................	47%	Hechinger(5)	2005/2025
Rochester.....................................	41%	Hechinger(5)	2005/2025
PENNSYLVANIA			
Allentown.....................................	98%	Hechinger	2011/2031
		Shop-Rite	2011/2021
		Burlington Coat Factory	2017
		Wal-Mart	2024/2094
		Sam's Wholesale	2024/2094
		TJ Maxx	1998/2008

LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	LEASABLE BUILDING SQUARE FOOTAGE OWNED/ LEASED BY COMPANY	OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS 12/31/96	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)
Bensalem	1972	23.2	208,174	6,714	13	7.49
Bethlehem	1966	23.0	157,212	2,654	12	4.76
Broomall	1966	21.0	145,776	22,355	5	8.31
Glenolden	1975	10.0	101,235	--	3	14.75
Lancaster	1966	28.0	179,982	--	7	4.28
Levittown	1964	12.8	104,448	--	1	5.98
10th and Market Streets, Philadelphia	1994	1.8	271,300	--	2	7.94
Upper Moreland	1974	18.6	122,432	--	1	7.50
York	1970	12.0	113,294	--	3	4.64
MARYLAND						
Baltimore (Belair Rd)	1962	16.0	205,723	--	3	4.83
Baltimore (Towson)	1968	14.6	146,393	6,800	7	9.62
Baltimore (Dundalk)	1966	16.1	183,361	--	17	6.48
Glen Burnie	1958	21.2	117,369	3,100	4	5.90
Hagerstown	1966	13.9	133,343	14,965	6	3.01
CONNECTICUT						
Newington	1965	19.2	134,229	45,000	4	6.24
Waterbury	1969	19.2	139,717	2,645	10	7.64
MASSACHUSETTS						
Chicopee	1969	15.4	112,062	2,851	3	4.85
Milford(4)	1976	14.7	83,000	--	1	5.26
Springfield	1966	17.4	8,016	117,044	2	11.25

LOCATION	PERCENT LEASED	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
Bensalem	89%	(2)(3)	2011/2031
		Shop-Rite	2011/2031
Bethlehem	78%	Pathmark	2000/2023
		Super Petz	2005/2015
Broomall	100%	Bradlees(2)(3)	2006/2026
Glenolden	100%	Bradlees(2)(3)	2012/2022
Lancaster	50%	Weis Markets	1998/2018
Levittown	100%	(2)(3)	2006/2026
10th and Market Streets, Philadelphia	62%	Kimco Realty Corporation	2010/2035
Upper Moreland	100%	Sam's Wholesale(2)	2010/2015
York	100%	Builders Square	2009/2018
MARYLAND			
Baltimore (Belair Rd)	100%	Bib B Food	1999/2004
		Warehouse Y? Innovatyve	2002/2007
Baltimore (Towson)	100%	Staples	2004
		Cost Saver Supermarket	2000/2020
		Drug Emporium	1999/2004
Baltimore (Dundalk)	97%	A&P	1997/2007
		Ollie's	1998/2008
		Manor Shops	1998
Glen Burnie	78%	Pathmark Stores, Inc(5)	2005
Hagerstown	100%	Big Lots	2002/2012
		Pharmhouse	2008/2012
		Weis Markets	1999/2009
CONNECTICUT			
Newington	100%	(3)	2002/2022
		The Wiz	2007/2027
Waterbury	100%	Toys "R" Us	2010
		Shaws Supermarkets	2003/2018
MASSACHUSETTS			
Chicopee	93%	Bradlees(3)	2002/2022
Milford(4)	100%	Bradlees(3)	2004/2009
Springfield	100%	Wal-Mart	2018/2092

LOCATION	YEAR ORIGINALLY DEVELOPED OR ACQUIRED	LAND AREA (ACRES)	LEASABLE BUILDING SQUARE FOOTAGE: OWNED/ LEASED BY COMPANY	LEASABLE BUILDING SQUARE FOOTAGE: OWNED BY TENANT ON LAND LEASED FROM COMPANY	NUMBER OF TENANTS 12/31/96	AVERAGE ANNUALIZED BASE RENT PER SQ. FT.(1)
TEXAS						
Lewisville	1990	13.3	34,893	1,204	14	13.60
Mesquite	1990	5.5	71,246	--	14	13.90
Dallas	1990	9.9	99,733	--	8	9.25
Total Shopping Centers		1,182.1	8,785,082	1,233,637	411	9.09
WAREHOUSE/INDUSTRIAL						
E. Brunswick	1972	16.1	325,800	--	2	2.17
E. Hanover	1963-1967	45.5	941,429	--	12	3.64
Edison	1982	18.7	272,071	--	1	2.75
Garfield	1959	31.6	486,620	--	3	3.46
Total Warehouse/Industrial		111.9	2,025,920	--	18	3.19
OTHER PROPERTIES						
Paramus(4)	1987	3.4	118,225	--	25	17.29
Montclair	1972	1.6	16,928	--	1	17.00
Rahway(4)	1972	--	32,000	--	1	4.88
Manhattan, NY(8)	1966	0.5	149,000	--	1	7.65
Total Other Properties		5.5	316,153	--	28	10.61
Grand Total		1,299.5	11,127,155	1,233,637	457	$ 8.13

LOCATION	PERCENT LEASED	PRINCIPAL TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
TEXAS			
Lewisville	88%	Albertson's(7)	2055
Mesquite	95%		
Dallas	80%	Albertson's(7)	2055
Total Shopping Centers	90%		
WAREHOUSE/INDUSTRIAL			
E. Brunswick	97%	Popsicle Playwear	2000/2005
		IFB Apparel	2001/2006
E. Hanover	94%	Various Tenants	
Edison	100%	White Cons. Ind.	1998/2001
Garfield	38%	Popular Services of Various Tenants	2007
Total Warehouse/Industrial	81%		
OTHER PROPERTIES			
Paramus(4)	65%		
Montclair	100%		
Rahway(4)	100%		
Manhattan, NY(8)	100%	American Broadcasting Companies	1999
Total Other Properties	87%		
Grand Total	89%		

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(1) Average annualized base rent per square foot does not include ground leases (which leases are included in percent leased) or rent for leases which had not commenced as of December 31, 1996.

(2) Montgomery Ward & Co., Inc. (a previous lessor) remains liable on such lease including the rent it was obligated to pay -- approximately 70%.

(3) These leases are either fully guaranteed by Stop & Shop, a wholly-owned subsidiary of Royal Ahold NV, or in the case of Totowa, guaranteed as to 70% of rent .

(4) Ground and/or building leasehold interest.

(5) The tenant has ceased operations at these locations but continues to pay rent.

(6) Bradlees received Bankruptcy Court approval in January 1997 to close this store.

(7) Square footage excludes Albertson's which owns its land and building.

(8) The Company owns a 50% interest in this property.

ITEM 2.

ALEXANDER'S PROPERTIES

The following table shows the location, approximate size and leasing status as of December 31, 1996 of each of Alexander's properties.

LOCATION	OWNERSHIP	APPROXIMATE LAND SQUARE FOOTAGE ("SF") OR ACREAGE	APPROXIMATE BUILDING SQUARE FOOTAGE/ NUMBER OF FLOORS	AVERAGE ANNUALIZED BASE RENT PER SQ. FOOT(1)	PERCENT LEASED	TENANTS	LEASE EXPIRATION/ OPTION EXPIRATION
OPERATING PROPERTIES							
NEW YORK:							
Rego Park -- Queens...	Owned	4.8 acres	351,000/3(2)	$ 27.79	96%	Bed Bath & Beyond	(3)
						Circuit City	(3)
						Marshalls	2008/2021
						Sears	2021
Kings Plaza Shopping Center & Marina (Kings Plaza Mall) Brooklyn.....	50% Owned	24.3 acres	427,000/2(2)(4)	31.19	84%	120 Tenants	Various
Fordham Road -- Bronx...	Owned	92,211 SF	303,000/5	11.54	100%	Caldor(5)	2013/2028
Flushing -- Queens...	Leased	44,975 SF	177,000/4(2)	16.35	100%	Caldor	2027
Third Avenue -- Bronx...	Owned	60,451 SF	173,000/4	4.33	100%	An affiliate of Conway	2023
			1,431,000				
REDEVELOPMENT PROPERTIES							
Lexington Avenue -- Manhattan...	92% Owned	84,420 SF	591,000/6(6)				
Kings Plaza Store -- Brooklyn...	Owned	Included in Shopping Center above	339,000/4			Sears	(3)
Rego Park II -- Queens...	Owned	6.6 acres	--				
NEW JERSEY:							
Paramus, New Jersey.......	Owned	39.3 acres(7)	340,000/3(6)				

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(1) Average annualized base rent per square foot does not include rent for leases which had not commenced as of December 31, 1996.

(2) Excludes parking garages operated for the benefit of Alexander's.

(3) The Circuit City and Bed Bath & Beyond leases are expected to commence in the first half of 1997. The Sears lease is expected to commence in the last quarter of 1997.

(4) Excludes approximately 150,000 square feet of enclosed, common area space.

(5) On February 11, 1997, Caldor announced that, subject to Bankruptcy Court approval, it expects to close this store in May 1997.

(6) Alexander's is evaluating redevelopment plans for these sites which may involve razing the existing buildings.

(7) Approximately 9 acres are subject to condemnation.

INSURANCE

The Company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance with respect to its properties with policy specifications and insured limits customarily carried for similar properties. Management of the Company believes that the Company's insurance coverage conforms to industry norms.

INDEBTEDNESS

The Company has historically maintained a relatively low level of debt to market capitalization. At December 31, 1996, the ratio of debt to market capitalization was 17% based on debt of $232,287,000 and market equity of $1,394,000,000. In the future, in connection with its strategy for growth, this percentage may increase. This policy may be reviewed and modified from time to time by the Company without the vote of shareholders.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1996.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of the names, ages, principal occupations and positions with Vornado of the executive officers of Vornado and the positions held by such officers during the past five years. All executive officers of Vornado have terms of office which run until the next succeeding meeting of the Board of Trustees of Vornado following the Annual Meeting of Shareholders unless they are removed sooner by the Board.

NAME	AGE	PRINCIPAL OCCUPATION, POSITION AND OFFICE (CURRENT AND DURING PAST FIVE YEARS WITH VORNADO UNLESS OTHERWISE STATED)
Steven Roth............	55	Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Board; the Managing General Partner of Interstate Properties, a developer and operator of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 2, 1995 and a Director since 1989; Director of Insituform Technologies, Inc.
Michael D. Fascitelli...........	40	President and a Trustee since December 2, 1996; Director of Alexander's, Inc. since December 2, 1996; Partner at Goldman, Sachs & Co. in charge of its real estate practice from December 1992 to December 1996; and Vice President at Goldman, Sachs & Co., prior to December 1992.
Richard T. Rowan.......	50	Vice President -- Real Estate
Joseph Macnow..........	51	Vice President -- Chief Financial Officer; Vice President -- Chief Financial Officer of Alexander's, Inc. since August 1995

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Vornado's common shares are traded on the New York Stock Exchange.

Quarterly price ranges of the common shares and dividends per share paid for the years ended December 31, 1996 and 1995 were as follows:

	YEAR ENDED DECEMBER 31, 1996			YEAR ENDED DECEMBER 31, 1995		
QUARTER	HIGH	LOW	DIVIDENDS	HIGH	LOW	DIVIDENDS
1st...........................	$38.38	$35.63	$ .61	$36.25	$33.88	$ .56
2nd...........................	41.50	37.13	.61	36.00	32.63	.56
3rd...........................	42.13	40.50	.61	39.00	34.75	.56
4th...........................	52.88	40.50	.61	37.88	34.38	.56

The approximate number of record holders of common shares of Vornado at December 31, 1996, was 2,000.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	YEAR ENDED DECEMBER 31, 1996	1995	1994	1993	1992
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)				
OPERATING DATA					
Revenues:					
Property rentals	$ 87,424	$ 80,429	$ 70,755	$ 67,213	$ 63,186
Expense reimbursements	26,644	24,091	21,784	19,839	17,898
Other income	2,819	4,198	1,459	1,738	913
Total Revenues	116,887	108,718	93,998	88,790	81,997
Expenses:					
Operating	36,412	32,282	30,223	27,994	27,587
Depreciation and amortization	11,589	10,790	9,963	9,392	9,309
General and administrative	5,167	6,687	6,495	5,890	4,612
Amortization of officer's deferred compensation expense	2,083	--	--	--	--
Costs incurred in connection with the merger Vornado, Inc. into Vornado Realty Trust	--	--	--	856	--
Cost incurred upon exercise of a stock option by an officer and subsequent repurchase of a portion of the shares	--	--	--	--	15,650
Total Expenses	55,251	49,759	46,681	44,132	57,158
Operating income	61,636	58,959	47,317	44,658	24,839
Income (loss) applicable to Alexander's:					
Equity in income (loss)	1,679	(1,972)	--	--	--
Depreciation	(571)	(417)	--	--	--
Interest income on loan	6,848	6,343	--	--	--
Income from investment in and advances to Vornado Management Corp	1,855	788	--	--	--
Interest income on mortgage note receivable	2,579	--	--	--	--
Interest and dividend income	3,151	5,439	7,489	11,620	8,555
Interest and debt expense	(16,726)	(16,426)	(14,209)	(31,155)	(33,910)
Net gain on marketable securities	913	294	643	263	2,779
Income from continuing operations before income taxes	61,364	53,008	41,240	25,386	2,263
Provision (benefit) for income taxes	--	--	--	(6,369)	1,080
Income from continuing operations	$ 61,364	$ 53,008	$ 41,240	$ 31,755	$ 1,183
Weighted average number of shares outstanding	24,603,442	23,579,669	21,853,720	19,790,448	16,559,330
Income per share from continuing operations	$ 2.49	$ 2.25	$ 1.89	$ 1.60	$ .07
Cash dividends declared	2.44	2.24	2.00	1.50*	1.15

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* Does not include special dividend of $3.36 per share of accumulated earnings and profits paid in June 1993.

	YEAR ENDED DECEMBER 31, 1996	1995	1994	1993	1992
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)				
BALANCE SHEET DATA					
As at:					
Total assets	$565,204	$ 491,496	$393,538	$385,830	$420,616
Real estate, at cost	397,298	382,476	365,832	340,415	314,651
Accumulated depreciation	151,049	139,495	128,705	118,742	111,142
Debt	232,387	233,353	234,160	235,037	341,701
Shareholders' equity (deficit)	276,257	194,274	116,688	115,737	(3,242)
OTHER DATA					
Funds from operations(1):					
Income from continuing operations before income taxes	$ 61,364	$ 53,008	$ 41,240	$ 25,386	$ 2,263
Depreciation and amortization of real property	10,583	10,019	9,192	8,842	8,778
Straight-lining of rental income	(2,676)	(2,569)	(2,181)	(2,200)	(2,200)
Leasing fees received in excess of income recognized	1,805	1,052	--	--	--
Losses/(gains) on sale of securities available for sale	--	360	(51)	(263)	(846)
Proportionate share of adjustments to Alexander's income (loss) to arrive at Alexander's funds from operations	(1,760)	539	--	--	--
Costs incurred in connection with the merger/upon exercise of a stock option	--	--	--	856	15,650
Funds from operations	$ 69,316	$ 62,409	$ 48,200	$ 32,621	$ 23,645
Cash flow provided by (used in):					
Operating activities	$ 70,703	$ 62,882	$ 46,948	$ 27,725	$ 17,607
Investing activities	$ 14,912	$(103,891)	$(15,434)	$ 1,350	$ 14,800
Financing activities	$(15,046)	$ 36,577	$(32,074)	$(56,433)	$ 4,384

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(1) 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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements made in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following general economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of prospective tenants, lease rents and the terms and availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies and technology; risks of real estate development and acquisition; governmental actions and initiatives; and environmental/safety requirements.

RESULTS OF OPERATIONS

Years Ended December 31, 1996 and December 31, 1995

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $116,887,000 in 1996, compared to $108,718,000 in 1995, an increase of $8,169,000 or 7.5%.

Property rentals from shopping centers were $80,001,000 in 1996, compared to $74,255,000 in 1995, an increase of $5,746,000 or 7.7%. Of this increase, (i) $3,800,000 resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition and (ii) $2,000,000 resulted from expansions and an acquisition. Property rentals received from new tenants were approximately the same as property rentals lost from vacating tenants. Percentage rent included in property rentals was $936,000 in 1996, compared to $959,000 in 1995.

Property rentals from the remainder of the portfolio were $7,423,000 in 1996, compared to $6,174,000 in 1995, an increase of $1,249,000 or 20.2%. Of this increase, $650,000 resulted from the purchase of an office building in June 1996.

Tenant expense reimbursements, which consist of the tenants' pro-rata share of common area maintenance expenses (such as snow removal costs, landscaping and parking lot repairs), real estate taxes and insurance, were $26,644,000 in 1996, compared to $24,091,000 in 1995, an increase of $2,553,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was $2,819,000 in 1996, compared to $4,198,000 in 1995, a decrease of $1,379,000. This decrease resulted primarily from (i) including management and development fee income from Alexander's in "Income from investment in and advances to Vornado Management Corp." ("VMC") rather than in "Other income" for a full year in 1996, compared to six months in 1995 and (ii) the recognition of leasing fee income in the first quarter of 1995 from 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 management, development and leasing fees from Interstate Properties.

Operating expenses were $36,412,000 in 1996, compared to $32,282,000 in 1995, an increase of $4,130,000. Of this increase, (i) $3,100,000 were passed through to tenants and consisted of higher snow removal costs of $1,500,000, increased real estate taxes of $1,000,000 and other common area maintenance expense increases of $600,000 and (ii) $500,000 resulted from increases in rent expense and other property expenses. In addition, in 1995 operating expenses were partially offset by real estate tax refunds and other miscellaneous income of approximately $500,000.

Depreciation and amortization expense increased by $799,000 in 1996, compared to 1995, as a result of expansions and an acquisition.

General and administrative expenses were $5,167,000 in 1996, compared to $6,687,000 in 1995, a decrease of $1,520,000. This decrease resulted primarily from a reduction in corporate office expenses caused by the third quarter 1995 assignment of the Company's Management and Development Agreement with Alexander's to VMC.

In December 1996, the Company recognized an expense of $2,083,000, representing one month's amortization of the $25,000,000 deferred payment due to the Company's President. The balance of the deferred payment will be amortized in 1997.

Income applicable to Alexander's (loan interest income, equity in income (loss) and depreciation) was $7,956,000 for the year ended December 31, 1996, compared to $3,954,000 in the prior year, an increase of $4,002,000. This increase resulted from (i) lower operating losses at Alexander's caused by the commencement of rent at the Rego Park I property in March 1996, (ii) the recognition of $2,053,000 of non-recurring income as a result of the reversal of a liability which is no longer required and (iii) interest income on the loan to Alexander's for a full year in 1996, compared to a ten month period in 1995. The Company believes that its share of Alexander's losses (which are non-cash), combined with its fee income and interest income, will not have a negative effect on its results of operations, liquidity and financial condition.

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 economic benefits of VMC through distributions. 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 $1,855,000 for the year ended December 31, 1996, compared to $788,000 for the period from July 6th to December 31, in 1995. Income from investment in and advances to VMC for the year ended December 31, 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.

Investment income (interest income on mortgage note receivable, interest and dividend income and net gains/(losses) on marketable securities) was $6,643,000 for 1996, compared to $5,733,000 in 1995, an increase of $910,000 or 15.9%. This increase resulted from higher net gains on marketable securities and the yield earned on the mortgage note receivable exceeding the yield earned on the investment of such funds in 1995.

The Company operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986 as amended. Under those sections, a REIT 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 has distributed to its shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required.

RESULTS OF OPERATIONS

Years Ended December 31, 1995 and December 31, 1994

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income were $108,718,000 in 1995, compared to $93,998,000 in 1994, an increase of $14,720,000 or 15.7%.

Property rentals from shopping centers were $74,255,000 in 1995, compared to $64,665,000 in 1994, an increase of $9,590,000 or 14.8%. Of this increase, (i) $6,067,000 resulted from expansions of shopping centers and acquisitions of retail properties, (ii) $2,823,000 resulted from rental step-ups in existing tenant leases which are not subject to the straight-line method of revenue recognition and (iii) $628,000 resulted from property rentals received from new tenants exceeding property rentals lost from vacating tenants. Percentage rent included in property rentals was $959,000 in 1995, compared to $887,000 in 1994.

Property rentals from the remainder of the portfolio were $6,174,000 in 1995, compared to $6,090,000 in 1994, an increase of $84,000 or 1.4%.

Tenant expense reimbursements were $24,091,000 in 1995, compared to $21,784,000 in 1994, an increase of $2,307,000. This increase reflects a corresponding increase in operating expenses passed through to tenants.

Other income was $4,198,000 in 1995, compared to $1,459,000 in 1994, an increase of $2,739,000. This increase resulted primarily from the fee income recognized in connection with the Management Agreement and Leasing Agreement with Alexander's including $915,000 applicable to 1993 and 1994 recognized in the first quarter of 1995 (no leasing fee income was recognized prior to 1995 because required conditions had not been met). In addition to the Management Agreement fee income included in other income in 1995, $2,250,000 of such fees was earned in 1995 by VMC and is included in the caption "Income from investment in and advances to Vornado Management Corp." in the Consolidated Statements of Income.

Operating expenses were $32,282,000 in 1995, compared to $30,223,000 in 1994, an increase of $2,059,000. Of this increase (i) $1,484,000 resulted from real estate taxes from expansions and acquisitions, which were passed through to tenants, and (ii) $258,000 resulted from bad debt expenses primarily due to tenant bankruptcies.

Depreciation and amortization expense increased by $827,000 in 1995, compared to 1994, primarily as a result of property expansions.

General and administrative expenses were $6,687,000 in 1995, compared to $6,495,000 in 1994, an increase of $192,000. This increase is the net of increases from (i) payroll expenses of $1,017,000, (due to additions to staff and bonuses), and (ii) professional fees and other corporate office expenses of $305,000, offset by (iii) the reduction in expense of $1,130,000 resulting from the assignment of the Company's Management Agreement with Alexander's to VMC in the third quarter of 1995.

For the period from March 2, 1995 through December 31, 1995, Vornado's equity in Alexander's losses amounted to $1,972,000. In addition, during the same period the Company recognized interest income on its loan to Alexander's of $6,343,000 and fee income from its Management Agreement and Leasing Agreement with Alexander's of $2,973,000 (excluding $2,250,000 earned by VMC).

Income from investment in and advances to VMC consists of dividend income of $565,000 and interest income of $223,000.

Investment income was $5,733,000 for 1995, compared to $8,132,000 in 1994, a decrease of $2,399,000 or 29.5%. This decrease was caused by (i) lower interest income resulting from the use of cash for the Alexander's investment and (ii) net gains on marketable securities being $349,000 less than in the prior year.

Interest and debt expense was $16,426,000 in 1995, compared to $14,209,000 in 1994, an increase of $2,217,000 or 15.6%. Of this increase, $1,046,000 resulted from borrowings under the revolving credit facility to temporarily fund the investment in Alexander's and $1,134,000 resulted from a decrease in interest capitalized during construction.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Years Ended December 31, 1996, 1995 and 1994

Year Ended December 31, 1996

Cash flows provided by operating activities of $70,703,000 was comprised of (i) net income of $61,364,000 and (ii) adjustments for non-cash items of $9,972,000, less (iii) the net change in operating assets and liabilities of $633,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $12,586,000 and amortization of deferred officers compensation expense of $2,083,000, partially offset by the effect of straight-lining of rental income of $2,676,000 and equity in income from Alexander's of $1,108,000. The net change in "Leasing fees receivable" and "Deferred leasing fee income" included in item (iii) above reflects a decrease of $1,717,000 resulting from the rejection of a lease by an Alexander's tenant in March 1996 and an increase of $1,738,000 resulting from the releasing of a portion of this space. "Leasing fees receivable" of $2,500,000 were collected during this period.

Net cash provided by investing activities of $14,912,000 was comprised of (i) proceeds from sale or maturity of securities available for sale of $46,734,000, partially offset by (ii) the Company's investment in a mortgage note receivable of $17,000,000 and (iii) capital expenditures of $14,822,000 (including $8,923,000 for the purchase of an office building).

Net cash used in financing activities of $15,046,000 was primarily comprised of (i) dividends paid of $59,558,000, (ii) the net repayment of borrowings on U.S. Treasury obligations of $34,239,000, (iii) the net repayment on mortgages of $966,000, partially offset by (iv) net proceeds from the issuance of common shares of $73,060,000 and (v) the proceeds from the exercise of stock options of $6,657,000.

Cash increased during the period from December 31, 1995 to December 31, 1996 from $19,127,000 to $89,696,000 primarily as the result of the issuance of common shares in the fourth quarter of 1996 as noted above.

Year Ended December 31, 1995

Cash flows provided by operating activities of $62,882,000 was comprised of: (i) net income of $53,008,000 and (ii) adjustments for non-cash items of $11,305,000 less (iii) the net change in operating assets and liabilities of $1,431,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $11,779,000, plus equity in loss of Alexander's of $2,389,000, partially offset by the effect of straight-lining of rental income of $2,569,000. Further, during this period in connection with the Alexander's transaction, "Leasing fees and other receivables" increased by $7,656,000 and "Deferred leasing fee income" correspondingly increased by $8,888,000. 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 used in investing activities of $103,891,000 was comprised of (i) the Company's investment in and advances to Alexander's of $100,482,000, (ii) capital expenditures of $16,644,000, (iii) a loan to VMC of $5,074,000 and (iv) purchases of securities available for sale of $4,027,000, partially offset by (v) the net proceeds from the sale of securities available for sale of $22,336,000.

Net cash provided by financing activities of $36,577,000 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 $9,600,000, partially offset by (iii) dividends paid of $52,875,000.

Year Ended December 31, 1994

Cash flows provided by operating activities of $46,948,000 was comprised of: (i) net income of $41,240,000, and (ii) adjustments for non-cash items of $8,015,000, less (iii) the net change in operating assets and liabilities of $2,307,000. The adjustments for non-cash items are primarily comprised of depreciation and amortization of $10,839,000, partially offset by the effect of straight-lining of rental income of $2,181,000.

Net cash used in investing activities of $15,434,000 was comprised of capital expenditures of $25,417,000, partially offset by proceeds from the sale of securities available for sale of $9,983,000.

Net cash used in financing activities of $32,074,000 was primarily comprised of dividends paid of $43,236,000, partially offset by borrowings on U.S. Treasury obligations of $11,428,000.

Funds from Operations for the Years Ended December 31, 1996 and 1995

Management considers funds from operations an appropriate supplemental measure of the Company's operating performance. Funds from operations were $69,316,000 in 1996, compared to $62,409,000 in 1995, an increase of $6,907,000 or 11.1%. The following table reconciles funds from operations and net income:

	YEAR ENDED DECEMBER 31, 1996	1995
Net income	$61,364,000	$53,008,000
Depreciation and amortization of real property	10,583,000	10,019,000
Straight-lining of property rentals	(2,676,000)	(2,569,000)
Leasing fees received in excess of income recognized	1,805,000	1,052,000
Loss on sale of securities available for sale	--	360,000
Proportionate share of adjustments to Alexander's income (loss) to arrive at Alexander's funds from operations	(1,760,000)	539,000
Funds from operations	$69,316,000	$62,409,000

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:

	YEAR ENDED DECEMBER 31, 1996	1995
Operating activities	$ 70,703,000	$ 62,882,000
Investing activities	$ 14,912,000	$(103,891,000)
Financing activities	$(15,046,000)	$ 36,577,000

Bradlees accounted for 22% of property rentals for the year ended December 31, 1996. In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 17 locations to Bradlees. Of these locations, 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent. During 1996, Bradlees rejected three leases and assigned one lease to Kohl's Department Stores, Inc. These four leases are fully guaranteed by Stop & Shop. In January 1997, Bradlees received Bankruptcy Court approval to close one of the two stores whose leases are not guaranteed by Stop & Shop. Montgomery Ward & Co., Inc. remains liable with respect to the rent it was obligated to pay as a previous lessor on eight of the leases guaranteed by Stop & Shop -- approximately 70% of current rent.

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 remaining term through January 1998, plus a one year extension, 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 and at a fixed rate of LIBOR plus 7.50% for the extension period. In addition, the Company receives a loan origination fee of 2% for each year the loan is outstanding.

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.

Alexander's has disclosed in its annual report on Form 10-K for the year ended December 31, 1996, that its current operating properties (five of its nine properties) do not generate sufficient cash flow to pay all of its expenses, and that its four non-operating properties (Lexington Avenue, Paramus, the Kings Plaza Store and Rego Park II) are in various stages of redevelopment. As rents commence from a portion of the redevelopment properties, Alexander's expects that cash flow will become positive.

Alexander's estimates that the fair market values of its assets are substantially in excess of their historical cost and that there is additional borrowing capacity. Alexander's continues to evaluate its needs for capital, which may be raised through (a) property specific or corporate borrowing, (b) the sale of securities and (c) asset sales. Further, Alexander's may receive proceeds from condemnation proceedings of a portion of its Paramus property. Although there can be no assurance, Alexander's believes that these cash sources will be adequate to fund cash requirements until its operations generate adequate cash flow. Alexander's borrowing capacity is demonstrated by the additional $16,700,000 it borrowed in March 1997 under its Rego Park construction loan. Although Vornado may provide a portion of the financing required for Alexander's redevelopment projects, no specific financing requirements have been determined or committed. None of the redevelopment plans for the non-operating properties have been finalized.

At December 31, 1996, the Company had no borrowings outstanding under its unsecured revolving credit facility which provides for borrowings of up to $75,000,000. Average borrowings were $8,740,000 during 1996 and $12,500,000 during 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.

On December 2, 1996, Michael D. Fascitelli became the President of the Company and was elected to the Company's Board. Mr. Fascitelli signed a five year employment contract under which, in addition to his annual salary, he received a deferred payment consisting of $5,000,000 in cash and a $20,000,000 convertible obligation payable at the Company's option in 459,770 of its Common Shares or the cash equivalent of their appreciated value. Accordingly, cash of $5,000,000 and 459,770 Common Shares are being held in an irrevocable trust. The deferred payment obligation to Mr. Fascitelli vests as of December 2, 1997. Further, Mr. Fascitelli was granted options for 1,750,000 Common Shares of the Company.

On December 23, 1996, the Company completed the sale of 1,500,000 common shares in a public offering, which net of expenses generated approximately $73,100,000. $10,000,000 of the proceeds was used to repay debt under the Company's revolving credit facility. The remaining proceeds will be used for general corporate purposes.

The Company anticipates that cash from continuing operations will be adequate to fund business operations and the payment of dividends 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.

ECONOMIC CONDITIONS

At December 31, 1996, approximately 80% of the square footage of the Company's shopping centers was leased to large stores (over 20,000 square feet). The Company's large store tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price. The Company believes that because the stores operated by its tenants offer such basic consumer necessities, demand typically continues even during economic declines, which therefore may mitigate the effects on its properties of adverse changes in general economic conditions. However, demand for retail space continues to be impacted by the bankruptcy of a number of retail companies and a general trend toward consolidation in the retail industry which could adversely affect the ability of the Company to attract or retain tenants.

Substantially all of the Company's leases contain step-ups in rent. Such rental increases are not designed to, and in many instances do not, approximate the cost of inflation, but do have the effect of mitigating the adverse impact of inflation. In addition, substantially all of the Company's leases contain provisions that require the tenant to reimburse the Company for the tenant's share of common area charges (including roof and structure, unless it is the tenant's direct responsibility) and real estate taxes thus passing through to the tenants the effects of inflation on such expenses.

Inflation did not have a material effect on the Company's results for the periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH INDEPENDENT AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Trustees
Vornado Realty Trust
Saddle Brook, New Jersey

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust and subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Parsippany, New Jersey
March 12, 1997

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)	
ASSETS		
Real estate, at cost:		
Land	$ 61,278	$ 61,278
Buildings and improvements	327,485	314,265
Leasehold improvements and equipment	8,535	6,933
Total	397,298	382,476
Less accumulated depreciation and amortization	151,049	139,495
Real estate, net	246,249	242,981
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $17,036 and $12,575	89,696	19,127
Marketable securities	27,549	70,997
Investment in and advances to Alexander's, Inc	107,628	109,686
Investment in and advances to Vornado Management Corp	5,193	5,074
Due from officer	8,418	8,418
Accounts receivable, net of allowance for doubtful accounts of $575 and $578	9,786	7,086
Officer's deferred compensation expense	22,917	--
Mortgage note receivable	17,000	--
Receivable arising from the straight-lining of rents	17,052	14,376
Other assets	13,716	13,751
	$565,204	$491,496
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$232,387	$233,353
Due for U.S. Treasury Obligations	9,636	43,875
Accounts payable and accrued expenses	9,905	6,545
Deferred leasing fee income	8,373	8,888
Officer's deferred compensation payable	25,000	--
Other liabilities	3,646	4,561
Total liabilities	288,947	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, 26,547,680 and 24,246,913 shares	1,044	970
Additional capital	358,874	279,231
Deficit	(77,574)	(79,380)
	282,344	200,821
Unrealized (loss) on securities available for sale	(998)	(1,362)
Due from officers for purchase of common shares of beneficial interest	(5,089)	(5,185)
Total shareholders' equity	276,257	194,274
	$565,204	$491,496

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)		
Revenues:			
Property rentals	$ 87,424	$ 80,429	$ 70,755
Expense reimbursements	26,644	24,091	21,784
Other income (including fee income from related parties of $2,569, $4,123 and $1,144)	2,819	4,198	1,459
Total revenues	116,887	108,718	93,998
Expenses:			
Operating	36,412	32,282	30,223
Depreciation and amortization	11,589	10,790	9,963
General and administrative	5,167	6,687	6,495
Amortization of officer's deferred compensation expense	2,083	--	--
Total expenses	55,251	49,759	46,681
Operating income	61,636	58,959	47,317
Income/(loss) applicable to Alexander's:			
Equity in income (loss)	1,679	(1,972)	--
Depreciation	(571)	(417)	--
Interest income on loan	6,848	6,343	--
Income from investment in and advances to Vornado Management Corp	1,855	788	--
Interest income on mortgage note receivable	2,579	--	--
Interest and dividend income	3,151	5,439	7,489
Interest and debt expense	(16,726)	(16,426)	(14,209)
Net gain on marketable securities	913	294	643
NET INCOME	$ 61,364	$ 53,008	$ 41,240
NET INCOME PER SHARE based on 24,603,442, 23,579,669, and 21,853,720 shares outstanding	$ 2.49	$ 2.25	$ 1.89

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON SHARES	ADDITIONAL CAPITAL	DEFICIT	UNREALIZED GAIN(LOSS) ON SECURITIES AVAILABLE FOR SALE	DUE FROM OFFICERS	TOTAL SHAREHOLDERS' EQUITY
	(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)					
BALANCE, DECEMBER 31, 1993	$ 864	$ 197,575	$(77,517)	$ --	$ (5,185)	$ 115,737
Unrealized gains on securities available for sale at January 1, 1994	--	--	--	8,565	--	8,565
Net income	--	--	41,240	--	--	41,240
Dividends paid ($2.00 per share)	--	--	(43,236)	--	--	(43,236)
Common shares issued under employees' share plans	2	609	--	--	--	611
Change in unrealized gains (losses) on securities available for sale	--	--	--	(6,229)	--	(6,229)
BALANCE, DECEMBER 31, 1994	866	198,184	(79,513)	2,336	(5,185)	116,688
Net income	--	--	53,008	--	--	53,008
Net proceeds from issuance of common shares	100	79,731	--	--	--	79,831
Dividends paid ($2.24 per share)	--	--	(52,875)	--	--	(52,875)
Common shares issued under employees' share plans	4	1,316	--	--	--	1,320
Change in unrealized gains (losses) on securities available for sale	--	--	--	(3,698)*	--	(3,698)
BALANCE, DECEMBER 31, 1995	970	279,231	(79,380)	(1,362)	(5,185)	194,274
Net income	--	--	61,364	--	--	61,364
Net proceeds from issuance of common shares	60	73,000	--	--	--	73,060
Dividends paid ($2.44 per share)	--	--	(59,558)	--	--	(59,558)
Common shares issued under employee's share plans	14	6,643	--	--	--	6,657
Change in unrealized gains (losses) on securities available for sale	--	--	--	364	--	364
Forgiveness of amount due from officers	--	--	--	--	96	96
BALANCE, DECEMBER 31, 1996	$1,044	$ 358,874	$(77,574)	$ (998)	$ (5,089)	$ 276,257

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* Includes $3,435 in unrealized gains attributable to the Company's investment in the common stock of Alexander's, Inc. (see Note 3).

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
	(AMOUNTS IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 61,364	$ 53,008	$ 41,240
Adjustments to reconcile income to net cash provided by continuing operations:			
Depreciation and amortization (including debt issuance costs)	12,586	11,779	10,839
Amortization of officer's deferred compensation expense	2,083	--	--
Straight-lining of rental income	(2,676)	(2,569)	(2,181)
Equity in (income) loss of Alexander's including depreciation of $571 and $417	(1,108)	2,389	--
Net gain on marketable securities	(913)	(294)	(643)
Changes in assets and liabilities:			
Trading securities	(2,009)	(2,069)	1,485
Accounts receivable	(2,700)	(2,188)	(699)
Accounts payable and accrued expenses	3,360	2,270	(3,920)
Other	716	556	827
Net cash provided by operating activities	70,703	62,882	46,948
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in mortgage note receivable	(17,000)	--	--
Additions to real estate	(14,822)	(16,644)	(25,417)
Investment in and advances to Alexander's	--	(100,482)	--
Investment in and advances to Vornado Management Corp	--	(5,074)	--
Purchases of securities available for sale	--	(4,027)	--
Proceeds from sale or maturity of securities available for sale	46,734	22,336	9,983
Net cash provided by (used by) investing activities	14,912	(103,891)	(15,434)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common shares	73,060	79,831	--
Proceeds from borrowings on U.S. Treasury obligations	10,000	40,000	11,428
Repayment of borrowings on U.S. Treasury obligations	(44,239)	(30,400)	--
Proceeds from borrowings on revolving credit facility	10,000	60,000	--
Repayments on mortgages and revolving credit facility	(10,966)	(60,807)	(877)
Costs of refinancing debt	--	(492)	--
Dividends paid	(59,558)	(52,875)	(43,236)
Exercise of share options	6,657	1,320	611
Net cash (used in) provided by financing activities	(15,046)	36,577	(32,074)
Net increase (decrease) in cash and cash equivalents	70,569	(4,432)	(560)
Cash and cash equivalents at beginning of year	19,127	23,559	24,119
Cash and cash equivalents at end of year	$ 89,696	$ 19,127	$ 23,559
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest	$ 15,695	$ 15,881	$ 14,915
NON-CASH TRANSACTIONS:			
Deferred officer's compensation expense and related liability	$ 25,000	--	--
Unrealized (loss)gain on securities available for sale	$ 364	$ (3,698)*	$ 2,336

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* 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. ORGANIZATION AND BUSINESS

On May 6, 1993, Vornado, Inc. merged into Vornado Realty Trust, a Maryland real estate investment trust ("REIT"). Vornado Realty Trust was formed on March 29, 1993, as a wholly-owned subsidiary of Vornado, Inc., specifically for the purpose of the merger.

The Company is a fully-integrated REIT which owns, leases, develops, redevelops and manages retail and industrial properties primarily located in the Midatlantic and Northeast regions of the United States. In addition, the Company owns 29.3% of the common stock of Alexander's, Inc. which has nine properties in the New York City region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements are prepared in conformity with generally accepted accounting principles. Management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

REAL ESTATE: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation is provided on a straight-line basis over the assets, estimated useful lives. Additions to real estate include interest expense capitalized during construction of $442,000 and $1,582,000 for the years ended December 31, 1995 and 1994.

The Company's policy is to assess any impairment in value by making a comparison of the current and projected operating cash flows of each of its properties into the foreseeable future on an undiscounted basis, to the carrying amount of such property. Such carrying amount would be adjusted, if necessary, to reflect an impairment in the value of the asset.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less.

MARKETABLE SECURITIES: Marketable securities are carried at fair market value. The Company has classified debt and equity securities which it intends to hold for an indefinite period of time as securities available for sale and equity securities it intends to buy and sell on a short term basis as trading securities. Unrealized gains and losses are included in earnings for trading securities and as a component of shareholder's equity for securities available for sale. Realized gains or losses on the sale of securities are recorded based on average cost.

REVENUE RECOGNITION: Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases entered into after November 14, 1985 which provide for varying rents over the lease terms.

INCOME TAXES: The Company operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986 as amended. Under those sections, a REIT 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 has distributed to shareholders an amount greater than its taxable income. Therefore, no provision for Federal income taxes is required.

The net basis of the Company's assets and liabilities for both financial reporting purposes and tax purposes is approximately the same.

AMOUNTS PER SHARE: Amounts per share are computed based upon the weighted average number of shares outstanding during the year and the dilutive effect of stock options.

3. INVESTMENT IN AND ADVANCES TO ALEXANDER'S

In March 1995, the Company purchased all of the 1,353,468 shares of common stock of Alexander's then owned by Citibank, N.A. ("Citibank"), representing 27.1% of the outstanding shares of common stock of Alexander's for $40.50 per share in cash or $56,615,000 (including $1,800,000 of costs incurred in the purchase). As a result of the acquisition, the Company owns 29.3% of the common stock of Alexander's and has changed its accounting for its investment in Alexander's to the equity method. This required a reduction of its investment by the unrealized gain recorded in shareholders' equity at December 31, 1994, of $3,435,000. Prior years' financial statements were not restated as a result of the change in accounting for the Company's investment in Alexander's due to it not being material. In accordance with purchase accounting, Vornado's investment in Alexander's in excess of carrying amounts has been allocated two-thirds to land and one-third to building. The building allocation in excess of Alexander's carrying amount is being depreciated over a 35 year period.

Also, in March 1995, the Company lent Alexander's $45 million, the subordinated tranche of a $75 million secured financing, the balance of which was funded by a bank. The Company's loan has a three-year term and bears interest at 16.43% per annum for the first two years and at a fixed rate for the third year of 992 basis points over the one-year Treasury bill rate. In addition, the Company received a loan origination fee of $1,500,000 from Alexander's to be amortized over the term of the loan.

Investment in and advances to Alexander's consists of:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Common stock, net of $989,000 and $417,000 of accumulated depreciation of buildings (at fair value)	$ 56,952,000	$ 58,693,000
Loan receivable	45,000,000	45,000,000
Deferred loan origination income	(583,000)	(1,083,000)
Leasing fees and other receivables	5,901,000	8,182,000
Equity in loss since March 2, 1995	(293,000)	(1,972,000)
Deferred expenses	651,000	866,000
	$107,628,000	$109,686,000

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Below are summarized Balance Sheets and Statements of Operations of Alexander's:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Balance Sheets:		
Assets:		
Real estate, net	$181,005,000	$150,435,000
Cash	5,480,000	8,471,000
Other assets	25,100,000	39,635,000
	$211,585,000	$198,541,000
Liabilities and Stockholders' Equity:		
Debt	$192,347,000	$182,883,000
Other liabilities	13,674,000	34,794,000
Stockholders' equity	5,564,000	(19,136,000)
	$211,585,000	$198,541,000

	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM MARCH 2, 1995 TO DECEMBER 31, 1995
Statements of Operations:		
Revenues	$21,833,000	$11,734,000
Expenses	12,092,000	9,255,000
Operating income	9,741,000	2,479,000
Interest and debt expense	(13,934,000)	(11,330,000)
Interest and other income	2,918,000	1,651,000
Gain on reversal of liability for post-retirement healthcare benefits	14,372,000	--
Income (loss) from continuing operations before income tax benefit	13,097,000	(7,200,000)
Reversal of deferred taxes	--	469,000
Income (loss) from continuing operations	$13,097,000	$(6,731,000)
Vornado's 29.3% equity in income (loss) before adjustment	$ 3,837,000	$(1,972,000)
Adjustment for the portion of the reversal of a liability previously considered in its purchase price allocation	(2,158,000)	--
Vornado's 29.3% equity in income (loss)	$ 1,679,000	$(1,972,000)

In March 1995, the Company and Alexander's entered into a three-year management and development agreement (the "Management Agreement"). The annual management fee payable to the Company by Alexander's is $3,000,000, plus 6% of development costs with a minimum guaranteed fee for the development portion of $1,650,000 in the first year and $750,000 in each of the second and third years. On July 6, 1995, the Company assigned this Management Agreement to Vornado Management Corp.

The fee pursuant to the Management Agreement is in addition to the leasing fee the Company receives from Alexander's under the leasing agreement (the "Leasing Agreement") which has been in effect since 1992 and was extended to be coterminous with the term of the Management Agreement. The Company recognized leasing fee income of $695,000 and $1,448,000 in 1996 and 1995. The Leasing Agreement provides for the Company to generally receive a fee of (i) 3% of sales proceeds and (ii) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term. Subject to the payment of rents by

Alexander's tenants, the Company is due $5,565,000 at December 31, 1996. Such amount is receivable annually in an amount not to exceed $2,500,000 until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid had it been paid on September 21, 1993, or at the time the transactions which gave rise to the commissions occurred, if later.

During 1996, leasing fees receivable and deferred leasing fee income were adjusted to reflect (i) a decrease of $1,717,000 resulting from the rejection of a lease by an Alexander's tenant in March 1996 and (ii) an increase of $1,738,000 resulting from the releasing of a portion of this space.

As of December 31, 1996, Interstate Properties owned 24.4% of the common shares of the Company and 27.1% of Alexander's common stock. Steven Roth is the Chairman of the Board and Chief Executive Officer of the Company, the Managing General Partner of Interstate Properties and the Chief Executive Officer and a director of Alexander's. Effective March 2, 1995, for a three-year period, the Company and Interstate agreed not to own in excess of two-thirds of Alexander's common stock or to enter into certain other transactions with Alexander's, other than the transactions described above, without the consent of Alexander's independent directors.

4. MARKETABLE SECURITIES

The aggregate cost and market value of securities held at December 31, 1996 and 1995 were as follows:

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	COST	MARKET	COST	MARKET
Securities available for sale:				
U.S. treasury obligations	$ 10,228,000	$ 10,247,000	$ 56,065,000	$ 56,621,000
Other equity and debt securities	10,811,000	9,794,000	10,802,000	8,884,000
	21,039,000	20,041,000	66,867,000	65,505,000
Trading securities -- equity	7,260,000	7,508,000	5,384,000	5,492,000
Total	$ 28,299,000	$ 27,549,000	$ 72,251,000	$ 70,997,000

Gross unrealized gains and losses at December 31, 1996 and 1995 were as follows:

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	GAINS	(LOSSES)	GAINS	(LOSSES)
Securities available for sale:				
U.S. treasury obligations	$ 19,000	--	$556,000	--
Other equity and debt securities	339,000	$(1,356,000)	90,000	$(2,008,000)
	358,000	(1,356,000)	646,000	(2,008,000)
Trading securities -- equity	248,000	--	108,000	--
Total	$606,000	$(1,356,000)	$754,000	$(2,008,000)

The U.S. treasury obligations at December 31, 1996, $10,228,000 (market value $10,247,000) mature in the fourth quarter of 1997.

U.S. treasury obligations with a fair market value of $10,247,000 and $56,621,000 were held as collateral for amounts due for U.S. treasury obligations at December 31, 1996 and 1995. Amounts due for U.S. treasury obligations bear variable interest rates which averaged 5.79% and 6.08% for the years ended December 31, 1996 and 1995.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 remaining term through January 1998, plus a one year extension, but is due not later than the date on which Rickel's plan of reorganization is confirmed. The loan bears interest at 13.2% per annum and at a fixed rate of LIBOR plus 7.50% for the extension period. In addition, the Company receives a loan origination fee of 2% for each year the loan is outstanding.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimated the fair value of its financial instruments using the following methods and assumptions: (1) quoted market prices are used to estimate the fair value of marketable securities; (2) discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term are used to estimate the fair value of the loans receivable from Alexander's, the mortgage note receivable and mortgages payable and (3) carrying amounts in the balance sheet approximate fair value for cash and cash equivalents, marketable securities, due from officer and amounts due for U.S. Treasury obligations.

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Loan receivable from Alexander's	$ 45,000,000	$ 45,100,000	$ 45,000,000	$ 46,100,000
Mortgage note receivable	17,000,000	17,000,000	--	--
Notes and mortgages payable	232,387,000	227,100,000	233,353,000	233,900,000

7. NOTES AND MORTGAGES PAYABLE

Notes and mortgages payable at December 31, 1996 are comprised of $227,000,000 of secured notes due December 1, 2000, with interest at a fixed rate of 6.36% per annum and three other mortgages aggregating $5,387,000.

Notes and mortgages by range of interest rates are as follows:

INTEREST RATE	PRINCIPAL AMOUNT
5.25%	$ 3,635,000
6.36%	227,000,000
8.00%	826,000
8.25%	926,000

The net carrying value of properties securing the notes and mortgages amounted to $166,833,000 at December 31, 1996. As at December 31, 1996, the maturities for the next five years are as follows:

YEAR ENDING DECEMBER 31:	AMOUNT
1997	$ 1,046,000
1998	870,000
1999	535,000
2000	227,295,000
2001	310,000

On February 27, 1995, the Company entered into a three-year unsecured revolving credit facility with a bank providing for borrowings of up to $75,000,000. Borrowings bear annual interest, at the Company's

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

election, at LIBOR plus 1.35% or the higher of the federal funds rate plus .50% or the prime rate. At December 31, 1996 the Company had no borrowings outstanding under the facility.

8. EMPLOYEES' SHARE OPTION PLAN

Under the Omnibus Share Plan (the "Plan"), various officers and key employees have been granted incentive share options and non-qualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at the date of grant, vest on a graduated basis, becoming fully vested 27 months after grant (with the exception of 1,750,000 shares granted in connection with Mr. Fascitelli's employment agreement which becomes fully vested after 60 months), and expire ten years after grant.

The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined, none of which have been awarded as of December 31, 1996.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 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 Opinion No. 25 ("APB 25"), which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB 25 to its stock-based compensation awards to employees.

If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below, for the years ended December 31, 1996 and 1995:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Net income:		
As reported	$61,364,000	$53,008,000
Pro-forma	60,613,000	52,875,000
Net income per share:		
As reported	$ 2.49	$ 2.25
Pro-forma	2.46	2.24

The pro-forma effect of applying SFAS 123 is not necessarily indicative of the effect on reported net income for future years.

The fair value of each option grant is estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in the periods ending December 31, 1996 and 1995.

	DECEMBER 31, 1996	DECEMBER 31, 1995
Expected volatility	26%	26%
Expected life	5 years	5 years
Risk-free interest rate	5.6%	7.1%
Expected dividend yield	5.1%	6.0%

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the Plan's status, and changes during the years then ended, is presented below:

	DECEMBER 31, 1996		DECEMBER 31, 1995	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at January 1	539,940	$24.53	557,568	$21.35
Granted	1,870,750	46.27	75,000	35.50
Exercised	(340,997)	19.51	(92,628)	14.30
Outstanding at December 31	2,069,693	$45.01	539,940	$24.53
Options exercisable at December 31	210,385		442,506	
Weighted-average fair value of options granted during the year ended December 31 (per option)	$9.50		$7.24	

The following table summarizes information about options outstanding under the Plan at December 31, 1996:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1996	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1996	WEIGHTED-AVERAGE EXERCISE PRICE
$ 12 to $23	26,434	6.0 Years	$ 22	26,434	$ 22
34 to 38	293,259	8.1 Years	36	183,951	35
47	1,750,000	10.0 Years	47	--	--
$ 12 to $47	2,069,693	8.0 Years	$ 45	210,385	$ 34

Shares available for future grant at December 31, 1996 were 882,066.

9. RETIREMENT PLAN

The Company's qualified retirement plan covers all full-time employees. The Plan provides annual pension benefits that are equal to 1% of the employee's annual compensation for each year of participation.

The funding policy is in accordance with the minimum funding requirements of ERISA.

Pension expense includes the following components:

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
Service cost -- benefits earned during the period	$ 108,000	$ 70,000	$ 81,000
Interest cost on projected benefit obligation	544,000	573,000	558,000
Actual return on assets	(179,000)	(307,000)	130,000
Net amortization and deferral	(59,000)	66,000	(359,000)
Net pension expense	$ 414,000	$ 402,000	$ 410,000
Assumptions used in determining the net pension expense were:			
Discount rate	7 1/2%	7 1/4%	8 1/2%
Rate of increase in compensation levels	5 1/2%	6 1/2%	6 1/2%
Expected rate of return on assets	8%	8%	8%

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table sets forth the Plan's funded status and the amount recognized in the Company's balance sheet:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 7,590,000	$ 7,652,000
Accumulated benefit obligation	$ 7,657,000	$ 7,717,000
Projected benefit obligation	$ 8,028,000	$ 8,066,000
Plan assets at fair value	3,915,000	3,494,000
Projected benefit obligation in excess of plan assets	4,113,000	4,572,000
Unrecognized net obligations	(2,135,000)	(2,122,000)
Adjustment required to recognize minimum liability	1,764,000	1,773,000
Accrued pension costs	$ 3,742,000	$ 4,223,000

Plan assets are invested in U.S. government obligations and securities backed by U.S. government guaranteed mortgages.

10. LEASES

As lessor:

The Company leases properties to tenants. The lease terms range from less than five years for smaller tenant spaces to as much as thirty years for major tenants. Most of the leases provide for the payment of fixed base rentals payable monthly in advance, and for the payment by the lessee of additional rents based on a percentage of the tenants' sales as well as reimbursements of real estate taxes, insurance and maintenance. As of December 31, 1996, future base rental revenue under noncancellable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

YEAR ENDING DECEMBER 31:	AMOUNT
1997	$ 85,477,000
1998	84,678,000
1999	80,532,000
2000	75,029,000
2001	70,697,000
Thereafter	522,152,000

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $936,000, $959,000 and $887,000 for the years ended December 31, 1996, 1995 and 1994. Bradlees accounted for 22% of property rentals for the year ended December 31, 1996. In June 1995, Bradlees filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company currently leases 17 locations to Bradlees. Of these locations, 14 are fully guaranteed by Stop & Shop Companies, Inc. ("Stop & Shop"), a wholly-owned subsidiary of Royal Ahold NV, a leading international food retailer, and one is guaranteed as to 70% of the rent. During 1996, Bradlees rejected three leases and assigned one lease to Kohl's Department Stores, Inc. These four leases are fully guaranteed by Stop & Shop. In January 1997, Bradlees received Bankruptcy Court approval to close one of the two stores whose leases are not guaranteed by Stop & Shop. Montgomery Ward & Co., Inc. remains liable with respect to the rent it was obligated to pay as a previous lessor on eight of the leases guaranteed by Stop & Shop -- approximately 70% of current rent.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As lessee:

The Company is a tenant under leases for certain properties. These leases will expire principally during the next twenty years. Future minimum lease payments under operating leases at December 31, 1996, are as follows:

YEAR ENDING DECEMBER 31:	AMOUNT
1997	$ 1,808,000
1998	1,819,000
1999	1,743,000
2000	1,578,000
2001	1,567,000
Thereafter	28,261,000

Rent expense was $1,465,000, $1,395,000 and $1,313,000 for the years ended December 31, 1996, 1995 and 1994.

11. CONTINGENCIES

In order to comply with environmental laws and with relevant health-based standards, the Company has an active monitoring and maintenance program for asbestos-containing materials ("ACMs") on its properties. The Company's program to remove friable ACMs has been completed, except for one location. Pursuant to the lease for this location, it is the tenant's responsibility to remove such ACMs. The Company has received an estimate of $500,000 to remove such ACMs; if the Company has to make such expenditure, it will not have a material adverse effect on the Company's financial condition or results of operations.

The Company also has certain other existing and potential environmental liabilities with respect to compliance costs relating to underground storage tanks and cleanup costs relating to tanks at three Company sites at which preexisting contamination was found.

The Company believes that known and potential environmental liabilities will not have a material adverse effect on the Company's business, assets or results of operation. However, there can be no assurance that the identification of new areas of contamination, change in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to the Company.

At December 31, 1996, the Company had outstanding $600,000 of real estate related standby letters of credit which were drawn under a $5,000,000 unsecured line of credit with a bank bearing interest at prime.

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

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

12. REPURCHASE AGREEMENTS

The Company enters into agreements for the purchase and resale of U.S. government obligations for periods of up to one week. The obligations purchased under these agreements are held in safekeeping in the name of the Company by various money center banks. The Company has the right to demand additional collateral or return of these invested funds at any time the collateral value is less than 102% of the invested funds plus any accrued earnings thereon.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. VORNADO MANAGEMENT CORP.

In July 1995, the Company assigned its Management Agreement with Alexander's (see Note 3) 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 is a summarized Statement of Operations of VMC:

	YEAR ENDED DECEMBER 31, 1996	PERIOD FROM JULY 6, 1995 TO DECEMBER 31, 1995
Revenues:		
Management fees from Alexander's	$ 5,343,000	$ 2,250,000
Expenses:		
General and administrative	(2,691,000)	(1,130,000)
Interest, net	(282,000)	(115,000)
Income before income taxes	2,370,000	1,005,000
Income taxes	(968,000)	(411,000)
Net income	1,402,000	594,000
Preferred dividends	(1,332,000)	(565,000)
Net income available to common shareholders	$ 70,000	$ 29,000
Vornado's 95% equity in income	$ 1,332,000	$ 565,000

14. RELATED PARTY TRANSACTIONS

On December 2, 1996, Michael D. Fascitelli became the President of the Company and was elected to the Company's Board. Mr. Fascitelli signed a five-year employment contract under which, in addition to his annual salary, he received a deferred payment consisting of $5,000,000 in cash and a $20,000,000 convertible obligation payable at the Company's option in 459,770 of its Common Shares or the cash equivalent of their appreciated value. Accordingly, cash of $5,000,000 and 459,770 Common Shares (which are not considered outstanding for accounting purposes) are being held in an irrevocable trust. The deferred payment obligation to Mr. Fascitelli vests as of December 2, 1997. Further, Mr. Fascitelli was granted options for 1,750,000 Common Shares of the Company.

At December 31, 1996, the loans due from Mr. Roth ($13,122,500), Mr. Rowan ($299,000) and Mr. Macnow ($268,000) in connection with their stock option exercises aggregated $13,599,000 ($5,089,000 of which is shown as a reduction in shareholders' equity). The loans bear interest at a rate equal to the broker call rate (7.0% at December 31, 1996) but not less than the minimum applicable federal rate provided under the Internal Revenue Code. Interest on the loan to Mr. Roth is payable quarterly. Mr. Roth's loan is due on December 29, 1997. The Company has agreed that on each January 1st (commencing January 1, 1997) to forgive one-fifth of the amounts due from Mr. Rowan and Mr. Macnow, provided that they remain employees of the Company.

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a Management Agreement for which the Company receives a quarterly fee equal to 4% of base rent and percentage rent and certain other commissions. The Management Agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the Management Agreement was not negotiated at arms length, the Company believes based upon comparable fees charged by other real estate companies, that its terms are fair to the Company. For the years ended December 31, 1996, 1995 and 1994, $2,074,000, $1,150,000 and $894,000 of management fees were earned by the Company pursuant to the Management Agreement.

See Notes 3 and 13 for details on the Company's investment in and advances to Alexander's and VMC.

15. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following summary represents the results of operations for each quarter in 1996 and 1995:

	REVENUE	NET INCOME	NET INCOME PER SHARE
1996*			
March 31	$28,610,000	$15,922,000	$ .65
June 30	29,245,000	15,120,000	.62
September 30	29,063,000	14,939,000	.61
December 31	29,969,000	15,383,000**	.62**
1995			
March 31	$26,216,000	$11,837,000	$ .54
June 30	27,056,000	13,185,000	.56
September 30	26,630,000	13,567,000	.56
December 31	28,816,000	14,419,000	.59

----

* The total for the year differs from the sum of the quarters as a result of weighting.

** In December 1996, the Company recognized an expense of $2,083,000, representing one month's amortization of the $25,000,000 deferred payment due to the Company's President. Also, the Company recognized $2,053,000 of non-recurring income as a result of the reversal of a liability which is no longer required by Alexander's (which Vornado accounts for on the equity method).

16. DIVIDEND DISTRIBUTIONS

Dividends are characterized for Federal income tax purposes as follows:

	1996	1995	1994
Ordinary income	100.0%	100.0%	96.0%
Return of capital (generally non-taxable)	--	--	4.0
Total	100.0%	100.0%	100.0%

17. SUBSEQUENT EVENT

On March 12, 1997, the Company entered into a definitive agreement (the "Agreement") to acquire interests in all or a portion of seven Manhattan office buildings and certain management and leasing assets held by the Mendik Company and certain of its affiliates. In conjunction with this transaction, the Company will convert to an Umbrella Partnership REIT (UPREIT).

The estimated consideration for the transaction is approximately $654,000,000, including $269,000,000 in cash, $168,000,000 in UPREIT limited partnership units and $217,000,000 in indebtedness. Pro forma revenue of the Mendik Company and affiliates' interests being acquired was approximately $109,000,000 for the year ended December 31, 1996.

The Agreement is subject to the consent of third parties and other customary conditions. It is currently expected that the proposed transaction would be consummated in the second quarter, but there can be no assurance that the proposed transaction will be completed.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to trustees of the Registrant are contained in a definitive Proxy Statement involving the election of trustees which the Registrant filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 not later than 120 days after December 31, 1996, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant appears at page 11 of this Annual Report on Form 10-K/A.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation will be contained in the Proxy Statement referred to above in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information relating to certain relationships and related transactions will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant", and such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K/A.

2. Financial Statement Schedules.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K/A.

	PAGES IN THIS ANNUAL REPORT ON FORM 10-K/A
Independent Auditors' Report	
II -- Valuation and Qualifying Accounts -- years ended December 31, 1996, 1995 and 1994	41
III -- Real Estate and Accumulated Depreciation as of December 31, 1996	42

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The consolidated financial statements of Alexander's, Inc. for the year ended December 31, 1996 are hereby incorporated by reference to Item 14(a)1 of the Annual Report on Form 10-K of Alexander's, Inc.

3. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K/A.

EXHIBIT NO.

EXHIBIT NO.	
11	Statement Re Computation of Per Share Earnings.
12	Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors to Incorporation by Reference.
27	Financial Data Schedule.

(b) Reports on Form 8-K

During the last quarter of the period covered by this Annual Report on Form 10-K/A described below.

PERIOD COVERED: (DATE OF EARLIEST EVENT) REPORT	ITEMS REPORTED	DATE OF REPORT
December 2, 1996	Other events -- re: new President of Company	December 10, 1996
December 18, 1996	Other events -- re: sale of Common Shares	December 18, 1996

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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

By: /s/ JOSEPH MACNOW

Joseph Macnow, Vice President,
Chief Financial Officer

Date: August 8, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
By: /s/ STEVEN ROTH (Steven Roth)	Chairman of the Board of Trustees (Principal Executive Officer)	August 8, 1997
By: /s/ MICHAEL D. FASCITELLI (Michael D. Fascitelli)	President and Trustee	August 8, 1997
By: /s/ JOSEPH MACNOW (Joseph Macnow)	Vice President -- Chief Financial Officer and Controller (Principal Financial and Accounting Officer)	August 8, 1997
By: /s/ DAVID MANDELBAUM (David Mandelbaum)	Trustee	August 8, 1997
By: /s/ STANLEY SIMON (Stanley Simon)	Trustee	August 8, 1997
By: /s/ RONALD G. TARGAN (Ronald G. Targan)	Trustee	August 8, 1997
By: /s/ RUSSELL B. WIGHT, JR. (Russell B. Wight, Jr.)	Trustee	August 8, 1997
By: /s/ RICHARD R. WEST (Richard R. West)	Trustee	August 8, 1997

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D		COLUMN E
	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED AGAINST OPERATIONS	DEDUCTIONS		BALANCE AT END OF YEAR
DESCRIPTION			DESCRIPTION	AMOUNT	
	(AMOUNTS IN THOUSANDS)				
YEAR ENDED DECEMBER 31, 1996:					
Deducted from accounts receivable allowance for doubtful accounts............	$578	$ 211	Uncollectible accounts written-off	$214	$575
YEAR ENDED DECEMBER 31, 1995:					
Deducted from accounts receivable, allowance for doubtful accounts............	$457	$ 613	Uncollectible accounts written-off	$492	$578
YEAR ENDED DECEMBER 31, 1994:					
Deducted from accounts receivable, allowance for doubtful accounts............	$402	$ 385	Uncollectible accounts written-off	$330	$457

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C INITIAL COST TO COMPANY(1)		COLUMN D	COLUMN E GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
SHOPPING CENTERS							
NEW JERSEY							
Atlantic City	$ 2,135*	$ 358	$ 2,143	$ 594	$ 358	$ 2,737	$ 3,095
Bordentown	3,276*	498	3,176	1,134	713	4,095	4,808
Bricktown	9,919*	929	2,175	9,179	929	11,354	12,283
Cherry Hill	9,706*	915	3,926	3,322	915	7,248	8,163
Delran	2,848*	756	3,184	2,037	756	5,221	5,977
Dover	3,635*	224	2,330	2,354	205	4,703	4,908
East Brunswick	8,205*	319	3,236	3,746	319	6,982	7,301
East Hanover	11,066*	376	3,063	3,439	477	6,401	6,878
Hackensack	--	536	3,293	7,177	536	10,470	11,006
Jersey City	10,381*	652	2,962	1,798	652	4,760	5,412
Kearny(4)	--	279	4,429	(1,295)	290	3,123	3,413
Lawnside	5,708*	851	2,222	1,313	851	3,535	4,386
Lodi	2,420*	245	2,315	957	245	3,272	3,517
Manalapan	6,397*	725	2,447	4,959	725	7,406	8,131
Marlton	5,398*	1,514	4,671	694	1,611	5,268	6,879
Middletown	7,761*	283	1,508	3,950	283	5,458	5,741
Morris Plains	6,600*	1,254	3,140	3,277	1,104	6,567	7,671
North Bergen(4)	--	510	3,390	(955)	2,309	636	2,945
North Plainfield	3,879	500	13,340	329	500	13,669	14,169
Totowa	15,646*	1,097	5,359	11,796	1,097	17,155	18,252
Turnersville	2,116*	900	2,132	75	900	2,207	3,107
Union	15,975*	1,014	4,527	1,888	1,014	6,415	7,429
Vineland	2,358*	290	1,594	1,253	290	2,847	3,137
Watchung(4)	--	451	2,347	6,733	4,200	5,331	9,531
Woodbridge	8,792*	190	3,047	709	220	3,726	3,946
Total New Jersey	144,221	15,666	85,956	70,463	21,499	150,586	172,085
NEW YORK							
14th Street and Union Square, Manhattan	--	12,566	4,044	3,457	12,581	7,486	20,067
Albany (Menands)	--	460	1,677	2,908	460	4,585	5,045
Buffalo (Amherst)	4,863*	402	2,019	2,185	636	3,970	4,606
Freeport	8,021*	1,231	3,273	2,852	1,231	6,125	7,356
New Hyde Park	2,043*	--	--	122	--	122	122
North Syracuse	--	--	--	23	--	23	23
Rochester (Henrietta)	2,203*	--	2,124	1,173	--	3,297	3,297
Rochester	2,832*	443	2,870	635	443	3,505	3,948
Total New York	19,962	15,102	16,007	13,355	15,351	29,113	44,464

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
SHOPPING CENTERS				
NEW JERSEY				
Atlantic City	$ 1,820	1965	1965	14-40 Years
Bordentown	3,511	1958	1958	10-40 Years
Bricktown	3,946	1968	1968	27-40 Years
Cherry Hill	4,549	1964	1964	15-40 Years
Delran	2,575	1972	1972	20-40 Years
Dover	2,537	1964	1964	16-40 Years
East Brunswick	4,592	1957	1957	13-33 Years
East Hanover	3,873	1962	1962	16-40 Years
Hackensack	3,828	1963	1963	17-40 Years
Jersey City	3,283	1965	1965	19-40 Years
Kearny(4)	909	1938	1959	28-40 Years
Lawnside	1,892	1969	1969	19-40 Years
Lodi	2,156	1935	1955	11-27 Years
Manalapan	3,185	1971	1971	18-40 Years
Marlton	3,534	1973	1973	21-40 Years
Middletown	2,376	1963	1963	27-40 Years
Morris Plains	3,738	1961	1985	14-19 Years
North Bergen(4)	58	1993	1959	30 Years
North Plainfield	3,464	1955	1989	26-30 Years
Totowa	5,068	1957	1957	22-40 Years

Turnersville..................	1,599	1974	1974	23-40 Years
Union..........................	4,571	1962	1962	10-40 Years
Vineland.......................	1,603	1966	1966	22-40 Years
Watchung(4)....................	377	1994	1959	30 Years
Woodbridge.....................	2,689	1959	1959	11-40 Years

Total New Jersey..........	71,733			

NEW YORK				
14th Street and Union Square, Manhattan......................	413	1965	1993	40 Years
Albany (Menands)..............	1,739	1965	1965	27-40 Years
Buffalo (Amherst).............	2,268	1968	1968	14-40 Years
Freeport.......................	2,412	1981	1981	19-40 Years
New Hyde Park..................	122	1970	1976	6-7 Years
North Syracuse.................	23	1967	1976	11-12 Years
Rochester (Henrietta).........	1,890	1971	1971	22-40 Years
Rochester......................	2,236	1966	1966	15-40 Years

Total New York............	11,103			

(Continued)

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SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C INITIAL COST TO COMPANY(1)		COLUMN D COSTS CAPITALIZED	COLUMN E GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
PENNSYLVANIA							
Allentown.....................	7,696*	70	3,446	9,555	334	12,737	13,071
Bensalem......................	3,967*	1,198	3,717	1,582	1,198	5,299	6,497
Bethlehem.....................	--	278	1,806	3,634	278	5,440	5,718
Broomall......................	3,260*	734	1,675	1,606	850	3,165	4,015
Glenolden.....................	4,245*	850	1,295	695	850	1,990	2,840
Lancaster.....................	2,312*	606	2,312	2,475	606	4,787	5,393
Levittown.....................	2,283*	193	1,231	105	193	1,336	1,529
10th and Market Streets, Philadelphia................	--	933	3,230	4,148	933	7,378	8,311
Upper Moreland................	3,517*	683	2,497	112	683	2,609	3,292
York..........................	1,463*	421	1,700	1,233	421	2,933	3,354
Total Pennsylvania........	28,743	5,966	22,909	25,145	6,346	47,674	54,020
MARYLAND							
Baltimore (Belait Rd).........	--	785	1,333	2,978	785	4,311	5,096
Baltimore (Towson)............	5,779*	581	2,756	484	581	3,240	3,821
Baltimore (Dundalk)...........	4,084*	667	1,710	2,952	667	4,662	5,329
Glen Burnie...................	2,299*	462	1,741	522	462	2,263	2,725
Hagerstown....................	--	168	1,453	894	168	2,347	2,515
Total Maryland............	12,162	2,663	8,993	7,830	2,663	16,823	19,486
CONNECTICUT							
Newington.....................	3,042*	502	1,581	525	502	2,106	2,608
Waterbury.....................	3,889*	--	2,103	1,341	667	2,777	3,444
Total Connecticut.........	6,931	502	3,684	1,866	1,169	4,883	6,052
MASSACHUSETTS							
Chicopee......................	1,999*	510	2,031	358	510	2,389	2,899
Springfield(4)................	--	505	1,657	857	2,586	433	3,019
Total Massachusetts.......	1,999	1,015	3,688	1,215	3,096	2,822	5,918
TEXAS							
Dallas Lewisville............	764*	2,433	2,271	676	2,469	2,911	5,380
Mesquite......................	3,445*	3,414	4,704	1,134	3,414	5,838	9,252
Skillman......................	1,987*	3,714	6,891	1,030	3,714	7,921	11,635
Total Texas..............	6,196	9,561	13,866	2,840	9,597	16,670	26,267
TOTAL SHOPPING CENTERS...........	220,214	50,475	155,103	122,714	59,721	268,571	328,292

COLUMN A DESCRIPTION	COLUMN F ACCUMULATED DEPRECIATION AND AMORTIZATION	COLUMN G DATE OF CONSTRUCTION(3)	COLUMN H DATE ACQUIRED	COLUMN I LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
PENNSYLVANIA				
Allentown.....................	4,059	1957	1957	24-42 Years
Bensalem......................	3,260	1972	1972	20-40 Years
Bethlehem.....................	2,717	1966	1966	13-40 Years
Broomall......................	1,792	1966	1966	13-40 Years
Glenolden.....................	946	1975	1975	23-40 Years
Lancaster.....................	2,632	1966	1966	14-40 Years
Levittown.....................	1,059	1964	1964	14-40 Years
10th and Market Streets, Philadelphia................	296	1977	1994	
Upper Moreland................	1,833	1974	1974	22-40 Years
York..........................	1,555	1970	1970	19-40 Years
Total Pennsylvania........	20,149			
MARYLAND				
Baltimore (Belait Rd).........	2,743	1962	1962	26-33 Years
Baltimore (Towson)............	1,931	1968	1968	19-40 Years
Baltimore (Dundalk)...........	2,301	1966	1966	16-40 Years
Glen Burnie...................	1,717	1958	1958	22-33 Years

Hagerstown....................	1,239	1966	1966	13-40 Years

Total Maryland............	9,931			

CONNECTICUT				
Newington.....................	1,427	1965	1965	15-40 Years
Waterbury.....................	1,669	1969	1969	23-40 Years

Total Connecticut.........	3,096			

MASSACHUSETTS				
Chicopee......................	1,694	1969	1969	20-40 Years
Springfield(4)................	48	1993	1966	30 Years

Total Massachusetts.......	1,742			

TEXAS				
Dallas Lewisville.............	624	1989	1990	28-30 Years
Mesquite......................	1,249	1988	1990	28-30 Years
Skillman......................	1,633	1988	1990	27-30 Years

Total Texas...............	3,506			

TOTAL SHOPPING CENTERS............	121,260			

(Continued)

VORNADO REALTY TRUST
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SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C INITIAL COST TO COMPANY(1)		COLUMN D COSTS CAPITALIZED	COLUMN E GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD		
DESCRIPTION	ENCUMBRANCES	LAND	BUILDINGS AND IMPROVEMENTS	SUBSEQUENT TO ACQUISITION	LAND	BUILDINGS AND IMPROVEMENTS	TOTAL(2)
WAREHOUSE/INDUSTRIAL							
NEW JERSEY							
East Brunswick................	--	--	4,772	2,844		7,616	7,616
East Hanover..................	8,210*	576	7,752	6,904	691	14,541	15,232
Edison........................	2,455*	705	2,839	1,235	704	4,075	4,779
Garfield......................	1,249	96	8,068	3,808	96	11,876	11,972
Total Warehouse/ Industrial.............	11,914	1,377	23,431	14,791	1,491	38,108	39,599
OTHER PROPERTIES							
NEW JERSEY							
Paramus.......................	1,225	--	8,345	2,201	--	10,546	10,546
Montclair.....................	--	66	470	329	66	799	865
Rahway........................	--	--	--	25	--	25	25
NEW YORK							
825 7th Ave. Manhattan........	--	--	8,870	--	--	8,870	8,870
Total Other Properties....	1,225	66	17,685	2,555	66	20,240	20,306
LEASEHOLD IMPROVEMENTS AND EQUIPMENT						9,101	9,101
TOTAL -- DECEMBER 31, 1996..............	$233,353	$51,918	$ 196,219	$140,060	$61,278	$ 336,020	$397,298

COLUMN A	COLUMN F	COLUMN G	COLUMN H	COLUMN I
DESCRIPTION	ACCUMULATED DEPRECIATION AND AMORTIZATION	DATE OF CONSTRUCTION(3)	DATE ACQUIRED	LIFE ON WHICH DEPRECIATION IN LATEST INCOME STATEMENT IS COMPUTED
WAREHOUSE/INDUSTRIAL				
NEW JERSEY				
East Brunswick................	3,645	1972	1972	19-40 Years
East Hanover..................	8,159	1963-1967	1963	5-40 Years
Edison........................	1,821	1954	1982	17-25 Years
Garfield......................	8,088	1942	1959	17-33 Years
Total Warehouse/ Industrial.............	21,713			
OTHER PROPERTIES				
NEW JERSEY				
Paramus.......................	2,361	1967	1987	33-40 Years
Montclair.....................	488	1972	1972	15 Years
Rahway........................	23	1972	1972	14 Years
NEW YORK				
825 7th Ave. Manhattan........	129	1963	1996	39 Years
Total Other Properties....	3,001			
LEASEHOLD IMPROVEMENTS AND EQUIPMENT	5,075			3-20 Years
TOTAL -- DECEMBER 31, 1996..............	$151,049			

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* These encumbrances are cross collateralized under a blanket mortgage in the amount of $227,000,000 at December 31, 1996.

Notes
(1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to the date -- See Column H.

(2) Aggregate cost is approximately the same for Federal income tax purposes.

(3) Date of original construction -- many properties have had substantial renovation or additional construction -- see Column D.

(4) Building on these properties were demolished in 1993. As a result, the cost of the buildings and improvements, net of accumulated depreciation, were transferred to land. In addition, the cost of the land in Kearny is net of a $1,615,000 insurance recovery.

VORNADO REALTY TRUST
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SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation:

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
REAL ESTATE			
Balance at beginning of period	$ 382,476	$ 365,832	$ 340,415
Additions during the period:			
Land	--	161	989
Buildings & improvements	14,822	16,635	24,428
	397,298	382,628	365,832
Less: Cost of assets written-off	--	152	--
Balance at end of period	$ 397,298	$ 382,476	$ 365,832
ACCUMULATED DEPRECIATION			
Balance at beginning of period	$ 139,495	$ 128,705	$ 118,742
Additions charged to operating expenses	11,589	10,790	9,963
	151,084	139,495	128,705
Less: Accumulated depreciation on assets written-off	35	--	--
Balance at end of period	$ 151,049	$ 139,495	$ 128,705