UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: **December 31, 2005**

OR

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

For the transition period from **to**

Commission File Number: **1-11954**

VORNADO REALTY TRUST
(Exact name of Registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**22-1657560** (I.R.S. Employer Identification Number)
888 Seventh Avenue, New York, New York (Address of Principal Executive Offices)	**10019** (Zip Code)

Registrant's telephone number including area code: **(212) 894-7000**

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
Series A Convertible Preferred Shares of beneficial interest, no par value	New York Stock Exchange
Cumulative Redeemable Preferred Shares of beneficial interest, no par value:	
8.5% Series B	New York Stock Exchange
8.5% Series C	New York Stock Exchange
7.0% Series E	New York Stock Exchange
6.75% Series F	New York Stock Exchange
6.625% Series G	New York Stock Exchange
6.75% Series H	New York Stock Exchange
6.625% Series I	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act. YES ☒ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. YES o NO ☒

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

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2). Large Accelerated Filer ☒ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) YES o NO ☒

Aggregate market value of the voting and non-voting common 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 Form 10-K at June 30, 2005 was $8,564,660,000.

As of February 1, 2006, there were 141,265,318 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 18, 2006.

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(1) These items are omitted in part or in whole because the registrant will file a definitive Proxy Statement pursuant to Regulation 14A under the Securities Exchange Act of 1934 for the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 2005, portions of which are incorporated by reference herein. See "Executive Officers of the Registrant" on page 52 of this Annual Report on Form 10-K for information relating to executive officers.

FORWARD LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans" "would," "may" or other similar expressions in this Annual Report on Form 10-K. In addition, references to our budgeted amounts are forward looking statements. These forward-looking statements represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. For further discussion of these factors see "Item 1A. Risk Factors" in this annual report on Form 10-K.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

THE COMPANY

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT") and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). All references to "We," "Us," "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 89.4% of the common limited partnership interest in, the Operating Partnership at December 31, 2005.

The Company currently owns directly or indirectly:

Office Properties:

(i) all or portions of 111 office properties aggregating approximately 30.7 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington D.C. and Northern Virginia area;

Retail Properties:

(ii) 111 retail properties in nine states and Puerto Rico aggregating approximately 16.2 million square feet, including 3.1 million square feet owned by tenants on land leased from the Company;

Merchandise Mart Properties:

(iii) 10 properties in six states aggregating approximately 9.5 million square feet of showroom and office space, including the 3.4 million square foot Merchandise Mart in Chicago;

Temperature Controlled Logistics:

(iv) a 47.6% interest in Americold Realty Trust which owns and operates 85 cold storage warehouses nationwide;

Toys "R" Us, Inc.:

(v) a 32.95% interest in Toys "R" Us, Inc. which owns and/or operates 1,204 stores worldwide, including 587 toys stores and 242 Babies "R" Us stores in the United States and 306 toy stores internationally;

Other Real Estate Investments:

(vi) 33% of the outstanding common stock of Alexander's, Inc. (NYSE: ALX) which has six properties in the greater New York metropolitan area;

(vii) the Hotel Pennsylvania in New York City consisting of a hotel portion containing 1.0 million square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;

(viii) a 15.8% interest in The Newkirk Master Limited Partnership (the limited partnership units are exchangeable on a one-for-one basis into common shares of Newkirk Realty Trust (NYSE: NKT) after an IPO blackout period that expires on November 7, 2006) which owns office, retail and industrial properties net leased primarily to credit rated tenants, and various debt interests in such properties;

(ix) mezzanine loans to real estate related companies; and

(x) interests in other real estate including an 11.3% interest in GMH Communities L.P. (the limited partnership units are exchangeable on a one-for-one basis into common shares of GMH Communities Trust (NYSE: GCT)) which owns and manages student and military housing properties throughout the United States; seven dry warehouse/industrial properties in New Jersey containing approximately 1.5 million square feet; other investments and marketable securities.

OBJECTIVES AND STRATEGY

Our business objective is to maximize shareholder value. We intend to achieve this objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, D.C., where we believe there is high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Investing in fully-integrated operating companies that have a significant real estate component;
- Developing and redeveloping our existing properties to increase returns and maximize value; and
- Providing specialty financing to real estate related companies.

We expect to finance our growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets.

2005 ACQUISITIONS AND INVESTMENTS

Beverly Connection

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, located in Los Angeles, California for $10,700,000 in cash. The Company also provided the venture with a $59,500,000 first mortgage loan which bore interest at 10% through its scheduled maturity in February 2006 and $35,000,000 of preferred equity yielding 13.5% for up to a three-year term, which is subordinate to $37,200,000 of other preferred equity and debt. On February 11, 2006, $35,000,000 of the Company's loan to the venture was converted to additional preferred equity on the same terms as the Company's existing preferred equity. The balance of the loan of $24,500,000 was extended to April 11, 2006 and bears interest at 10%. The shopping center is anchored by CompUSA, Old Navy and Sports Chalet. The venture is redeveloping the existing retail and plans, subject to governmental approvals, to develop residential condominiums and assisted living facilities.

Westbury Retail Condominium

On May 20, 2005, the Company acquired the retail condominium of the former Westbury Hotel in Manhattan, consisting of the entire block front on Madison Avenue between 69th Street and 70th Street, for $113,000,000 in cash. Simultaneously with the closing, the Company placed an $80,000,000 mortgage loan on the property bearing interest at 5.292% and maturing in 2018. The remaining portion of the purchase price was funded as part of a Section 1031 tax-free "like-kind" exchange with a portion of the proceeds from the sale of the 400 North LaSalle Residential Tower in April 2005. The property contains approximately 17,000 square feet and is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018.

Bowen Building

On June 13, 2005, the Company acquired the 90% that it did not already own of the Bowen Building, a 231,000 square foot class A office building located at 875 15th Street N.W. in the Central Business District of Washington, D.C. The purchase price was $119,000,000, consisting of $63,000,000 in cash and $56,000,000 of existing mortgage debt, which bears interest at LIBOR plus 1.5%, (5.66% as of December 31, 2005) and is due in February 2007.

H Street Building Corporation ("H Street")

On July 20, 2005, the Company acquired H Street, which owns directly or indirectly through stock ownership in corporations, a 50% interest in real estate assets located in Pentagon City, Virginia, including 34 acres of land leased to various residential and retail operators, a 1,670 unit apartment complex, 10 acres of land and two office buildings located in Washington, D.C. containing 577,000 square feet. The purchase price was approximately $246,600,000, consisting of $194,500,000 in cash and $52,100,000 for the Company's pro rata share of existing mortgage debt.

On July 22, 2005, two corporations 50% owned by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that the Company encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of the Company's acquisition of H Street. In addition, on July 29, 2005, a tenant under a ground lease with one of these corporations brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the Company's acquisition of H Street violated a provision giving them a right of first offer and on that basis seeks a rescission of the Company's acquisition and the right to acquire H Street for the price paid by the Company. On September 12, 2005, the Company filed a complaint against each of these corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. These legal actions are currently in the discovery stage. The Company believes that the actions filed against the Company are without merit and that it will ultimately be successful in defending against them.

Toys "R" Us, Inc. ("Toys")

On July 21, 2005, a joint venture owned equally by the Company, Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys for $26.75 per share in cash or approximately $6.6 billion. In connection therewith, the Company invested $428,000,000 of the $1.3 billion of equity in the venture, consisting of $407,000,000 in cash and $21,000,000 in Toys common shares held by the Company.

On August 29, 2005, the Company acquired $150,000,000 of the $1.9 billion one-year senior unsecured bridge loan financing provided to Toys. The loan is senior to the acquisition equity of $1.3 billion and $1.6 billion of existing debt. The loan bears interest at LIBOR plus 5.25% (9.43% as of December 31, 2005) not to exceed 11% and provides for an initial .375% placement fee and additional fees of .375% at the end of three and six months if the loan has not been repaid. The loan is prepayable at any time without penalty. On December 9, 2005, $73,184,000 of this loan was repaid to the Company.

On January 9, 2006, Toys announced plans and is in the process of closing 87 Toys "R" Us stores in the United States, of which twelve stores will be converted into Babies "R" Us stores, five leased properties are expiring and one has been sold. Vornado is handling the leasing and disposition of the real estate of the remaining 69 stores. As a result of the store-closing program, Toys will incur restructuring and other charges aggregating approximately $155,000,000 before tax, which includes $45,000,000 for the cost of liquidating inventory. Of this amount, approximately $99,000,000 will be recorded in Toys' fourth quarter ending January 28, 2006 and $56,000,000 will be recorded in the first quarter of their next fiscal year. These estimated amounts are preliminary and remain subject to change. The Company's 32.95% share of the $155,000,000 charge is $51,000,000, of which $36,000,000 will have no income statement effect as a result of purchase price accounting and the remaining portion relating to the cost of liquidating the inventory of approximately $9,000,000 after-tax, will be recorded as an expense in the first quarter of 2006.

40 East 66th Street

On July 25, 2005, the Company acquired a property located at Madison Avenue and East 66 th Street in Manhattan for $158,000,000 in cash. The property contains 37 rental apartments with an aggregate of 85,000 square feet, and 10,000 square feet of retail space.

220 Central Park South

On August 26, 2005, a joint venture in which the Company has a 90% interest acquired a property located at 220 Central Park South in Manhattan for $136,550,000. The Company and its partner invested cash of $43,400,000 and $4,800,000, respectively, in the venture to acquire the property. The venture obtained a $95,000,000 mortgage loan that bears interest at LIBOR plus 3.50% (8.04% as of December 31, 2005) and matures in August 2006, with two six-month extensions. The property contains 122 rental apartments with an aggregate of 133,000 square feet and 5,700 square feet of commercial space.

Investment in Sears, Roebuck and Co. ("Sears")

In July and August 2004, the Company acquired an aggregate of 1,176,600 common shares of Sears, Roebuck and Co. ("Sears") for $41,945,000, an average price of $35.65 per share. On March 30, 2005, upon consummation of the merger between Sears and Kmart, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ("Sears Holdings") and $21,797,000 of cash in exchange for its 1,176,600 Sears common shares. The Sears Holdings common shares were valued at $48,143,000, based on the March 30, 2005 closing share price of $130.00. As a result the Company recognized a net gain of $27,651,000, the difference between the aggregate cost basis in the Sears shares and the market value of the total consideration received of $69,940,000. On April 4, 2005, 99,393 of the Company's Sears Holdings common shares with a value of $13,975,000 were utilized to satisfy a third-party participation. The remaining 270,937 Sears Holdings shares were sold in the fourth quarter of 2005 at a weighted average sales price of $125.83 per share, which resulted in a net loss on disposition of $1,137,000, based on the March 30, 2005 adjusted cost basis of $130.00 per share. The Company's net gain on its investment in these Sears shares was $26,514,000.

In August and September 2004, the Company acquired an economic interest in an additional 7,916,900 Sears common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on Sears common shares. These call and put options had an initial weighted-average strike price of $39.82 per share, or an aggregate of $315,250,000, expire in April 2006 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income.

On March 30, 2005, as a result of the merger between Sears and Kmart and pursuant to the terms of the contract, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holdings valued at $323,936,000 based on the then closing share price of $130.00 and $146,663,000 of cash. As a result, the Company recognized a net gain of $58,443,000 based on the fair value of the derivative position on March 30, 2005. During the fourth quarter of 2005, 402,660 of the common shares were sold at a weighted average sales price of $123.77 per share. In accordance with the derivative agreements, the proceeds from these sales will remain in the derivative position until the entire position is settled or until expiration in April 2006. Based on Sears Holdings' closing share price on December 31, 2005 of $115.53, the remaining shares in the derivative position have a market value of $241,361,000, which together with cash of $196,499,000 aggregates $437,860,000. In the period from March 31, 2005 through December 31, 2005, the Company recorded an expense of $43,475,000 from the derivative position, which consists of (i) $30,230,000 from the mark-to-market of the remaining shares in the derivative based on Sears Holdings $115.53 closing share price on December 31, 2005, (ii) $2,509,000 for the net loss on the shares sold based on a weighted average sales price of $123.77 and (iii) $10,736,000 resulting primarily from the increase in the strike price at an annual rate of LIBOR plus 45 basis points.

The Company's aggregate net income recognized on the owned shares and the derivative position from inception to December 31, 2005 was $124,266,000.

Investment in Sears Canada Inc. ("Sears Canada")

In connection with the Company's investment in Sears Holdings Corporation, the Company acquired 7,500,000 common shares of Sears Canada between February and September of 2005 for an aggregate cost of $143,737,000, or $19.16 per share. On December 16, 2005, Sears Canada paid a special dividend, of which Vornado's share was $120,500,000. As a result, the Company recognized $22,885,000 of income in the fourth quarter of 2005 (in addition to the unrecognized gain of $53,870,000 discussed below) and paid a $.77 special cash dividend on December 30, 2005 to shareholders of record on December 27, 2005. The Company accounts for its investment in Sears Canada as a marketable equity security classified as available-for-sale. Accordingly, the common shares are marked-to-market on a quarterly basis through "Accumulated Other Comprehensive Income" on the balance sheet. At December 31, 2005, based on a closing share price of $15.47, the unrecognized gain in Accumulated Other Comprehensive Income is $53,870,000.

Investment in McDonald's Corporation ("McDonalds") (NYSE: MCD)

In July 2005, the Company acquired an aggregate of 858,000 common shares of McDonalds for $25,346,000, an average price of $29.54 per share. These shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as "available for sale." Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in "accumulated other comprehensive income" in the shareholders' equity section of the Company's consolidated balance sheet and not recognized in income. At December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, $3,585,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income."

During the three months ended September 30, 2005, the Company acquired an economic interest in an additional 14,565,000 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. These call and put options have an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. During the year ended December 31, 2005, the Company recorded net income of $17,254,000, comprised of (i) $15,239,000 from the mark-to-market of the options on December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, (ii) $9,759,000 of dividend income, partially offset by (iii) $7,744,000 for the increase in strike price resulting from the LIBOR charge.

Based on McDonalds' most recent filing with the Securities and Exchange Commission, the Company's aggregate investment in McDonalds represents 1.2% of McDonalds' outstanding common shares.

Broadway Mall

On December 27, 2005, the Company acquired the Broadway Mall, located on Route 106 in Hicksville, Long Island, New York, for $152,500,000, consisting of $57,600,000 in cash and $94,900,000 of existing mortgage debt. The mall contains 1.2 million square feet, of which 1.0 million is owned by the Company, and is anchored by Macy's, Ikea, Multiplex Cinemas and Target.

Warner Building

On December 27, 2005, the Company acquired the 95% interest that it did not already own in the Warner Building, a 560,000 square foot class A office building located at 1299 Pennsylvania Avenue three blocks from the White House. The purchase price was approximately $319,000,000, consisting of $170,000,000 in cash and $149,000,000 of existing mortgage and other debt.

Rosslyn Plaza

On December 20, 2005, the Company acquired a 46% partnership interest in, and became co-general partner of, partnerships that own a complex in Rosslyn, Virginia, containing four office buildings with an aggregate of 714,000 square feet and two apartment buildings containing 195 rental units. The consideration for the acquisition consisted of 734,486 newly issued Vornado Realty L.P. partnership units (valued at $61,814,000) and $27,300,000 of its pro-rata share of existing debt. Of the partnership interest acquired, 19% was from Robert H. Smith and Robert P. Kogod, trustees of Vornado, and their family members, representing all of their interest in the partnership.

Boston Design Center

On December 28, 2005, the Company acquired the Boston Design Center, which contains 552,500 square feet and is located in South Boston, for $96,000,000, consisting of $24,000,000 in cash and $72,000,000 of existing mortgage debt. The Boston Design Center is operated by the Company's Merchandise Mart division.

Springfield Mall

On January 31, 2006, the Company closed on an option to purchase the 1.4 million square foot Springfield Mall which is located on 79 acres at the intersection of Interstate 95 and Franconia Road in Springfield, Fairfax County, Virginia, and is anchored by Macy's, and J.C. Penney and Target, who own their stores aggregating 389,000 square feet. The purchase price for the option was $35,600,000, of which the Company paid $14,000,000 in cash at closing and the remainder of $21,600,000 will be paid in installments over four years. The Company intends to redevelop, reposition and re-tenant the mall and has committed to spend $25,000,000 in capital expenditures over a six-year period from the closing of the option agreement. The option becomes exercisable upon the passing of one of the existing principals of the selling entity and may be deferred at the Company's election through November 2012. Upon exercise of the option, the Company will pay $80,000,000 to acquire the mall, subject to the existing mortgage of $180,000,000, which will be amortized to $149,000,000 at maturity in 2013. Upon closing of the option on January 31, 2006, the Company acquired effective control of the mall, including management of the mall and right to the mall's net cash flow. Accordingly, the Company will consolidate the accounts of the mall into its financial position and results of operations pursuant to the provisions of FIN 46R. The Company has a 2.5% minority partner in this transaction.

Other

In addition to the acquisitions and investments described above, the Company made $281,500,000 of other acquisitions and investments during 2005, which are summarized below:

(Amounts in thousands)	Amount	Segment
Dune Capital L.P. (5.4% interest)	$ 50,000	Other
Wasserman Joint Venture (95% interest)	49,400	Other
692 Broadway, New York, NY	28,500	Retail
South Hills Mall, Poughkeepsie, NY	25,000	Retail
Rockville Town Center, Rockville, MD	24,800	Retail
211-217 Columbus Avenue, New York, NY	24,500	Retail
1750-1780 Gun Hill Road, Bronx, NY	18,000	Retail
TCG Urban Infrastructure Holdings Limited, India (25% interest)	16,700	Other
42 Thompson Street, New York, NY	16,500	Office
Verde Group LLC (5% interest)	15,000	Other
Other	13,100	Other
	$ 281,500	

2005 DISPOSITIONS

400 North LaSalle

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for $126,000,000, which resulted in a net gain on sale of $31,614,000. All of the proceeds from the sale were reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031 of the Internal Revenue Code.

3700 Las Vegas Boulevard

On December 30, 2005, the Company sold its $3,050,000 senior preferred equity in 3700 Associates LLC, which owns 3700 Las Vegas Boulevard, a development land parcel, and recognized a net gain of $12,110,000. In addition, the purchaser repaid the Company's $5,000,000 senior mezzanine loan to the venture.

2005 MEZZANINE LOAN ACTIVITY

On January 7, 2005, all of the outstanding General Motors Building loans aggregating $275,000,000 were repaid. In connection therewith, the Company received a $4,500,000 prepayment premium and $1,996,000 of accrued interest and fees through January 14, 2005, which is included in "interest and other income" on the Company's consolidated statement of income for the year ended December 31, 2005.

On February 3, 2005, the Company made a $135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). The terms of the financings are as follows: (i) $60,000,000 of a $325,000,000 mezzanine tranche of a $2,400,000,000 credit facility secured by certain equity interests and which is junior to $1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25% (9.64% as of December 31, 2005) and matures in February 2008 with two one-year extensions; and (ii) $75,000,000 of $400,000,000 of unsecured notes which are subordinate to the $2,400,000,000 credit facility and senior to over $700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On April 7, 2005, the Company made a $108,000,000 mezzanine loan secured by The Sheffield, a 684,500 square foot mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to $378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (12.14% at December 31, 2005).

On May 11, 2005, the Company's $83,000,000 loan to Extended Stay America was repaid.

On December 7, 2005, the Company made a $42,000,000 mezzanine loan secured by The Manhattan House, a 780,000 square foot mixed-use residential property in Manhattan containing 583 apartments, 45,000 square feet of retail space and an underground parking garage. The loan is subordinate to $630,000,000 of other debt, matures in November 2007 with two one-year extensions and bears interest at LIBOR plus 6.25% (10.64% at December 31, 2005).

DEVELOPMENT AND REDEVELOPMENT PROJECTS

The Company is currently engaged in various development/redevelopment projects for which it has budgeted approximately $718.5 million. Of this amount, $10.0 million was expended prior to 2005, $117.5 million was expended in 2005 and $228.0 million is estimated to be expended in 2006. Below is a description of these projects.

($ in millions)	Estimated Completion Date	Estimated Project Cost		The Company's Share of Costs Expended in Year Ended December 31, 2005		Estimated Costs to Complete	
In Progress:							
New York City Office:							
1740 Broadway and 888 7th Avenue – lobby renovations	2007	$	22.5	$	1.6	$	20.9
Washington, D.C. Office:							
Crystal City - U.S. Government Patent and Trade Office ("PTO") (see details below):							
(i) Renovation of buildings	2006-2007		67.0		35.3		31.3
(ii) Cost to retenant	2006-2007		69.0		14.7		55.0
(iii) Redevelopment of Crystal Plaza Two office space to residential (subject to governmental approvals)	2009		92.0		2.9		88.5
2101 L Street office building – complete rehabilitation of existing building including curtain wall, mechanical systems and lobbies	2007		71.0		0.2		70.8
Retail:							
Green Acres Mall – interior and exterior renovation, construction of an additional 100,000 square feet of free-standing retail space, parking decks and site-work and tenant improvements for B.J.'s Wholesale who will construct its own store	2007		84.0		11.0		73.0
Bergen Mall – interior and exterior renovation of existing space, demolition of 300,000 square feet and construction of 580,000 square feet of retail space and a parking deck (subject to governmental approvals)	2008		171.0		11.7		157.6
Strip shopping centers and malls – redevelopment of fifteen properties	2006-2007		85.0		13.5		63.5
Beverly Connection (50% interest) – interior and exterior renovations to existing retail space	2007		24.0		6.1		17.9
Merchandise Mart:							
Redevelopment of 7 West 34th Street office space to permanent showroom space for Gift industry manufacturers and wholesalers	2006		33.0		20.5		12.5
		$	718.5	$	117.5	$	591.0

During 2004 and 2005, the PTO vacated approximately 1,864,000 square feet in the Company's Crystal City office buildings and will vacate an additional 75,000 square feet in the first quarter of 2006. The Company plans to redevelop certain of these buildings, including Crystal Plaza Two, Three and Four, which have been taken out of service. Crystal Plaza Two, subject to governmental approvals, will be converted from a 13-story office building, containing 181,000 square feet, to a 19-story, 256 unit, residential tower containing 265,000 rentable/saleable square feet, at an estimated cost of $85,000,000 to $92,000,000. Renovations to Crystal Plaza Three and Four include new mechanical systems, restrooms, lobbies and corridors. The renovations to Crystal Plaza Three and Four are expected to be completed by the end of 2006 at an approximate cost of $65,900,000. Renovations to the remaining office buildings not taken out of service include common area and exterior renovations. See Item II — Properties for details of the lease up of the PTO space.

In addition, to the projects noted above, on July 19, 2005 a joint venture, owned 50% by the Company, entered into a Memorandum of Understanding and has been conditionally designated as the developer to convert a portion of the Farley Post Office in Manhattan into the new Moynihan Train Station. The plans for the Moynihan Station project involve 300,000 square feet for a new transportation facility to be financed with public funding, as well as 850,000 square feet of commercial space and up to 1,000,000 square feet of air rights intended to be transferred to an adjacent site. The commercial space is currently anticipated to include a variety of retail uses, restaurants, a boutique hotel and merchandise mart space. The joint venture is also considering alternate variations of this project, which may include a sports arena, which would give rise to a much larger scale redevelopment opportunity.

The Company is also in the pre-development phase of other real estate projects for which final plans and budgeted costs have yet to be determined. Such projects include: (i) redeveloping certain shopping malls, including the South Hills and Springfield Malls, (ii) redeveloping and expanding retail space in the Penn Plaza area, (iii) converting an industrial warehouse in Garfield, New Jersey to 500,000 square feet of retail space, (iv) converting residential apartment buildings to condominiums, including 220 Central Park South and 40 East 66th Street, (v) redeveloping certain assets in the SoHo area of Manhattan, and (vi) redeveloping and expanding the Beverly Connection shopping center in Los Angeles, California to include residential condominium units and assisted living facilities.

There can be no assurance that any of the above projects will commence or be completed on schedule or on budget.

FINANCING ACTIVITIES

On August 10, 2005, the Company sold 9,000,000 common shares at a price of $86.75 per share for gross proceeds of $780,750,000 in a public offering pursuant to an effective registration statement. During 2005, the Company issued $382,500,000 of Cumulative Redeemable Preferred Shares at a weighted average rate of 6.66% and $100,000,000 Cumulative Redeemable Preferred Units of the Operating Partnership at a weighted average rate of 6.75% and redeemed $115,000,000 and $697,000,000 of outstanding Cumulative Redeemable Preferred Shares and Units with a weighted average rate of 8.50% and 8.25%, respectively. The Company also completed property level financings of $543,600,000 and issued $500,000,000 of 3.875% exchangeable senior debentures due 2025.

On February 16, 2006, the Company completed a public offering of $250,000,000 principal amount of 5.60% senior unsecured notes due 2011 pursuant to an effective registration statement. The net proceeds from this offering, after underwriters' discount, were $248,265,000.

The Company may seek to obtain additional capital through equity offerings, debt financings or asset sales, although there is no express policy with respect thereto. The Company may also offer its shares or Operating Partnership units in exchange for property and may repurchase or otherwise re-acquire its shares or any other securities in the future.

SEASONALITY

The Company's revenues and expenses are subject to seasonality during the year which impacts quarter-by-quarter net earnings, cash flows and funds from operations. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which the Company records on a one-quarter lag basis in its first quarter, accounts for more than 80% of Toys' fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the third quarter of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income. The Temperature Controlled Logistics segment has experienced higher earnings in the fourth quarter due to higher activity and occupancy in its warehouse operations due to the holiday season's impact on the food industry.

TENANTS ACCOUNTING FOR OVER 10% OF REVENUES

None of the Company's tenants represented more than 10% of total revenues for the year ended December 31, 2005.

ENVIRONMENTAL REGULATIONS

The Company's operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment including air and water quality, hazardous or toxic substances and health and safety. Under certain of these environmental laws a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair the Company's ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. The Company is also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. The Company could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure at or from the Company's properties.

Each of the Company's properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any environmental condition material to the Company's business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to the Company.

COMPETITION

The Company's business segments – Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, and Toys "R" Us, as well as its other investments, operate in highly competitive environments. The Company has a large concentration of properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. The Company competes with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location, the quality of the property and breadth and quality of services provided. The Company's success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. The Company's interest in Toys "R" Us will also be affected by competition from discount and mass merchandisers.

CERTAIN ACTIVITIES

Acquisitions and investments are not required to be based on specific allocation by type of property. The Company has historically held its properties for long-term investment; however, it is possible that properties in the portfolio may be sold in whole or in part, as circumstances warrant, from time to time. Further, the Company has not adopted a policy that limits the amount or percentage of assets which would be invested in a specific property. While the Company may seek the vote of its shareholders in connection with any particular material transaction, generally the Company's activities are reviewed and may be modified from time to time by its Board of Trustees without the vote of shareholders.

EMPLOYEES

As of December 31, 2005, the Company and its majority-owned subsidiaries had approximately 3,015 employees, of which 269 were corporate staff. The Office segment had 107 employees and 1,286 employees of Building Maintenance Services, a wholly-owned subsidiary. The Retail segment, the Merchandise Mart segment, the Washington D.C. Office segment and the Hotel Pennsylvania had 71, 511, 190 and 524 employees, respectively. The forgoing does not include employees of partially-owned entities, including 6,459 Americold Realty Trust employees and 79,872 Toys "R" Us, Inc. employees.

SEGMENT DATA

The Company operates in five business segments: Office Properties, Retail Properties, Merchandise Mart Properties, Temperature Controlled Logistics and Toys "R" Us.

The Merchandise Mart segment has trade show operations in Canada. The Temperature Controlled Logistics segment manages one warehouse in Canada. The Toys segment operates in 306 locations internationally. In addition, the Company has a 25% equity investment in TCG Urban Infrastructure Holdings in India, which is included in the Other segment. Information related to the Company's business segments for the years 2005, 2004 and 2003 is set forth in Note 19 - Segment Information to the Company's consolidated financial statements in this annual report on Form 10-K.

PRINCIPAL EXECUTIVE OFFICES

The Company's principal executive offices are located at 888 Seventh Avenue, New York, New York 10019; telephone (212) 894-7000.

MATERIALS AVAILABLE ON OUR WEBSITE

Copies of the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as well as Reports on Forms 3, 4 and 5 regarding officers, trustees or 10% beneficial owners of the Company, filed or furnished pursuant to Section 13(a), 15(d) or 16(a) of the Securities Exchange Act of 1934 are available free of charge through our website (www.vno.com) as soon as reasonably practicable after it is electronically filed with, or furnished to, the Securities and Exchange Commission. We also have made available on our website copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website.

ITEM 1A. RISK FACTORS

Set forth below are material factors that may adversely affect our business and operations.

Real Estate Investments' Value and Income Fluctuate Due to Various Factors.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also limit our revenues and available cash.

The factors that affect the value of our real estate include, among other things:

- national, regional and local economic conditions;
- consequences of any armed conflict involving, or terrorist attack against, the United States;
- our ability to secure adequate insurance;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- competition from other available space;
- whether tenants and users such as customers and shoppers consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- whether we are able to pass some or all of any increased operating costs through to tenants;
- how well we manage our properties;
- fluctuations in interest rates;
- changes in real estate taxes and other expenses;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- changes in taxation or zoning laws;
- government regulation;
- Vornado Realty Trust's failure to continue to qualify as a real estate investment trust;
- availability of financing on acceptable terms or at all;
- potential liability under environmental or other laws or regulations; and
- general competitive factors.

The rents we receive and the occupancy levels at our properties may decline as a result of adverse changes in any of these factors. If our rental revenues decline, we generally would expect to have less cash available to pay our indebtedness and distribute to our shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

We depend on leasing space to tenants on economically favorable terms and collecting rent from our tenants, who may not be able to pay.

Our financial results depend significantly on leasing space in our properties to tenants on economically favorable terms. In addition, because a substantial majority of our income comes from renting of real property, our income, funds available to pay indebtedness and funds available for distribution to our shareholders will decrease if a significant number of our tenants cannot pay their rent or if we are not able to maintain our levels of occupancy on favorable terms. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal costs.

Bankruptcy or insolvency of tenants may decrease our revenues and available cash.

From time to time, some of our tenants have declared bankruptcy, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property at which it leases space may have lower revenues and operational difficulties. In the case of our shopping centers, the bankruptcy or insolvency of a major tenant could cause us to have difficulty leasing the remainder of the affected property. Our leases generally do not contain restrictions designed to ensure the creditworthiness of our tenants. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of net income and funds available for distribution to our shareholders or the payment of our indebtedness.

Real estate is a competitive business.

Our business segments – Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, Toys "R" Us and Other – operate in highly competitive environments. We have a large concentration of properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. We compete with a large number of real estate property owners and developers, some of which may be willing to accept lower returns on their investments. Principal factors of competition are rent charged, attractiveness of location, the quality of the property and breadth and quality of services provided. Our success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

We may incur costs to comply with environmental laws.

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure at or from our properties.

Each of our properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not, as of this date, reveal any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us.

Some of our potential losses may not be covered by insurance.

We carry comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) "acts of terrorism" as defined in the Terrorism Risk Insurance Extension Act of 2005, which expires in 2007 and (v) rental loss insurance) with respect to our assets. Below is a summary of the current all risk property insurance and terrorism risk insurance in effect though September 2006 for each of the following business segments:

	Coverage Per Occurrence	
	All Risk (1)	Sub-Limits for Acts of Terrorism
New York City Office	$ 1,400,000,000	$ 750,000,000
Washington, D.C. Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, we carry lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Extension Act of 2005. To the extent that we incur losses in excess of our insurance coverage, these losses would be borne by us and could be material.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), Vornado Realty L.P.'s senior unsecured notes due 2007, 2009 and 2010, exchangeable senior debentures due 2025 and our revolving credit agreement, contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain, or if the Terrorism Risk Insurance Extension of 2005 is not extended past 2007, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

Because we operate one hotel property, we face the risks associated with the hospitality industry.

We own the Hotel Pennsylvania in New York City. If the hotel does not generate sufficient receipts, our cash flow would be decreased, which could reduce the amount of cash available for distribution to our shareholders. The following factors, among others, are common to the hotel industry, and may reduce the revenues generated by our hotel property:

- our hotel competes for guests with other hotels, a number of which have greater marketing and financial resources;
- if there is an increase in operating costs resulting from inflation and other factors, we may not be able to offset such increase by increasing room rates;
- our hotel is subject to the fluctuating and seasonal demands of business travelers and tourism;
- our hotel is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism; and
- physical condition, which may require substantial additional capital.

Because of the ownership structure of our hotel, we face potential adverse effects from changes to the applicable tax laws.

Under the Internal Revenue Code, REITs like us are not allowed to operate hotels directly or indirectly. Accordingly, we lease The Hotel Pennsylvania to our taxable REIT subsidiary, or TRS. While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the hotel at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to TRS's are modified, we may be forced to modify the structure for owning the hotel, and such changes may adversely affect the cash flows from the hotel. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from the hotel.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. From time to time persons have asserted claims against us with respect to some of our properties under this Act, but to date such claims have not resulted in any material expense or liability. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our shareholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Our Investments Are Concentrated in the New York and Washington D.C. Metropolitan Areas. Circumstances Affecting These Areas Generally Could Adversely Affect Our Business.

A significant portion of our properties are in the New York City/New Jersey and Washington, D.C. metropolitan areas and are affected by the economic cycles and risks inherent to those areas.

During 2005, approximately 73% of our EBITDA excluding items that affect comparability, came from properties located in New Jersey and the New York City and Washington, D.C. metropolitan areas. In addition, we may continue to concentrate a significant portion of our future acquisitions in New Jersey and the New York City and Washington, D.C. metropolitan areas. Like other real estate markets, the real estate markets in these areas have experienced economic downturns in the past, and we cannot predict how economic conditions will impact these markets in both the short and long term. Declines in the economy or a decline in the real estate markets in these areas could hurt our financial performance and the value of our properties. The factors affecting economic conditions in these regions include:

- space needs of the United States Government, including the effect of base closures and repositioning under the Defense Base Closure and Realignment Act of 1990, as amended;
- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- financial performance and productivity of the publishing, advertising, financial, technology, retail, insurance and real estate industries;
- infrastructure quality; and
- any oversupply of, or reduced demand for, real estate.

It is impossible for us to assess the future effects of the current uncertain trends in the economic and investment climates of the New York City/New Jersey and Washington, D.C. regions, and more generally of the United States, or the real estate markets in these areas. If these conditions persist or if there is any local, national or global economic downturn, our businesses and future profitability may be adversely affected.

Terrorist attacks, such as those of September 11, 2001 in New York City and the Washington, D.C. area, may adversely affect the value of our properties and our ability to generate cash flow.

We have significant investments in large metropolitan areas, including the New York, Washington, D.C. and Chicago metropolitan areas. In the aftermath of any terrorist attacks, tenants in these areas may choose to relocate their businesses to less populated, lower-profile areas of the United States that may be perceived to be less likely targets of future terrorist activity and fewer customers may choose to patronize businesses in these areas. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease our properties on less favorable terms. As a result, the value of our properties and the level of our revenues could decline materially.

We May Acquire or Sell Additional Assets or Develop Additional Properties. Our Failure or Inability to Consummate These Transactions or Manage the Results of These Transactions Could Adversely Affect Our Operations and Financial Results.

We have grown rapidly through acquisitions. We may not be able to maintain this rapid growth and our failure to do so could adversely affect our stock price.

We have experienced rapid growth in recent years, increasing our total assets from approximately $565 million at December 31, 1996 to approximately $13.6 billion at December 31, 2005. We may not be able to maintain a similar rate of growth in the future or manage our growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to pay dividends to our shareholders.

We may acquire or develop properties or acquire other real estate related companies and this may create risks.

We may acquire or develop properties or acquire other real estate related companies when we believe that an acquisition or development is consistent with our business strategies. We may not, however, succeed in consummating desired acquisitions or in completing developments on time or within budget. In addition, we may face competition in pursuing acquisition or development opportunities that could increase our costs. When we do pursue a project or acquisition, we may not succeed in leasing newly developed or acquired properties at rents sufficient to cover their costs of acquisition or development and operations. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention. Acquisitions or developments in new markets or industries where we do not have the same level of market knowledge may result in poorer than anticipated performance. We may also abandon acquisition or development opportunities that we have begun pursuing and consequently fail to recover expenses already incurred and have devoted management time to a matter not consummated. Furthermore, our acquisitions of new properties or companies will expose us to the liabilities of those properties or companies, some of which we may not be aware at the time of acquisition. In addition, development of our existing properties presents similar risks.

It may be difficult to buy and sell real estate quickly.

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions.

We may not be permitted to dispose of certain properties or pay down the debt associated with those properties when we might otherwise desire to do so without incurring additional costs.

As part of an acquisition of a property, including our January 1, 2002, acquisition of Charles E. Smith Commercial Realty L.P.'s 13.0 million square foot portfolio, we may agree, and in the case of Charles E. Smith Commercial Realty L.P. did agree, with the seller that we will not dispose of the acquired properties or reduce the mortgage indebtedness on them for significant periods of time unless we pay certain of the resulting tax costs of the seller. These agreements could result in our holding on to properties that we would otherwise sell and not pay down or refinance indebtedness that we would otherwise pay down or refinance.

On January 1, 2002, we completed the acquisition of the 66% interest in Charles E. Smith Commercial Realty L.P. that we did not previously own. The terms of the merger restrict our ability to sell or otherwise dispose of, or to finance or refinance, the properties formerly owned by Charles E. Smith Commercial Realty L.P., which could result in our inability to sell these properties at an opportune time and increased costs to us.

Subject to limited exceptions, we are restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in our division that manages the majority of our office properties in the Washington, D.C. metropolitan area, which we refer to as the Washington D.C. Office Division, for a period of 12 years with respect to certain properties located in the Crystal City area of Arlington, Virginia or six years with respect to an interest in the Washington D.C. Office Division. These restrictions, which currently cover approximately 13.0 million square feet of space, could result in our inability to sell these properties or an interest in the Washington D.C. Office Division at an opportune time and increase costs to us.

From time to time we make investments in companies over which we do not have sole control. Some of these companies operate in industries that differ from our current operations, with different risks than investing in real estate.

From time to time we make debt or equity investments in other companies that we may not control or over which we may not have sole control. These investments include but are not limited to: a 33% interest in Alexander's, Inc.; a 15.8% interest in The Newkirk Master Limited Partnership; a 11.3% interest in GMH Communities L.P.; a 1.3% common equity interest in Sears Holdings Corporation; a 1.2% common equity interest in McDonalds Corporation; a 7.0% common equity interest in Sears Canada, Inc.; and equity and mezzanine investments in other real estate related companies. In addition, on July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys "R" Us, Inc. Although they generally have a significant real estate component, several of these entities operate in businesses that are different from our line of business including, without limitation, operating or managing toy stores, department stores, fast food restaurants, refrigerated warehouses and student and military housing facilities. Consequently, our investment in these businesses, among other risks, subjects us to the operating and financial risks of industries other than real estate and to the risk that we do not have sole control over the operations of these businesses. From time to time we may (or may seek to) make additional investments in or acquire other entities that may subject us to additional similar risks. Our investments in entities over which we do not have sole control, including joint ventures, present additional risks such as our having differing objectives than our partners or the entities in which we invest or our becoming involved in disputes or competing with those persons. In addition, we rely on the internal controls and financial reporting controls of these entities and their failure to comply with applicable standards may adversely affect us.

We are subject to risks that affect the general retail environment.

A substantial proportion of our properties are in the retail shopping center real estate market and we have a significant investment in retailers such as Toys "R" Us, Inc. See "*Our investment in Toys "R" Us, Inc. subjects us to risks different from our other lines of business and may result in increased seasonality and volatility in our reported earnings*" below. This means that we are subject to factors that affect the retail environment generally, including the level of consumer spending and consumer confidence, the threat of terrorism and increasing competition from discount retailers, outlet malls, retail websites and catalog companies. These factors could adversely affect the financial condition of our retail tenants and the retailers in which we hold an investment and the willingness of retailers to lease space in our shopping centers.

We depend upon our anchor tenants to attract shoppers.

We own several regional malls and other shopping centers that are typically anchored by well-known department stores and other tenants who generate shopping traffic at the mall or shopping center. The value of our properties would be adversely affected if tenants or anchors failed to meet their contractual obligations, sought concessions in order to continue operations or ceased their operations. If the sales of stores operating in our properties were to decline significantly due to economic conditions, closing of anchors or for other reasons, tenants may be unable to pay their minimum rents or expense recovery charges. In the event of a default by a tenant or anchor, we may experience delays and costs in enforcing our rights as landlord.

Our investment in Toys "R" Us, Inc. subjects us to risks different from our other lines of business and may result in increased seasonality and volatility in our reported earnings.

On July 21, 2005, a joint venture that we own equally with Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys "R" Us, Inc. ("Toys"). Because Toys is a retailer, its operations subject us to the risks of a retail company that are different than those presented by our other lines of business. The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. In addition, our fiscal year ends on December 31 whereas, as is common for retailers, Toys' fiscal year ends on the Saturday nearest to January 31. Therefore, we record our pro-rata share of Toys' net income (loss) on a one quarter-lag basis. For example, our financial results for the fourth quarter ended December 31, 2005 include Toys' financial results for their third quarter ended October 29, 2005, and our financial results for the year ended December 31, 2006 will include Toys' financial results for its first, second and third quarters ended October 28, 2006, as well as Toys' fourth quarter results of 2005. Because of the seasonality of Toys, our reported net income will likely show increased volatility.

Our Organizational and Financial Structure Gives Rise to Operational and Financial Risks.

We May Not Be Able to Obtain Capital to Make Investments.

We depend primarily on external financing to fund the growth of our business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. We and other companies in the real estate industry have experienced limited availability of financing from time to time. Although we believe that we will be able to finance any investments we may wish to make in the foreseeable future, new financing may not be available on acceptable terms.

For information about our available sources of funds, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and the notes to the consolidated financial statements in this annual report on Form 10-K.

Vornado Realty Trust depends on dividends and distributions from its direct and indirect subsidiaries. The creditors and preferred security holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to Vornado Realty Trust.

Substantially all of Vornado Realty Trust's assets are held through its Operating Partnership that holds substantially all of its properties and assets through subsidiaries. The Operating Partnership depends for substantially all of its cash flow on cash distributions to it by its subsidiaries, and Vornado Realty Trust in turn depends for substantially all of its cash flow on cash distributions to it by the Operating Partnership. The creditors of each of Vornado Realty Trust's direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to its equity holders. Thus, the Operating Partnership's ability to make distributions to holders of its units depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, Vornado Realty Trust's ability to pay dividends to holders of common and preferred shares depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust.

Furthermore, the holders of preferred units of the Operating Partnership are entitled to receive preferred distributions before payment of distributions to holders of common units of the Operating Partnership, including Vornado Realty Trust. Thus, Vornado Realty Trust's ability to pay dividends to holders of its shares and satisfy its debt obligations depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to holders of preferred units and then to make distributions to Vornado Realty Trust. As of December 31, 2005, there were nine series of preferred units of the Operating Partnership not held by Vornado Realty Trust that have preference over Vornado Realty Trust common shares with a total liquidation value of $402,405,000.

In addition, Vornado Realty Trust's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency, is only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the applicable direct or indirect subsidiaries are satisfied.

We have indebtedness, and this indebtedness, and its cost, may increase.

As of December 31, 2005, we had approximately $6.3 billion in total debt outstanding. Our ratio of total debt to total enterprise value was approximately 35.6%. When we say "enterprise value" in the preceding sentence, we mean market equity value of Vornado Realty Trust's common and preferred shares plus total debt outstanding, including our pro rata share of the debt of partially-owned entities. In the future, we may incur additional debt, and thus increase our ratio of total debt to total enterprise value, to finance acquisitions or property developments. If our level of indebtedness increases, there may be an increased risk of default on our obligations that could adversely affect our financial condition and results of operations. In addition, in a rising interest rate environment, the cost of our floating rate debt and any new debt or other market rate security or instrument may increase.

Covenants in our debt instruments could adversely affect our financial condition and our acquisitions and development activities.

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured credit facility, unsecured debt securities and other loans that we may obtain in the future contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including covenants that limit our ability to incur debt based upon the level of our ratio of total debt to total assets, our ratio of secured debt to total assets, our ratio of EBITDA to interest expense, and fixed charges, and that require us to maintain a certain level of unencumbered assets to unsecured debt. Our ability to borrow under our credit facilities is subject to compliance with certain financial and other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Additionally, our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism than is available to us in the marketplace or on commercially reasonable terms.

We rely on debt financing, including borrowings under our unsecured credit facility, issuances of unsecured debt securities and debt secured by individual properties, to finance our acquisition and development activities and for working capital. If we are unable to obtain debt financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, can take possession of the property securing the defaulted loan.

Vornado Realty Trust might fail to qualify or remain qualified as a REIT and may be required to pay income taxes at corporate rates.

Although we believe that we will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, we might fail to remain qualified in this way. Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT.

If, with respect to any taxable year, Vornado Realty Trust fails to maintain its qualification as a REIT and does not qualify under statutory relief provisions, it could not deduct distributions to shareholders in computing its taxable income and would have to pay federal income tax on its taxable income at regular corporate rates. The federal income tax payable would include any applicable alternative minimum tax. If Vornado Realty Trust had to pay federal income tax, the amount of money available to distribute to shareholders and pay its indebtedness would be reduced for the year or years involved, and Vornado Realty Trust would no longer be required to distribute money to shareholders. In addition, Vornado Realty Trust would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless it was entitled to relief under the relevant statutory provisions. Although Vornado Realty Trust currently intends to operate in a manner designed to allow it to qualify as a REIT, future economic, market, legal, tax or other considerations may cause it to revoke the REIT election or fail to qualify as a REIT.

We face possible adverse changes in tax laws.

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

Loss of our key personnel could harm our operations and adversely affect the value of our common shares.

We are dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of Vornado Realty Trust, and Michael D. Fascitelli, the President of Vornado Realty Trust. While we believe that we could find replacements for these key personnel, the loss of their services could harm our operations and adversely affect the value of our common shares.

Vornado Realty Trust’s charter documents and applicable law may hinder any attempt to acquire us.

Our Amended and Restated Declaration of Trust sets limits on the ownership of our shares.

Generally, for Vornado Realty Trust to maintain its qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the outstanding shares of beneficial interest of Vornado Realty Trust may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of Vornado Realty Trust’s taxable year. The Internal Revenue Code defines “individuals” for purposes of the requirement described in the preceding sentence to include some types of entities. Under Vornado Realty Trust’s Amended and Restated Declaration of Trust, as amended, no person may own more than 6.7% of the outstanding common shares of any class, or 9.9% of the outstanding preferred shares of any class, with some exceptions for persons who held common shares in excess of the 6.7% limit before Vornado Realty Trust adopted the limit and other persons approved by Vornado Realty Trust’s Board of Trustees. These restrictions on transferability and ownership may delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. We refer to Vornado Realty Trust’s Amended and Restated Declaration of Trust, as amended, as the “declaration of trust.”

We have a classified Board of Trustees and that may reduce the likelihood of certain takeover transactions.

Vornado Realty Trust’s Board of Trustees is divided into three classes of trustees. Trustees of each class are chosen for three-year staggered terms. Staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change control of Vornado Realty Trust, even though a tender offer or change in control might be in the best interest of Vornado Realty Trust’s shareholders.

We may issue additional shares in a manner that could adversely affect the likelihood of certain takeover transactions.

Vornado Realty Trust’s declaration of trust authorizes the Board of Trustees to:

- cause Vornado Realty Trust to issue additional authorized but unissued common shares or preferred shares;
- classify or reclassify, in one or more series, any unissued preferred shares;
- set the preferences, rights and other terms of any classified or reclassified shares that Vornado Realty Trust issues; and
- increase, without shareholder approval, the number of shares of beneficial interest that Vornado Realty Trust may issue.

The Board of Trustees could establish a series of preferred shares whose terms could delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of Vornado Realty Trust’s shareholders, although the Board of Trustees does not now intend to establish a series of preferred shares of this kind. Vornado Realty Trust’s declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders.

The Maryland General Corporation Law contains provisions that may reduce the likelihood of certain takeover transactions.

Under the Maryland General Corporation Law, as amended, which we refer to as the “MGCL,” as applicable to real estate investment trusts, certain “business combinations,” including certain mergers, consolidations, share exchanges and asset transfers and certain issuances and reclassifications of equity securities, between a Maryland real estate investment trust and any person who beneficially owns ten percent or more of the voting power of the trust’s shares or an affiliate or an associate, as defined in the MGCL, of the trust who, at any time within the two-year period before the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of beneficial interest of the trust, which we refer to as an “interested shareholder,” or an affiliate of the interested shareholder, are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. After that five-year period, any business combination of these kinds must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of beneficial interest of the trust and (b) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom, or with whose affiliate, the business combination is to be effected, unless, among other conditions, the trust’s common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares. The provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of the applicable trust before the interested shareholder becomes an interested shareholder, and a person is not an interested shareholder if the board of trustees approved in advance the transaction by which the person otherwise would have become an interested shareholder.

In approving a transaction, the board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. Vornado Realty Trust’s Board has adopted a resolution exempting any business combination between any trustee or officer of Vornado Realty Trust, or their affiliates, and Vornado Realty Trust. As a result, the trustees and officers of Vornado Realty Trust and their affiliates may be able to enter into business combinations with Vornado Realty Trust that may not be in the best interest of shareholders. With respect to business combinations with other persons, the business combination provisions of the MGCL may have the effect of delaying, deferring or preventing a change in control of Vornado Realty Trust or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The business combination statute may discourage others from trying to acquire control of Vornado Realty Trust and increase the difficulty of consummating any offer.

We may change our policies without obtaining the approval of our shareholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate or other companies, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Trustees. Accordingly, our shareholders do not control these policies.

Our Ownership Structure and Related-Party Transactions May Give Rise to Conflicts of Interest.

Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us.

As of December 31, 2005, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 9.2% of the common shares of Vornado Realty Trust and approximately 27.7% of the common stock of Alexander’s, Inc. Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the three partners of Interstate Properties. Mr. Roth is the Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, the managing general partner of Interstate Properties and the Chairman of the Board and Chief Executive Officer of Alexander’s. Messrs. Wight and Mandelbaum are trustees of Vornado Realty Trust and also directors of Alexander’s.

As of December 31, 2005, the Operating Partnership owned 33% of the outstanding common stock of Alexander’s. Alexander’s is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has six properties, which are located in the New York City metropolitan area. Mr. Roth and Mr. Fascitelli, the President and a trustee of Vornado Realty Trust, are directors of Alexander's. Messrs. Mandelbaum, West and Wight are trustees of Vornado Realty Trust and are directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties and its partners may have substantial influence over Vornado Realty Trust and Alexander's and on the outcome of any matters submitted to Vornado Realty Trust or Alexander's shareholders for approval. In addition, certain decisions concerning our operations or financial structure may present conflicts of interest among Messrs. Roth, Mandelbaum and Wight and Interstate Properties and our other equity or debt holders. In addition, Mr. Roth and Interstate Properties and its partners currently and may in the future engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us or Alexander's, such as which of these entities or persons, if any, may take advantage of potential business opportunities, the business focus of these entities, the types of properties and geographic locations in which these entities make investments, potential competition between business activities conducted, or sought to be conducted, by us, Interstate Properties and Alexander's, competition for properties and tenants, possible corporate transactions such as acquisitions and other strategic decisions affecting the future of these entities.

Vornado Realty Trust currently manages and leases the real estate assets of Interstate Properties under a management agreement for which it receives an annual 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 60 days' notice at the end of the term. Vornado Realty Trust earned $791,000, $726,000, and $703,000 of management fees under the management agreement for the years ended December 31, 2005, 2004 and 2003. Because of the relationship among Vornado Realty Trust, Interstate Properties and Messrs. Roth, Mandelbaum and Wight, as described above, the terms of the management agreement and any future agreements between Vornado Realty Trust and Interstate Properties may not be comparable to those Vornado Realty Trust could have negotiated with an unaffiliated third party.

There may be conflicts of interest between Alexander's and us.

As of December 31, 2005, the Operating Partnership owned 33% of the outstanding common stock of Alexander's. Alexander's is a REIT engaged in leasing, managing, developing and redeveloping properties, focusing primarily on the locations where its department stores operated before they ceased operations in 1992. Alexander's has six properties. Interstate Properties, which is described above, and its partners owned an additional 27.7% of the outstanding common stock of Alexander's, as of December 31, 2005. Mr. Roth, Chairman of the Board and Chief Executive Officer of Vornado Realty Trust, is Chief Executive Officer, a director of Alexander's and managing general partner of Interstate, and Mr. Fascitelli, President and a trustee of Vornado Realty Trust, is President and a director of Alexander's. Messrs. Mandelbaum, West and Wight, trustees of the Company, are also directors of Alexander's and general partners of Interstate. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

The Operating Partnership manages, develops and leases the Alexander's properties under management and development agreements and leasing agreements under which the Operating Partnership receives annual fees from Alexander's. These agreements have a one-year term expiring in March of each year, except that the Lexington Avenue management and development agreements have a term lasting until substantial completion of development of the Lexington Avenue property, and are all automatically renewable. Because Vornado Realty Trust and Alexander's share common senior management and because a majority of the trustees of Vornado Realty Trust also constitute the majority of the directors of Alexander's, the terms of the foregoing agreements and any future agreements between us and Alexander's may not be comparable to those we could have negotiated with an unaffiliated third party.

For a description of Interstate Properties' ownership of Vornado Realty Trust and Alexander's, see *"Steven Roth and Interstate Properties may exercise substantial influence over us. They and some of our other trustees and officers have interests or positions in other entities that may compete with us"* above.

The Number of Shares of Vornado Realty Trust and the Market for Those Shares Give Rise to Various Risks.

Vornado Realty Trust has many shares available for future sale, which could hurt the market price of its shares.

As of December 31, 2005, we had authorized but unissued, 58,846,570 common shares of beneficial interest, $.04 par value, and 70,310,600 preferred shares of beneficial interest, no par value, of which 25,381,264 preferred shares have not been reserved and remain available for issuance as a newly-designated class of preferred. We may issue these authorized but unissued shares from time to time in public or private offerings or in connection with acquisitions.

In addition, as of December 31, 2005, 15,333,673 Vornado Realty Trust common shares were reserved for issuance upon redemption of Operating Partnership common units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between Vornado Realty Trust and some holders of common units of the Operating Partnership. These shares may also be sold in the public market under Rule 144 under the Securities Act or other available exemptions from registration. In addition, Vornado Realty Trust has reserved a number of common shares for issuance under its employee benefit plans, and these common shares will be available for sale from time to time. Vornado Realty Trust has awarded shares of restricted stock and granted options to purchase additional common shares to some of its executive officers and employees. Of the authorized but unissued common and preferred shares above, 43,694,714 common and 44,929,336 preferred shares, in the aggregate, were reserved for issuance of shares upon the redemption of Operating Partnership units, conversion of outstanding convertible securities, under benefit plans or for other activity not directly under our control.

We cannot predict the effect that future sales of our common shares, preferred shares or Operating Partnership common units, or the perception that sales of common shares, preferred or Operating Partnership common units could occur, will have on the market prices for Vornado Realty Trust's shares.

Changes in market conditions could hurt the market price of Vornado Realty Trust's shares.

The value of Vornado Realty Trust's shares depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of Vornado Realty Trust's shares are the following:

- the extent of institutional investor interest in us;
- the reputation of REITs generally and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- our financial condition and performance; and
- general financial market conditions.

The stock market in recent years has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies.

Increased market interest rates may hurt the value of Vornado Realty Trust's shares.

We believe that investors consider the distribution rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of Vornado Realty Trust's shares to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the Securities Exchange Commission as of the date of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

The Company owns Office, Retail and Merchandise Mart properties and Temperature Controlled Logistics refrigerated warehouses. The Company also has investments in Toys "R" Us, Alexander's, The Newkirk Master Limited Partnership, GMH Communities L.P., Hotel Pennsylvania, and industrial buildings. Below are the details of the Company's properties by operating segment.

OFFICE SEGMENT

The Company currently owns all or a portion of 111 properties containing approximately 30.7 million square feet. Of these properties, 20 containing 13.0 million square feet are located in the New York City metropolitan area (primarily Manhattan) (the "New York City Office Properties") and 100 containing 17.7 million square feet are located in the Washington, D.C. and Northern Virginia area (the "Washington, D.C. Office Properties").

New York City Office Properties:

The New York City Office Properties contain 12,972,000 square feet of office space, including 745,000 square feet of retail space. In addition, the New York City Office Properties contain five garages totaling 331,000 square feet (1,600 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

Occupancy and average annual escalated rent per square foot, excluding garage space:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot (excluding retail space)
2005	12,972,000	96.0%	$ 43.67
2004	12,989,000	95.5%	42.22
2003	12,829,000	95.1%	40.68
2002	13,546,000	95.7%	37.62
2001	13,528,000	97.2%	35.66

2005 New York City Office Properties revenue by tenants' industry:

Industry	Percentage
Retail	14%
Publishing	10%
Government	8%
Legal	7%
Banking	6%
Technology	5%
Pharmaceuticals	5%
Finance	5%
Communications	4%
Real Estate	4%
Service Contractors	3%
Engineering	3%
Insurance	3%
Advertising	2%
Not-for-Profit	2%
Health Services	1%
Other	18%
	100%

New York City Office Properties lease terms generally range from five to seven years for smaller tenant spaces to as long as 15 years for major tenants, and may include extension options at market rates. Leases typically provide for step-ups in rent periodically over the term of the lease and pass through to tenants the tenant's share of increases in real estate taxes and operating expenses over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent based on surveys and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

Tenants accounting for 2% or more of 2005 New York City Office Properties revenues:

Tenant	Square Feet Leased	2005 Revenues	Percentage of New York City Office Revenues	Percentage of Company Revenues
The McGraw-Hill Companies, Inc.	536,000	$ 21,541,000	3.4%	0.8%
VNU Inc.	515,000	20,185,000	3.2%	0.8%

Sterling Winthrop, Inc.	429,000	19,479,000	3.1%	0.8%
Federated Department Stores	375,000	15,275,000	2.4%	0.6%
U.S. Government	639,000	14,988,000	2.4%	0.6%
New York Stock Exchange, Inc.	348,000	14,416,000	2.3%	0.6%
Cablevision/Madison Square Garden L.P./ Rainbow Media Holdings, Inc.	269,000	13,691,000	2.2%	0.5%

2005 Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot(1)
One Penn Plaza	467,000	$ 39.57
150 East 58th Street	123,000	45.71
595 Madison	113,000	53.83
1740 Broadway	98,000	54.42
330 Madison Avenue (25% interest)	88,000	46.02
Two Penn Plaza	76,000	38.12
640 Fifth Avenue	75,000	69.79
888 Seventh Avenue	70,000	47.74
909 Third Avenue	59,000	49.37
866 U.N. Plaza	56,000	42.23
90 Park Avenue	56,000	49.53
Eleven Penn Plaza	36,000	36.02
40 Fulton Street	10,000	23.80
689 Fifth Avenue	7,000	63.20
20 Broad Street	1,000	30.00
Total	1,335,000	45.75
Vornado's Ownership Interest	1,270,000	45.75

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

In addition to the office space noted above, the Company leased 40,000 square feet of retail space in 2005 at a weighted average initial rent of $149.77 per square foot.

Lease expirations as of December 31, 2005 assuming none of the tenants exercise renewal options:

Office Space:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of New York City Office Square Feet	Annual Escalated Rent of Expiring Leases Total	Annual Escalated Rent of Expiring Leases Per Square Foot
Month to month	61	107,000	1.0%	$ 4,249,000	$ 39.71
2006	85	337,000	3.0%	15,120,000	44.87
2007	83	844,000	7.5%	34,249,000	40.58
2008	78	1,127,000(1)	10.0%	48,897,000	43.39
2009	102	774,000	6.9%	33,799,000	43.67
2010	83	1,158,000	10.3%	49,558,000	42.80
2011	40	745,000	6.6%	37,702,000	50.61
2012	38	920,000	8.2%	34,704,000	37.72
2013	20	493,000	4.4%	18,507,000	37.54
2014	37	399,000	3.6%	18,406,000	46.13
2015	43	2,025,000	18.0%	93,881,000	46.36

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office through 2038 (including six five-year renewal options) for which the annual escalated rent is $9.80 per square foot.

Retail Space (contained in office buildings):

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Square Feet	Annual Escalated Rent of Expiring Leases Total	Annual Escalated Rent of Expiring Leases Per Square Foot
Month to month	6	6,000	0.8%	$ 395,000	$ 65.83
2006	8	47,000	6.4%	2,560,000	54.47
2007	3	4,000	0.5%	792,000	198.00
2008	8	25,000	3.4%	1,441,000	57.64
2009	4	18,000	2.4%	2,962,000	164.56
2010	4	6,000	0.9%	546,000	91.00
2011	4	19,000	2.6%	872,000	45.89
2012	3	45,000	6.1%	1,433,000	31.84
2013	10	36,000	5.0%	3,884,000	107.89
2014	11	76,000	10.3%	13,451,000	176.99
2015	6	27,000	3.6%	5,822,000	215.63

New York City Office Properties owned by the Company as of December 31, 2005:

Location	Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
NEW YORK (Manhattan)			
One Penn Plaza (ground leased through 2098)	2,385,000	96.9%	$ —
Two Penn Plaza	1,548,000	93.2%	300,000
909 Third Avenue (ground leased through 2063)	1,310,000	99.7%	223,193
770 Broadway	1,047,000	99.8%	170,000
Eleven Penn Plaza	1,030,000	94.9%	216,795
90 Park Avenue	889,000	99.3%	—
888 Seventh Avenue (ground leased through 2067)	833,000	98.9%	318,554
330 Madison Avenue (25% interest)	787,000	98.4%	60,000
330 West 34th Street (ground leased through 2148)	637,000	94.7%	—
1740 Broadway	567,000	96.1%	—
150 East 58th Street (1)	525,000	90.7%	—
20 Broad Street (ground leased through 2081)	468,000	84.4%	—
866 United Nations Plaza	347,000	95.1%	46,854
640 Fifth Avenue	316,000	93.2%	—
595 Madison (Fuller Building)	309,000	98.5%	—
40 Fulton Street	240,000	88.2%	—
825 Seventh Avenue (50% interest)	165,000	100.0%	22,484
689 Fifth Avenue	87,000	98.9%	—
40-42 Thompson Street	28,000	100.0%	—
NEW JERSEY			
Paramus	128,000	89.9%	—
Total Office Buildings	13,646,000	96.1%	$ 1,357,880
Vornado's Ownership Interest	12,972,000	96.0%	$ 1,301,638

(1) Less than 10% of this property is ground leased.

Washington, D.C. Office Properties:

The Company owns 91 properties aggregating 17.7 million square feet in the Washington, D.C. and Northern Virginia area, consisting of 70 office buildings, 2 residential properties and a hotel property, and a 50% interest in 18 properties through its acquisition of H Street Building Corporation on July 20, 2005. Three buildings have been taken out of service for redevelopment in 2005. The Company manages an additional 7.0 million square feet of office and other commercial properties. In addition, the Washington, D.C. Office Properties portfolio includes 21 garages totaling approximately 7.5 million square feet (26,000 spaces) which are managed by or leased to third parties. The garage space is excluded from the statistics provided in this section.

As of December 31, 2005, 28 percent of the space in the Washington, D.C. Office Properties portfolio is leased to various agencies of the U.S. government.

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2005	17,727,400	91.2%	$ 31.49
2004	14,216,000	91.5%	30.06
2003	13,963,000	93.9%	29.64
2002	13,395,000	93.6%	29.38
2001	12,889,000	94.8%	28.59

2005 revenue by tenants' industry:

Industry	Percentage
U.S. Government	35%
Governmental Contractors	26%
Legal Services	11%
Communication	4%
Manufacturing	3%
Real Estate	2%
Membership Organizations	2%
Transportation by Air	2%
Computer and Data Processing	2%
Health Services	1%
Business Services	1%
Television Services	1%
Other	10%
	100%

Washington, D.C. Office Properties leases are typically for four to seven year terms, and may provide for extension options at either pre-negotiated or market rates. Most leases provide for annual rental escalations throughout the lease term, plus recovery of increases in real estate taxes and certain property operating expenses over a base year. Annual rental escalations are typically based upon either fixed percentage increases or the consumer price index. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction costs of its premises.

Tenants accounting for 2% or more of Washington, D.C. Office Properties revenues:

Tenant	Square Feet Leased		2005 Revenues	Percentage of Washington, D.C. Office Revenues	Percentage of Company Revenues
U.S. Government (130 separate leases)	4,666,000	$	139,020,000	31.9%	5.5%
Science Applications International Corp	495,000		13,941,000	3.2%	0.5%
TKC Communications	309,000		11,627,000	2.7%	0.5%
The Boeing Company	300,000		10,321,000	2.4%	0.4%

2005 Washington, D.C. Leasing Activity:

Location	Square Feet		Average Initial Rent Per Square Foot(1)
Crystal City:			
Crystal Mall	618,000	$	31.19
Crystal Park	491,000		32.68
Crystal Gateway	204,000		27.27
Crystal Plaza	209,000		31.98
Crystal Square	143,000		32.73
Total Crystal City	1,665,000		31.36
Skylines	298,000		26.96
Reston Executive	164,000		26.33
Commerce Executive	125,000		20.14
Tysons Dulles	96,000		26.51
1150 17th Street	56,000		33.85
Courthouse Plaza	55,000		31.41
1101 17th Street	49,000		34.35
1140 Connecticut Avenue	44,000		34.43
1750 Pennsylvania	34,000		37.49
Democracy Plaza	25,000		33.01
1730 M Street	21,000		32.54
Bowen Building	11,000		45.12
Fairfax square (20% interest)	8,000		29.91
Arlington Plaza	5,000		30.33
Warner Building	3,000		39.50
	2,659,000		30.18

(1) Most leases include periodic step-ups in rent which are not reflected in the initial rent per square foot leased.

Lease expirations as of December 31, 2005 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Washington, D.C. Office Square Feet	Annual Escalated Rent of Expiring Leases			
					Total		Per Square Foot
Month to month	112	759,000	5.3%	$	21,852,000	$	28.80
2006	247	2,136,000	14.8%		70,250,000		32.90
2007	203	1,427,000	9.9%		42,271,000		29.63
2008	178	1,544,000	10.7%		48,112,000		31.15
2009	143	1,388,000	9.6%		41,119,000		29.62
2010	141	1,245,000	8.6%		37,241,000		29.92
2011	72	1,486,000	10.3%		45,333,000		30.51
2012	34	738,000	5.1%		24,833,000		33.63
2013	29	456,000	3.2%		16,706,000		36.64
2014	22	492,000	3.4%		13,260,000		26.93
2015	30	721,000	5.0%		17,899,000		24.82

U.S. Patent and Trademark Office ("PTO") Space

The following table sets forth the Company's original plan to re-lease the PTO space and the space leased through February 1, 2006.

Period in which Rent Commences	Square Feet (in thousands)	
	Original Plan	Leasing Activity
4Q 05	247	247
Q1 06 (as of February 1, 2006)	612	689
	859	936
To be leased:		
Q2 2006	404	
Q3 2006	252	
Q4 2006	98	
Q1 2007	145	
	899	
To be redeveloped (1)	181	

Total	1,939

(1) Crystal Plaza Two, a 13-story office building, was taken out of service to be converted to a 19-story residential tower containing 265 rentable/saleable square feet and 256 apartments. The original plan assumed that this building would remain an office building to be re-leased in Q1 06.

Of the square feet leased to larger tenants, 261,000 square feet was leased to the Federal Supply Service (which will relocate from 240,000 square feet in other Crystal City buildings); 144,000 square feet was leased to KBR, a defense contractor; and 126,000 square feet was leased to the Public Broadcasting Service. Straight-line rent per square foot for the square feet leased is $33.50, which is equal to the estimate in the original plan. Tenant improvements and leasing commissions per square foot are $43.50 as compared to the original plan of $45.28.

Washington, D.C. Office Properties owned by the Company as of December 31, 2005:

Location/Complex	Number of Buildings	Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
Crystal City:				
Crystal Park	5	2,206,000	67.3%	$ 249,212
Crystal Gateway	5	1,478,000	94.6%	203,889
Crystal Square	4	1,426,000	96.0%	188,633
Crystal Plaza	7(1)	1,266,000	88.5%	—
Crystal Mall	4	1,080,000	100.0%	49,214
Crystal City Hotel	1	266,000	100.0%	—
1919 S. Eads Street	1	96,000	57.4%	11,757
Crystal Drive Retail	1	56,000	82.5%	—
Total Crystal City	28	7,874,000	86.4%	702,705
Skyline	7	2,080,000	94.7%	128,732
Courthouse Plaza (ground leased through 2062)	2	622,000	97.9%	75,971
Warner Building	1	603,000	91.4%	149,953
Reston Executive	3	486,000	87.5%	93,000
One Skyline Tower	1	479,000	95.8%	62,725
Tysons Dulles	3	478,000	95.1%	—
Commerce Executive	3	384,000	90.7%	51,122
2101 L Street	1	354,000	99.5%	—
1750 Pennsylvania Avenue	1	260,000	97.9%	48,359
1150 17th Street	1	230,000	91.9%	31,397
Bowen Building	1	230,000	100.0%(2)	62,099
Democracy Plaza I (ground leased through 2084)	1	210,000	97.4%	—
1101 17th Street	1	209,000	99.3%	26,001
1730 M Street (ground leased through 2061)	1	194,000	89.8%	16,233
1140 Connecticut Avenue	1	183,000	95.1%	19,231
Arlington Plaza	1	179,000	94.0%	14,393
South Capitol	3	58,000	96.9%	—
Partially-owned:				
H Street equity interests (4% to 50% interests)	18	2,018,400	N/A(3)	N/A(3)
Rosslyn Plaza (46% interest)	6	431,000	96.0%	27,280
Fairfax Square (20% interest)	3	105,000	95.7%	13,247
Kaempfer equity interests (2.5% to 7.5%)	4	60,000	95.3%	7,733
Total Washington D.C.	91	17,727,400	91.2%	$ 1,530,181

(1) Includes Crystal Plaza Two, Three and Four containing an aggregate of 574,000 square feet which have been taken out of service for redevelopment and not included in Percent Leased.
(2) Based on 189,000 square feet placed into service as of December 31, 2005.
(3) Due to ongoing litigation, access to occupancy percentage and encumbrances are not available.

RETAIL PROPERTIES SEGMENT

The Company owns 111 retail properties, of which 61 are strip shopping centers located in the Northeast and Mid-Atlantic; 25 are supermarkets in Southern California; 7 are regional malls located in New York, New Jersey and San Juan, Puerto Rico; and 18 are retail properties located in New York City. The Company's strip shopping centers and malls are generally located on major regional highways in mature, densely populated areas. The Company believes these properties attract consumers from a regional, rather than a neighborhood market place because of their location on regional highways.

Strip Shopping Centers:

The Company's strip shopping centers contain an aggregate of 10.8 million square feet and are substantially (over 80%) leased to large stores (over 20,000 square feet). Tenants include destination retailers such as discount department stores, supermarkets, home improvement stores, discount apparel stores and membership warehouse clubs. 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 and location.

Regional Malls:

The Green Acres Mall in Long Island, New York contains 1.6 million square feet, and is anchored by four major department stores: Sears, J.C. Penney, Federated Department Stores, doing business as Macy's and Macy's Men's Furniture Gallery. The complex also includes The Plaza at Green Acres, a 175,000 square foot strip shopping center which is anchored by Wal-Mart and National Wholesale Liquidators. The Company plans to renovate the interior and exterior of the mall and construct 100,000 square feet of free-standing retail space and parking decks in the complex, subject to governmental approvals. In addition, the Company has entered into a ground lease with B.J.'s Wholesale Club who will construct its own free-standing store in the mall complex. The expansion and renovation are expected to be completed in 2007.

The Monmouth Mall in Eatontown, New Jersey, owned 50% by the Company, contains 1.4 million square feet and is anchored by four department stores; Macy's, Lord & Taylor, J.C. Penney and Boscovs, three of which own their stores aggregating 719,000 square feet. The joint venture plans to construct 80,000 square feet of free-standing retail space in the mall complex, subject to governmental approvals. The expansion is expected to be completed in 2007.

The Broadway Mall in Hicksville, Long Island, New York, contains 1.2 million square feet and is anchored by Macy's, Ikea, Multiplex Cinema and Target, which owns its store containing 141,000 square feet.

The Bergen Mall in Paramus, New Jersey, as currently exists, contains 900,000 square feet. The Company plans to demolish approximately 300,000 square feet and construct approximately 580,000 square feet of retail space, which will bring the total square footage of the mall to approximately 1,360,000, including 180,000 square feet to be built by Target on land leased from the Company. As of December 31, 2005, the Company has taken 480,000 square feet out of service for redevelopment and leased 236,000 square feet to Century 21 and Whole Foods. All of the foregoing is subject to governmental approvals. The expansion and renovations, as planned, are expected to be completed in 2008.

The Montehiedra Mall in San Juan, Puerto Rico, contains 563,000 square feet and is anchored by Home Depot, Kmart, and Marshalls.

The South Hills Mall in Poughkeepsie, New York, contains 668,000 square feet and is anchored by Kmart and Burlington Coat Factory. The Company plans to redevelop and retenant the mall, subject to governmental approvals.

The Las Catalinas Mall in San Juan, Puerto Rico, contains 495,000 square feet and is anchored by Kmart and Sears, which owns its 140,000 square foot store.

Occupancy and average annual base rent per square foot:

At December 31, 2005, the aggregate occupancy rate for the 16,169,000 square feet of Retail Properties was 95.6%.

Strip Shopping Centers:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Base Rent Per Square Foot
2005	10,750,000	95.5%	$ 12.07
2004	9,931,000	94.5%	12.00
2003	8,798,000	92.3%	11.91
2002	9,295,000	85.7%	11.11
2001	9,008,000	89.0%	10.60

Regional Malls:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Base Rent Per Square Foot	
			Mall Tenants	Total
2005	4,817,000	96.2%	$ 31.83	$ 18.24
2004	3,766,000	93.1%	33.05	17.32
2003	3,766,000	94.1%	31.08	16.41
2002	2,875,000	95.4%	27.79	17.15
2001	2,293,000	98.7%	34.04	15.31

Manhattan Retail:

Manhattan retail is comprised of 18 properties containing 602,000 square feet, which were 90.9% occupied at December 31, 2005.

2005 revenue by type of retailer:

Industry	Percentage
Department Stores	17%
Family Apparel	15%
Supermarkets	13%
Home Improvement	8%
Restaurants	6%
Women's Apparel	6%
Home Entertainment and Electronics	5%
Banking and Other Business Services	3%
Home Furnishings	2%
Sporting Goods	2%
Other	23%
	100%

Shopping center lease terms range from five years or less in some instances for smaller tenant spaces to as long as 25 years for major tenants. Leases generally provide for additional rents based on a percentage of tenants' sales and pass through to tenants of the tenants' share of all common area charges (including roof and structure in strip shopping centers, unless it is the tenant's direct responsibility), real estate taxes and insurance costs and certain capital expenditures. Percentage rent accounted for less than 1% of total shopping center revenues in 2005. None of the tenants in the Retail segment accounted for more than 10% of the Company's 2005 total revenues.

Tenants accounting for 2% or more of 2005 Retail Properties revenues:

Tenant	Square Feet	2005 Revenues	Percentage of Retail Revenues	Percentage of Company Revenues
Wal-Mart/Sam's Wholesale	1,599,000	$ 14,526,000	5.0%	0.6%
The Home Depot, Inc	758,000	11,540,000	3.9%	0.5%
Stop & Shop Companies, Inc. (Stop & Shop)	320,000	9,825,000	3.4%	0.4%
Kohl's	716,000	7,719,000	2.6%	0.3%
Hennes & Mauritz	60,000	7,242,000	2.5%	0.3%
The TJX Companies, Inc.	455,000	7,345,000	2.5%	0.3%

Lease expirations as of December 31, 2005 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Retail Properties Square Feet	Annual Rent of Expiring Leases	
				Total	Per Square Foot
Month to month	61	135,000	0.9%	$ 2,578,000	$ 19.16
2006	96	497,000	3.3%	6,702,000	13.48
2007	149	706,000	4.7%	12,787,000	18.12
2008	183	1,410,000	9.3%	18,087,000	12.83
2009	123	792,000	5.2%	16,058,000	20.28
2010	93	762,000	5.0%	12,810,000	16.81
2011	82	1,121,000	7.4%	15,487,000	13.81
2012	47	481,000	3.2%	7,399,000	15.39
2013	78	999,000	6.6%	16,306,000	16.32
2014	75	994,000	6.6%	17,008,000	17.12
2015	84	727,000	4.8%	14,999,000	20.64

2005 Retail Properties Leasing Activity:

Location	Square Feet	Average Initial Rent Per Square Foot (1)
North Plainfield, NJ	143,000	$ 6.12
Norfolk, VA	113,000	5.85
Dover, NJ	87,000	13.20
Montehiedra, Puerto Rico	65,000	26.21
Wyomissing, PA	47,000	15.50
Green Acres Mall, Valley Stream, NY	38,000	35.86
Monmouth Mall, Eatontown, NJ (50%)	33,000	34.45
Woodbridge, NJ	32,000	19.83
Lawnside, NJ	31,000	14.00
Allentown, PA	29,000	19.44
Newington, CT	29,000	15.96
Cherry Hill, NJ	27,000	12.34
Towson, MD	23,000	14.00
Broomall, PA	23,000	12.00
Bricktown, NJ	20,000	17.22
Jersey City, NJ	15,000	25.00
Bensalem, PA	15,000	19.73
Middletown, NJ	14,000	20.48
Waterbury, CT	11,000	12.00
Delran, NJ	10,000	12.00
Bethlehem, PA	10,000	9.46
Bordentown, PA	9,000	11.00
East Hanover, NJ	9,000	23.77
Morris Plains, NJ	8,000	32.55
Las Catalinas, Puerto Rico	7,000	51.07
Hackensack, NJ	4,000	32.64
North Bergen, NJ	4,000	28.00
484 Eighth Avenue, Manhattan, NY	4,000	135.38
Bergen Mall, Paramus, NJ	3,000	32.52
Staten Island, NY	1,000	30.25
	864,000	16.30

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

Retail Properties owned by the Company as of December 31, 2005:

Approximate Leasable Building Square Footage

Location	Owned/ Leased by Company	Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
REGIONAL MALLS:				
Green Acres Mall, Valley Stream, NY (1) (excludes 200,000 square feet in development)	1,520,000	79,000	93.2%	$ 143,250
Broadway Mall, Hicksville, NY	789,000	235,000	97.4%	94,783
Monmouth Mall, Eatontown, NJ (50% ownership)	718,000	—	95.4%	165,000
Montehiedra, Puerto Rico	563,000	—	97.1%	57,095
South Hills Mall, Poughkeepsie, NY (excludes 176,000 square feet in development)	492,000	—	100.0%	—
Bergen Mall, Paramus, NJ (excludes 893,000 square feet in development)	425,000	—	100.0%	—
Las Catalinas, Puerto Rico	355,000	—	96.4%	64,589
Total Regional Malls	4,862,000	314,000	96.1%	$ 524,717
Vornado's ownership interest	4,503,000	314,000	96.2%	$ 442,217
STRIP SHOPPING CENTERS:				
NEW JERSEY				
East Hanover I and II	347,000	6,000	99.0%	$ 26,354(2)
Bricktown	260,000	3,000	100.0%	15,743(2)
East Brunswick I	221,000	10,000	100.0%	21,982(2)
Hackensack	209,000	66,000	93.7%	24,150(2)
North Plainfield (ground leased through 2060)	219,000	—	80.6%	10,509(2)
Manalapan	196,000	2,000	100.0%	12,099(2)
Middletown	180,000	52,000	99.1%	15,882(2)
Bordentown	179,000	—	100.0%	7,791(2)
Totowa	177,000	140,000	100.0%	28,520(2)
Morris Plains	176,000	1,000	97.9%	11,626(2)
Marlton	174,000	7,000	95.0%	11,765(2)
Dover	173,000	—	91.9%	7,096(2)
Lodi	171,000	—	100.0%	9,066(2)
Delran	168,000	3,000	95.5%	6,206(2)
Lawnside	142,000	3,000	100.0%	10,230(2)
Union	120,000	159,000	98.4%	32,389(2)
Turnersville	89,000	7,000	100.0%	3,946(2)
Woodbridge	88,000	140,000	98.0%	21,349(2)
Lodi II	85,000	—	100.0%	11,889
Jersey City	66,000	170,000	100.0%	18,488(2)
Cherry Hill	58,000	206,000	100.0%	14,479(2)
Watchung	50,000	116,000	98.3%	13,068(2)
Eatontown	32,000	—	25.0%	—
Kearny	32,000	72,000	100.0%	3,609(2)
Montclair	18,000	—	100.0%	1,858(2)
North Bergen	7,000	55,000	100.0%	3,827(2)
East Brunswick II (excludes 167,000 square feet in development)	—	—	—%	8,031
Total New Jersey	3,637,000	1,218,000	97.3%	351,952
NEW YORK				
Buffalo (Amherst) (ground leased through 2017)	184,000	112,000	81.5%	6,766(2)
Freeport	167,000	—	100.0%	14,291(2)
Staten Island	165,000	—	95.5%	20,095
Rochester (Henrietta) (ground leased through 2056)	158,000	—	67.1%	—
Albany (Menands)	140,000	—	74.0%	6,004(2)
New Hyde Park (ground and building leased through 2029)	101,000	—	100.0%	7,213(2)
Inwood	100,000	—	91.6%	—
Bronx (excludes 56,000 square feet in development)	11,000	—	100.0%	—

Location	Approximate Leasable Building Square Footage: Owned/ Leased by Company	Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
North Syracuse (ground and building leased through 2014)	—	98,000	100.0%	—
Rochester	—	205,000	100.0%	—
Total New York	1,026,000	415,000	89.0%	54,369
PENNSYLVANIA				
Allentown	269,000	357,000	100.0%	22,443(2)
10th and Market Streets, Philadelphia	221,000	—	93.4%	8,645(2)
Bensalem	170,000	8,000	98.9%	6,202(2)
Bethlehem	159,000	—	98.9%	3,925(2)
Broomall	147,000	22,000	100.0%	9,438(2)
Upper Moreland	122,000	—	100.0%	6,710(2)
York	111,000	—	66.1%	3,968(2)

Levittown	105,000	—	100.0%	3,171(2)
Wyomissing (ground and building leased through 2065)	82,000	—	82.5%	—
Wilkes-Barre (ground and building leased through 2040)	81,000	—	50.1%	—
Lancaster	58,000	170,000	100.0%	—
Glenolden	10,000	92,000	100.0%	7,079(2)
Total Pennsylvania	1,535,000	649,000	94.9%	71,581
MARYLAND				
Baltimore (Towson)	152,000	—	52.2%	10,998(2)
Annapolis (ground and building leased through 2042)	128,000	—	100.0%	—
Rockville	94,000	—	100.0%	15,207
Glen Burnie	65,000	56,000	100.0%	5,660(2)
Total Maryland	439,000	56,000	85.3%	31,865
CONNECTICUT				
Waterbury	143,000	5,000	100.0%	5,959(2)
Newington	43,000	145,000	100.0%	6,321(2)
Total Connecticut	186,000	150,000	100.0%	12,280
MASSACHUSETTS				
Milford (ground and building leased through 2019)	83,000	—	100.0%	—
Springfield	8,000	117,000	93.6%	3,017(2)
Chicopee	—	156,000	100.0%	—
Total Massachusetts	91,000	273,000	97.8%	3,017
CALIFORNIA				
Beverly Connection, Los Angeles (50% ownership) (excludes 50,000 square feet in development)	188,000	—	100.0%	69,003
Supermarkets:				
Colton	73,000	—	100.0%	—
Riverside	42,000	—	100.0%	—
San Bernadino	40,000	—	100.0%	—
Riverside	39,000	—	100.0%	—
Mojave (ground leased through 2079)	34,000	—	100.0%	—
Corona (ground leased through 2079)	33,000	—	100.0%	—
Yucaipa	31,000	—	100.0%	—
Moreno Valley	30,000	—	100.0%	—
Barstow	30,000	—	100.0%	—
San Bernadino	30,000	—	100.0%	—
Beaumont	29,000	—	100.0%	—
Calimesa	29,000	—	100.0%	—
Desert Hot Springs	29,000	—	100.0%	—
Rialto	29,000	—	100.0%	—

Location	Approximate Leasable Building Square Footage: Owned/ Leased by Company	Approximate Leasable Building Square Footage: Owned by Tenant on Land Leased from Company	Percent Leased	Encumbrances (in thousands)
Anaheim	26,000	—	100.0%	—
Colton	26,000	—	100.0%	—
Fontana	26,000	—	100.0%	—
Garden Grove	26,000	—	100.0%	—
Orange	26,000	—	100.0%	—
Santa Ana	26,000	—	100.0%	—
Westminister	26,000	—	100.0%	—
Ontario	24,000	—	100.0%	—
Rancho Cucamonga	24,000	—	100.0%	—
Costa Mesa	18,000	—	100.0%	—
Costa Mesa	17,000	—	100.0%	—
Total California	951,000	—	100.0%	69,003
OTHER STATES:				
Norfolk. VA (ground and building leased through 2069)	114,000	—	100.0%	—
Roseville, MI	104,000	—	100.0%	—
Total Other States	218,000	—	100.0%	$ —
Total Strip Centers	8,083,000	2,761,000	95.5%	$ 594,067
Vornado's ownership interest	7,989,000	2,761,000	95.5%	$ 559,565
OTHER RETAIL:				
NEW YORK (Manhattan)				
4 Union Square South	204,000	—	97.3%	$ —
478-486 Broadway (50%)	81,000	—	75.8%	20,000
25 West 14th Street	62,000	—	89.5%	—
435 Seventh Avenue	43,000	—	100.0%	—
692 Broadway	36,000	—	100.0%	—
1135 Third Avenue	25,000	—	100.0%	—
7 West 34th Street	23,000	—	100.0%	—
715 Lexington Avenue (ground leased thru 2041)	23,000	—	100.0%	—
828-850 Madison Avenue	18,000	—	100.0%	—

484 Eighth Avenue	14,000	—	100.0%	80,000
40 East 66th Street	10,000	—	75.3%	—
424 Sixth Avenue	10,000	—	100.0%	—
387 West Broadway	9,000	—	100.0%	—
968 Third Avenue (50%)	6,000	—	100.0%	—
211-217 Columbus Avenue	6,000	—	100.0%	—
825 Seventh Avenue	4,000	—	100.0%	—
386 West Broadway	4,000	—	100.0%	4,951
NEW YORK (Queens)				
99-01 Queens Boulevard	68,000	—	55.0%	—
Total Other Retail	646,000	—	90.0%	$ 104,951
Vornado's ownership interest	602,000	—	90.9%	$ 94,951
Total Retail Properties	**13,591,000**	**3,075,000**	**95.5%**	**$ 1,223,735**
Vornado's Ownership Interest	**13,094,000**	**3,075,000**	**95.6%**	**$ 1,096,733**
ASSETS HELD FOR SALE:				
Vineland, New Jersey	**143,000**	**—**	—	**—**

(1) Approximately 10% ground and building leased through 2039.
(2) These encumbrances are cross-collateralized under a blanket mortgage in the amount of $469,842,000 as of December 31, 2005.

MERCHANDISE MART PROPERTIES SEGMENT

The Merchandise Mart Properties are a portfolio of 10 properties containing an aggregate of 9.5 million square feet. The Merchandise Mart Properties also contain eight parking garages totaling 1,191,000 square feet (3,700 spaces). The garage space is excluded from the statistics provided in this section.

Square feet by location and use as of December 31, 2005.

			Showroom			
(Amounts in thousands)	**Total**	**Office**	**Total**	**Permanent**	**Temporary Trade Show**	**Retail**
Chicago, Illinois						
Merchandise Mart	3,447	1,028	2,348	1,962	386	71
350 West Mart Center	1,206	1,078	128	128	—	—
33 North Dearborn	336	322	—	—	—	14
Other	19	—	—	—	—	19
Total Chicago, Illinois	5,008	2,428	2,476	2,090	386	104
HighPoint, North Carolina						
Market Square Complex	1,753	—	1,738	1,178	560	15
National Furniture Mart	259	—	259	259	—	—
Total HighPoint, North Carolina	2,012	—	1,997	1,437	560	15
Washington, D.C.						
Washington Design Center	392	72	320	320	—	—
Washington Office Center	397	365	—	—	—	32
Total Washington, D.C.	789	437	320	320	—	32
Los Angeles, California						
L.A. Mart	778	—	778	724	54	—
Boston, Massachusetts						
Boston Design Center	553	129	417	417	—	7
New York, New York						
7 West 34th Street	408	106	302	302	—	—
Total Merchandise Mart Properties	9,548	3,100	6,290	5,290	1,000	158
Occupancy rate	95.5%	97.0%	94.7%			98.7%

Office Space

Occupancy and average annual escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2005	3,100,000	97.0%	$ 26.42
2004	3,261,000	96.5%	27.59
2003	3,249,000	93.6%	27.73
2002	3,262,000	92.8%	26.32
2001	3,320,000	90.8%	25.09

Merchandise Mart Properties 2005 office revenues by tenants' industry:

Industry	Percentage
Service	33%
Government	21%
Banking	13%
Telecommunications	11%
Publications	7%
Education	6%
Pharmaceutical	4%
Insurance	3%
Other	2%
	100%

Office lease terms generally range from three to seven years for smaller tenants to as long as 15 years for large tenants. Leases typically provide for step-ups in rent periodically over the term of the lease and pass through to tenants the tenants' share of increases in real estate taxes and operating expenses for a building over a base year. Electricity is provided to tenants on a sub-metered basis or included in rent and adjusted for subsequent utility rate increases. Leases also typically provide for tenant improvement allowances for all or a portion of the tenant's initial construction of its premises.

Office tenants accounting for 2% or more of Merchandise Mart Properties' 2005 revenues:

Tenant	Square Feet Leased	2005 Revenues	Percentage of Segment Revenues	Percentage of Company Revenues
U.S. Government	359,000	$ 12,703,000	4.7%	0.5%
SBC Ameritech	234,000	7,080,000	2.6%	0.3%
WPP Group	228,000	5,938,000	2.2%	0.2%
Bank of America	205,000	5,523,000	2.0%	0.2%

2005 leasing activity – Merchandise Mart Properties office space:

	Square Feet	Average Initial Rent Per Square Foot (1)
Merchandise Mart	180,000	$ 22.45
33 North Dearborn	73,000	23.11
Washington Office Center	18,000	43.89
350 West Mart Center	2,000	44.12
Total	273,000	24.17

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

Lease expirations for Merchandise Mart Properties office space as of December 31, 2005 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Office Square Feet	Annual Escalated Rent of Expiring Leases	
				Total	Per Square Foot
Month to month	11	14,000	0.5%	$ 86,000	$ 6.30
2006	24	225,000	7.5%	5,660,000	25.16
2007	20	241,000	8.0%	5,885,000	24.41
2008	27	248,000	8.2%	6,715,000	27.10
2009	14	333,000	11.1%	8,619,000	25.88
2010	15	396,000	13.2%	12,980,000	32.78
2011	14	267,000	8.9%	8,475,000	31.77
2012	11	117,000	3.9%	2,643,000	22.55
2013	13	139,000	4.6%	3,937,000	28.26
2014	14	133,000	4.4%	5,785,000	43.45
2015	9	135,000	4.5%	2,842,000	21.06

Showroom Space

The showrooms provide manufacturers and wholesalers with permanent and temporary space in which to display products for buyers, specifiers and end users. The showrooms are also used for hosting trade shows for the contract furniture, casual furniture, gift, carpet, residential furnishings, building products, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gift trade shows including the contract furniture industry's largest trade show, NeoCon, which attracts over 46,000 attendees each June and is hosted at the Merchandise Mart building in Chicago. The Market Square Complex co-hosts the home furniture industry's semi-annual (April and October) market weeks which occupy over 12,000,000 square feet in the High Point, North Carolina region.

Occupancy and average escalated rent per square foot:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2005	6,290,000	94.7%	$ 24.04
2004	5,589,000	97.6%	23.08
2003	5,640,000	95.1%	22.35
2002	5,528,000	95.2%	21.46
2001	5,532,000	95.5%	22.26

2005 showroom revenues by tenants' industry:

Industry	Percentage
Residential Furnishings	24%
Gift	24%
Residential Design	22%
Contract Furnishings	16%
Apparel	6%
Casual Furniture	5%
Building Products	3%
	100%

2005 Leasing Activity:

	Square Feet	Average Initial Rent Per Square Foot(1)
Merchandise Mart	384,000	$ 32.84
Market Square Complex	337,000	17.91
7 West 34th Street	186,000	42.20
L.A. Mart	173,000	17.58
Washington Design Center	46,000	34.38
350 West Mart Center	24,000	24.70
Total	1,150,000	27.58

(1) Most leases include periodic step-ups in rent which are not reflected in the initial rent per square foot leased.

Lease expirations for the Merchandise Mart Properties showroom space as of December 31, 2005 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Merchandise Mart Showroom Square Feet	Annual Escalated Rent of Expiring Leases	
				Total	Per Square Foot
Month to month	6	5,000	0.1%	$ 46,000	$ 9.65
2006	227	541,000	9.1%	14,178,000	26.19
2007	234	893,000	15.0%	20,076,000	22.48
2008	223	606,000	10.2%	15,854,000	26.18
2009	149	602,000	10.1%	14,727,000	24.44
2010	152	777,000	13.1%	19,432,000	24.99
2011	53	291,000	4.9%	7,216,000	24.81
2012	28	135,000	2.3%	3,795,000	28.06
2013	48	294,000	4.9%	8,265,000	28.11
2014	29	212,000	3.6%	4,820,000	22.78
2015	25	151,000	2.5%	3,463,000	22.93

Retail Space

The Merchandise Mart Properties portfolio also contains approximately 158,000 square feet of retail space which was 98.7% occupied at December 31, 2005.

Merchandise Mart Properties owned by the Company as of December 31, 2005:

Location	Approximate Leasable Building Square Feet	Percent Leased	Encumbrances (in thousands)
ILLINOIS			
Merchandise Mart, Chicago	3,447,000	96.4%	$ —
350 West Mart Center, Chicago	1,206,000	96.3%	—
33 North Dearborn Street, Chicago	336,000	95.3%	—
Other (50% interest)	19,000	95.6%	12,261
Total Illinois	5,008,000	96.3%	12,261
HIGH POINT, NORTH CAROLINA			
Market Square Complex	1,753,000	97.6%	92,235
National Furniture Mart	259,000	98.3%	12,404
Total High Point, North Carolina	2,012,000	97.6%	104,639
WASHINGTON, D.C.			
Washington Office Center	397,000	99.2%	46,932
Washington Design Center	392,000	99.5%	—
Total Washington, D.C.	789,000	99.3%	46,932
CALIFORNIA			
L.A. Mart	778,000	92.3%	—
MASSACHUSETTS			
Boston Design Center (ground leased through 2060)	553,000	96.4%	72,000
NEW YORK			
7 West 34th Street	408,000	72.6%	—

Total Merchandise Mart Properties	9,548,000	95.5%	$ 235,832

TEMPERATURE CONTROLLED LOGISTICS SEGMENT

The Company owns a 47.6% interest in AmeriCold Logistics. AmeriCold Logistics, headquartered in Atlanta, Georgia, provides the food industry with refrigerated warehousing and transportation management services. Refrigerated warehouses are comprised of production, distribution and public facilities. In addition, AmeriCold Logistics manages facilities owned by its customers for which it earns fixed and incentive fees. Production facilities typically serve one or a small number of customers, generally food processors that are located nearby. Customers store large quantities of processed or partially processed products in these facilities until they are shipped to the next stage of production or distribution. Distribution facilities primarily warehouse a wide variety of customers' finished products until future shipment to end-users. Each distribution facility generally services the surrounding regional market. Public facilities generally serve the needs of local and regional customers under short-term agreements. Food manufacturers and processors use these facilities to store capacity overflow from their production facilities or warehouses. AmeriCold Logistics' transportation management services include freight routing, dispatching, freight rate negotiation, backhaul coordination, freight bill auditing, network flow management, order consolidation and distribution channel assessment. AmeriCold Logistics' temperature controlled logistics expertise and access to both frozen food warehouses and distribution channels enable its customers to respond quickly and efficiently to time-sensitive orders from distributors and retailers.

AmeriCold Logistics' customers consist primarily of national, regional and local frozen food manufacturers, distributors, retailers and food service organizations, such as H.J. Heinz, Con-Agra Foods, Altria Group (Kraft Foods), Sara Lee, Tyson Foods, and General Mills. H.J. Heinz and Con-Agra Foods accounted for 15.3% and 11.0% of this segment's total revenue, respectively. No other customer in this segment accounts for more than 10% of this segment's revenue.

As of December 31, 2005, AmeriCold Logistics had $724,187,000 of outstanding debt which is consolidated into the accounts of the Company.

Temperature Controlled Logistics Properties as of December 31, 2005:

Property	Cubic Feet (in millions)	Square Feet (in thousands)	Property	Cubic Feet (in millions)	Square Feet (in thousands)
ALABAMA			ILLINOIS		
Birmingham	2.0	85.6	Rochelle	6.0	179.7
Montgomery	2.5	142.0	East Dubuque	5.6	215.4
Gadsden (1)	4.0	119.0		11.6	395.1
Albertville	2.2	64.5			
	10.7	411.1	INDIANA		
ARIZONA			Indianapolis	9.1	311.7
Phoenix	2.9	111.5			
			IOWA		
ARKANSAS			Fort Dodge	3.7	155.8
Fort Smith	1.4	78.2	Bettendorf	8.8	336.0
West Memphis	5.3	166.4		12.5	491.8
Texarkana	4.7	137.3	KANSAS		
Russellville	5.6	164.7	Wichita	2.8	126.3
Russellville	9.5	279.4	Garden City	2.2	84.6
Springdale	6.6	194.1		5.0	210.9
	33.1	1,020.1	KENTUCKY		
CALIFORNIA			Sebree	2.7	79.4
Ontario (1)	8.1	279.6			
Fullerton (1)	2.8	107.7	MAINE		
Turlock	2.5	108.4	Portland	1.8	151.6
Watsonville (1)	5.4	186.0			
Turlock	3.0	138.9	MASSACHUSETTS		
Ontario	1.9	55.9	Gloucester	1.9	95.5
	23.7	876.5	Gloucester	2.8	95.2
COLORADO			Gloucester	2.4	126.4
Denver	2.8	116.3	Boston	3.1	218.0
				10.2	535.1
FLORIDA			MINNESOTA		
Tampa	0.4	22.2	Park Rapids (50% interest)		
Plant City	0.8	30.8		3.0	86.8
Bartow	1.4	56.8			
Tampa	2.9	106.0	MISSOURI		
Tampa (1)	1.0	38.5	Marshall	4.8	160.8
	6.5	254.3	Carthage	42.0	2,564.7
				46.8	2,725.5
GEORGIA			MISSISSIPPI		
Atlanta	11.1	476.7	West Point	4.7	180.8
Atlanta	2.9	157.1			
Augusta	1.1	48.3	NEBRASKA		
Atlanta	11.4	334.7	Fremont	2.2	84.6
Atlanta	5.0	125.7	Grand Island	2.2	105.0
Montezuma	4.2	175.8		4.4	189.6
Atlanta	6.9	201.6	NEW YORK		
Thomasville	6.9	202.9	Syracuse	11.8	447.2
	49.5	1,722.8			
IDAHO			NORTH CAROLINA		
Burley	10.7	407.2	Charlotte	1.0	58.9

Nampa	8.0	364.0	Charlotte	4.1	164.8
	18.7	771.2	Tarboro	4.9	147.4
				10.0	371.1

Property	Cubic Feet (in millions)	Square Feet (in thousands)
OHIO		
Massillon	5.5	163.2
OKLAHOMA		
Oklahoma City	0.7	64.1
Oklahoma City	1.4	74.1
	2.1	138.2
OREGON		
Hermiston	4.0	283.2
Milwaukee	4.7	196.6
Salem	12.5	498.4
Woodburn	6.3	277.4
Ontario	8.1	238.2
	35.6	1,493.8
PENNSYLVANIA		
Leesport	5.8	168.9
Fogelsville	21.6	683.9
	27.4	852.8
SOUTH CAROLINA		
Columbia	1.6	83.7
SOUTH DAKOTA		
Sioux Falls	2.9	111.5
TENNESSEE		
Memphis	5.6	246.2
Memphis	0.5	36.8
Murfreesboro	4.5	106.4
	10.6	389.4
TEXAS		
Amarillo	3.2	123.1
Fort Worth	3.4	102.0
	6.6	225.1
UTAH		
Clearfield	8.6	358.4
VIRGINIA		
Norfolk	1.9	83.0
Strasburg	6.8	200.0
	8.7	283.0
WASHINGTON		
Burlington	4.7	194.0
Moses Lake	7.3	302.4
Walla Walla	3.1	140.0
Connell	5.7	235.2
Wallula	1.2	40.0
Pasco	6.7	209.0
	28.7	1,120.6
WISCONSIN		
Tomah	4.6	161.0
Babcock	3.4	111.1
Plover	9.4	358.4
	17.4	630.5
Total Temperature Controlled Logistics Properties	**437.2**	**17,310.6**

(1) Leasehold interest.

TOYS "R" US, INC. ("TOYS") SEGMENT

On July 21, 2005, a joint venture owned equally by the Company, Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys for $26.75 per share in cash or approximately $6.6 billion. In connection therewith, the Company invested $428,000,000 of the $1.3 billion of equity in the venture, consisting of $407,000,000 in cash and $21,000,000 in Toys common shares held by the Company. Toys "R" Us ("Toys") is a worldwide specialty retailer of toys and baby products with a significant real estate component. On January 9, 2006, Toys announced plans and is in the process of closing 87 Toys "R" Us stores in the United States, of which twelve stores will be converted into Babies "R" Us stores, five leased properties are expiring and one has been sold. Vornado is handling the leasing and disposition of the remaining 69 stores.

The following table sets forth the number of stores, after giving effect to the store closings announced in January 2006:

	Total	Owned	Building Owned on Leased Ground	Leased
Toys – Domestic	587	273	139	175
Toys – International	306	80	22	204
Babies "R" Us	242	36	88	118
Subtotal	1,135	389	249	497
Stores to be leased or sold	36	19	3	14
Stores leased to third parties as of February 28, 2006	25	10	7	8
Stores under sales contract	8	6	—	2
January 2006 store closings	69	35	10	24
Total Owned and Leased	1,204	424	259	521
Franchised	336			
Total Owned, Leased and Franchised	1,540			

At December 31, 2005, Toys "R" Us had $6,620,000,000 of outstanding debt, of which the Company's 32.95% share is $2,181,000,000. This debt is non-recourse to Vornado.

OTHER INVESTMENTS

Alexander's Inc. ("Alexander's")

The Company owns 33% of Alexander's outstanding common shares.

Properties owned by Alexander's as of December 31, 2005.

Location	Land Area in Square Feet or Acreage	Building Area/ Number of Floors	Percent Leased	Significant Tenants	Encumbrances (in thousands)
Operating Properties					
New York:					
731 Lexington Avenue—Manhattan: Office and Retail	84,420 SF	1,059,000(1)/31	99%	Bloomberg Citibank The Home Depot The Container Store Hennes & Mauritz	$ 720,000
Kings Plaza Regional Shopping Center—Brooklyn	24.3 acres	759,000/2 (2)(3)	99.0%	Sears 123 Mall Tenants	210,539
Rego Park I—Queens	4.8 acres	351,000/3 (2)	100.0%	Sears Circuit City Bed, Bath & Beyond Marshalls	80,926
Flushing—Queens (4)	44,975 SF	177,000/4(2)	0%		—
New Jersey:					
Paramus—New Jersey	30.3 acres	—	100.0%	IKEA	68,000
		2,346,000			$ 1,079,465
Development Property					
Rego Park II—Queens	10.0 acres				

(1) Excludes 248,000 net saleable square feet of residential space consisting of 105 condominium units.
(2) Excludes parking garages.
(3) Excludes 339,000 square foot Macy's store, owned and operated by Federated Department Stores, Inc.
(4) Leased by Alexander's through January 2027.

731 Lexington Avenue

731 Lexington Avenue is a 1.1 million square foot multi-use building. The building contains approximately 885,000 net rentable square feet of office space, 174,000 net rentable square feet of retail space. 731 Lexington Avenue also contains approximately 248,000 net saleable square feet of residential space consisting of 105 condominium units (through a taxable REIT subsidiary ("TRS")).

As of December 31, 2005, (i) 100% of the property's 885,000 square feet of office space has been leased, of which 697,000 square feet is leased to Bloomberg L.P. and 176,000 square feet is leased to Citibank N.A; (ii) 169,000 square feet of retail space is leased as of December 31, 2005 to, among others, The Home Depot, Hennes & Mauritz and The Container Store; and (iii) 100 of the 105 condominium units have been sold and closed.

Newkirk Master Limited Partnership and Affiliates ("Newkirk MLP")

Newkirk MLP is controlled by its general partner Newkirk Realty Trust, a real estate investment trust (NYSE: NKT). At December 31, 2005, the Company owns 10,186,991 limited partnership units (representing a 15.8% interest) of Newkirk MLP, which are exchangeable on a one-for-one basis into common shares of Newkirk Realty Trust after an IPO blackout period that expires on November 7, 2006. Newkirk MLP owns 16,775,000 square feet of real estate across 35 states. In addition to its ownership interest in Newkirk MLP, the Company has a 20.0% interest in NKT Advisor LLC, which is the real estate advisor to Newkirk MLP and Newkirk Realty Trust.

Real estate owned by Newkirk MLP throughout the United States as of December 31, 2005:

	Number of Properties	Square Feet
Office	36	6,909,000
Retail	148	5,274,000
Other	19	4,592,000
	203	16,775,000

As of December 31, 2005, the occupancy rate of Newkirk MLP's properties is 96.5%. Newkirk MLP has $742,879,000 of debt outstanding at December 31, 2005, of which the Company's pro-rata share is $117,375,000, none of which is recourse to the Company.

Tenants accounting for 2% or more of Newkirk MLP's revenues in 2005:

Tenant	Square Feet Leased	2005 Revenues	Percentage
Raytheon	2,286,000	$ 40,421,000	16.3%
The Saint Paul Co.	530,000	25,532,000	10.3%
Albertson's Inc.	2,843,000	25,378,000	10.3%
Honeywell	728,000	19,799,000	8.0%
Federal Express	592,000	14,812,000	6.0%
Owens-Illinois	707,000	13,363,000	5.4%
Entergy Gulf States	489,000	12,147,000	4.9%
Safeway Inc.	736,000	8,543,000	3.5%
Hibernia Bank	403,000	8,196,000	3.3%
Nevada Power Company	282,000	7,189,000	2.9%
The Kroger Company	474,000	6,920,000	2.8%
Xerox	379,000	5,940,000	2.4%
Cheeseborough/Ragu	485,000	5,602,000	2.3%

Primary lease terms range from 20 to 25 years from their original commencement dates with rents, typically above market, which fully amortize the first mortgage debt during the original lease terms. In addition, tenants generally have multiple renewal options, with rents, on average, below market.

Lease expirations as of December 31, 2005 assuming none of the tenants exercise renewal options:

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Newkirk MLP Square Feet	Annual Escalated Rent of Expiring Leases: Total	Annual Escalated Rent of Expiring Leases: Per Square Foot
2006	14	1,344,000	8.0%	$ 18,413,000	$ 13.70
2007	32	3,005,000	17.9%	37,460,000	12.46
2008	63	5,756,000	34.3%	98,236,000	17.07
2009	44	2,685,000	16.0%	56,249,000	20.95
2010	12	1,295,000	7.7%	5,911,000	4.56
2011	16	1,158,000	6.9%	10,461,000	9.03
2012	9	395,000	2.4%	4,796,000	12.14
2013	1	40,000	0.2%	870,000	21.96
2014	1	282,000	1.7%	7,189,000	25.49
2015	—	—	—	—	—

Hotel Pennsylvania

The Hotel Pennsylvania is located in New York City on Seventh Avenue opposite Madison Square Garden and consists of a hotel portion containing 1,000,000 square feet of hotel space with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space.

	Year Ended December 31, 2005	2004	2003	2002	2001
Rental information:					
Hotel:					
Average occupancy rate	83.7%	78.9%	63.7%	64.7%	63.0%
Average daily rate	$ 115.74	$ 97.36	$ 89.12	$ 89.44	$ 110.00
Revenue per available room	$ 96.85	$ 77.56	$ 58.00	$ 58.00	$ 70.00
Commercial:					
Office space:					
Average occupancy rate	38.7%	39.7%	39.7%	47.8%	51.3%
Annual rent per square feet	$ 10.70	$ 10.04	$ 9.92	$ 13.36	$ 16.39
Retail space:					
Average occupancy rate	79.8%	90.7%	89.8%	92.6%	56.2%
Annual rent per square feet	$ 26.02	$ 29.67	$ 28.11	$ 28.06	$ 41.00

GMH Communities L.P.

GMH Communities L.P. ("GMH") is a partnership through which GMH Communities Trust ("GCT"), a real estate investment trust (NYSE: GCT), conducts its operations which are focused on the student and military housing segments. As of December 31, 2005, GMH owns 56 student housing properties aggregating 13.3 million square feet and manages an additional 18 properties that serve colleges and universities throughout the United States. In addition, GMH manages 18 military housing projects in the U.S. under long-term agreements with the U.S. Government.

As of December 31, 2005, the Company owns (i) 7,337,857 GMH limited partnership units, which are exchangeable on a one-for-one basis into common shares of GCT, (ii) 700,000 GCT common shares and (iii) warrants to purchase 5,884,727 GMH limited partnership units or GCT common shares at a price of $8.50 per unit or share through May 6, 2006. The Company's aggregate ownership interest in GMH is 11.3% at December 31, 2005.

GMH has $688,412,000 of debt outstanding at December 31, 2005, of which the Company's pro-rata share is $77,791,000, none of which is recourse to the Company.

Industrial Properties

The Company's dry warehouse/industrial properties consist of seven buildings in New Jersey containing approximately 1.5 million square feet. The properties are encumbered by two cross-collateralized mortgage loans aggregating $47,803,000 as of December 31, 2005. Average lease terms range from three to five years. The following table sets forth the occupancy rate and average annual rent per square foot at the end of each of the past five years.

As of December 31,	Occupancy Rate	Average Annual Rent Per Square Foot
2005	100.0%	$ 4.19
2004	88.0%	3.96
2003	88.0%	3.86
2002	100.0%	3.89
2001	100.0%	3.69

220 Central Park South

On August 26, 2005, a joint venture in which the Company has a 90% interest, acquired a property located at 220 Central Park South in Manhattan for $136,550,000. The Company and its partner invested cash of $43,400,000 and $4,800,000, respectively, in the venture to acquire the property. The venture obtained a $95,000,000 mortgage loan which bears interest at LIBOR plus 3.50% (8.04% as of December 31, 2005) which is due in August 2006, with two six-month extensions. The property contains 122 rental apartments with an aggregate of 133,000 square feet and 5,700 square feet of commercial space.

40 East 66th Street

On July 25, 2005, the Company acquired a property located at Madison Avenue and East 66th Street in Manhattan for $158,000,000 in cash. The property contains 37 rental apartments with an aggregate of 85,000 square feet, and 10,000 square feet of retail space. The rental apartment operations are included in the Company's Other segment and the retail operations are included in the Retail segment.

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, including in respect of the matter referred to below, is not expected to have a material adverse effect on the Company's financial position or results of operations.

Stop & Shop

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming the Company has no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the $5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, froze the Company's right to re-allocate which effectively terminated the Company's right to collect the additional rent from Stop & Shop. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint. On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. The Company removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, the Company served an answer in which it asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, the Company filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed the Company's motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. The Company intends to pursue its claims against Stop & Shop vigorously.

H Street Building Corporation ("H Street")

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that the Company encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of the Company's acquisition of H Street. In addition, on July 29, 2005, a tenant under a ground lease with one of these corporations brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the Company's acquisition of H Street violated a provision giving them a right of first offer and on that basis seeks a rescission of the Company's acquisition and the right to acquire H Street for the price paid by the Company. On September 12, 2005, the Company filed a complaint against each of these corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. These legal actions are currently in the discovery stage. The Company believes that the actions filed against the Company are without merit and that it will ultimately be successful in defending against them.

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, 2005.

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 that 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	64	Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Board; the Managing General Partner of Interstate Properties, an owner of shopping centers and an investor in securities and partnerships; Chief Executive Officer of Alexander's, Inc. since March 1995, a Director since 1989, and Chairman since May 2004.
Michael D. Fascitelli	49	President and a Trustee since December 1996; President of Alexander's Inc. since August 2000 and Director since December 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.
Michelle Felman	43	Executive Vice President—Acquisitions since September 2000; Independent Consultant to Vornado from October 1997 to September 2000; Managing Director-Global Acquisitions and Business Development of GE Capital from 1991 to July 1997.
David R. Greenbaum	54	President of the New York City Office Division since April 1997 (date of the Company's acquisition); President of Mendik Realty (the predecessor to the New York City Office Properties Division) from 1990 until April 1997.
Christopher Kennedy	42	President of the Merchandise Mart Division since September 2000; Executive Vice President of the Merchandise Mart Division from April 1998 to September 2000; Executive Vice President of Merchandise Mart Properties, Inc. from 1994 to April 1998.
Joseph Macnow	60	Executive Vice President—Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Vice President and Chief Financial Officer of the Company from 1985 to January 1998; Executive Vice President and Chief Financial Officer of Alexander's, Inc. since August 1995.
Sandeep Mathrani	43	Executive Vice President—Retail Real Estate since March 2002; Executive Vice President, Forest City Ratner from 1994 to February 2002.
Mitchell N. Schear	47	President of Charles E. Smith Commercial Realty since April 2003; President of Kaempfer Company from 1998 to April 2003 (date acquired by the Company).
Wendy Silverstein	45	Executive Vice President—Capital Markets since April 1998; Senior Credit Officer of Citicorp Real Estate and Citibank, N.A. from 1986 to 1998.
Robert H. Smith	77	Chairman of Charles E. Smith Commercial Realty since January 2002 (date acquired by the Company); Co-Chief Executive Officer and Co-Chairman of the Board of Charles E. Smith Commercial Realty L.P. (the predecessor to Charles E. Smith Commercial Realty) prior to January 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY. RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Vornado's common shares are traded on the New York Stock Exchange under the symbol "VNO."

Quarterly closing price ranges of the common shares and dividends paid per share for the years ended December 31, 2005 and 2004 were as follows:

Quarter	Year Ended December 31, 2005			Year Ended December 31, 2004		
	High	Low	Dividends	High	Low	Dividends
1st	$ 76.00	$ 68.70	$ .81(1)	$ 60.48	$ 53.16	$ .87(3)
2nd	81.25	69.43	.76	60.87	48.09	.71
3rd	88.64	81.48	.76	65.30	57.06	.71
4th	87.75	78.17	1.57(2)	76.40	64.05	.76

(1) Comprised of a regular quarterly dividend of $.76 per share and a special capital gain dividend of $.05 per share.
(2) Comprised of a regular quarterly dividend of $.80 per share and a special capital gain dividend of $.77 per share.
(3) Comprised of a regular quarterly dividend of $.71 per share and a special capital gain dividend of $.16 per share.

On February 1, 2006, there were 1,582 holders of record of the Company's common shares.

Recent Sales of Unregistered Securities

During 2005 the Company issued 127,991 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4 (2) of that Act.

Information relating to compensation plans under which equity securities of the Company are authorized for issuance is set forth under Part III, Item 12 of this annual report on Form 10-K and such information is incorporated herein by reference.

Recent Purchases of Equity Securities

During the fourth quarter of 2005, the Company did not repurchase any of its equity securities.

ITEM 6. SELECTED FINANCIAL DATA:

(in thousands, except share and per share amounts)	Year Ended December 31, 2005 (1)	2004 (1)	2003	2002 (2)	2001
Operating Data:					
Revenues:					
Property rentals	$ 1,396,776	$ 1,349,563	$ 1,260,841	$ 1,209,755	$ 813,089
Tenant expense reimbursements	209,036	191,245	179,214	154,766	129,013
Temperature Controlled Logistics	846,881	87,428	—	—	—
Fee and other income	94,935	84,477	62,795	27,718	10,059
Total Revenues	2,547,628	1,712,713	1,502,850	1,392,239	952,161
Expenses:					
Operating	1,305,027	681,556	583,038	519,345	385,449
Depreciation and amortization	334,961	244,020	214,623	198,601	120,614
General and administrative	183,001	145,229	121,879	100,050	71,716
Amortization of officer’s deferred compensation expense	—	—	—	27,500	—
Costs of acquisitions and development not consummated	—	1,475	—	6,874	5,223
Total Expenses	1,822,989	1,072,280	919,540	852,370	583,002
Operating Income	724,639	640,433	583,310	539,869	369,159
Income applicable to Alexander’s	59,022	8,580	15,574	29,653	25,718
Loss applicable to Toys ‘R’ Us	(40,496)	—	—	—	—
Income from partially-owned entities	36,165	43,381	67,901	44,458	80,612
Interest and other investment income	167,225	203,998	25,401	31,685	54,385
Interest and debt expense	(340,751)	(242,955)	(230,064)	(234,113)	(167,430)
Net gain (loss) on disposition of wholly-owned and partially-owned assets other than depreciable real estate	39,042	19,775	2,343	(17,471)	(8,070)
Minority interest of partially-owned entities	(3,808)	(109)	(1,089)	(3,534)	(2,520)
Income from continuing operations	641,038	673,103	463,376	390,547	351,854
Income from discontinued operations	32,440	77,013	175,175	9,884	25,837
Cumulative effect of change in accounting principle	—	—	—	(30,129)	(4,110)
Income before allocation to limited partners’	673,478	750,116	638,551	370,302	373,581
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(72,716)	(72,500)	(70,705)
Minority limited partners’ interest in the Operating Partnership	(66,755)	(88,091)	(105,132)	(64,899)	(39,138)
Net income	539,604	592,917	460,703	232,903	263,738
Preferred share dividends	(46,501)	(21,920)	(20,815)	(23,167)	(36,505)
Net income applicable to common shares	$ 493,103	$ 570,997	$ 439,888	$ 209,736	$ 227,233
Income from continuing operations - basic	$ 3.45	$ 3.95	$ 2.36	$ 2.17	$ 2.31
Income from continuing operations - diluted	$ 3.27	$ 3.77	$ 2.30	$ 2.09	$ 2.23
Income per share–basic	$ 3.69	$ 4.56	$ 3.92	$ 1.98	$ 2.55
Income per share–diluted	$ 3.50	$ 4.35	$ 3.80	$ 1.91	$ 2.47
Cash dividends declared for common shares	$ 3.85	$ 3.05	$ 2.91	$ 2.66	$ 2.63
Balance Sheet Data:					
Total assets	$ 13,637,163	$ 11,580,517	$ 9,518,928	$ 9,018,179	$ 6,777,343
Real estate, at cost	11,448,566	9,756,241	7,667,358	7,255,051	4,426,560
Accumulated depreciation	1,672,548	1,407,644	869,440	702,686	485,447
Debt	6,254,883	4,951,323	4,054,427	4,088,374	2,477,173
Shareholders’ equity	5,263,510	4,012,741	3,077,573	2,627,356	2,570,372

See notes on the following page.

(Amounts in thousands)	Year Ended December 31, 2005 (1)	2004 (1)	2003	2002 (2)	2001
Other Data:					
Funds From Operations (“FFO”) (3):					
Net income	$ 539,604	$ 592,917	$ 460,703	$ 232,903	$ 263,738
Cumulative effect of change in accounting principle	—	—	—	30,129	4,110
Depreciation and amortization of real property	276,921	228,298	208,624	195,808	119,568
Net gains on sale of real estate	(31,614)	(75,755)	(161,789)	—	(12,445)
Net gain from insurance settlement and condemnation proceedings	—	—	—	—	(3,050)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:					
Depreciation and amortization of real property	42,052	49,440	54,762	51,881	65,588
Net gains on sale of real estate	(2,918)	(3,048)	(6,733)	(3,431)	(6,298)
Income tax effect of Toys “R” Us adjustments included above	(4,613)	—	—	—	—
Minority limited partner’s share of above adjustments	(31,990)	(27,991)	(20,080)	(50,498)	(19,679)
FFO	787,442	763,861	535,487	456,792	411,532
Preferred dividends	(46,501)	(21,920)	(20,815)	(23,167)	(36,505)

FFO applicable to common shares	740,941	741,941	514,672	433,625	375,027
Interest on exchangeable senior debentures	15,335	—	—	—	—
Series A convertible preferred dividends	943	1,068	3,570	6,150	19,505
Series B-1 and B-2 convertible preferred unit distributions	—	4,710	—	—	—
Series E-1 convertible preferred unit distributions	—	1,581	—	—	—
Series F-1 convertible preferred unit distributions	—	743	—	—	—
FFO applicable to common shares plus assumed conversions (1)	$ 757,219	$ 750,043	$ 518,242	$ 439,775	$ 394,532

(1) Operating results for the years ended December 31, 2005 and 2004 reflect the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004. Previously, this investment was accounted for on the equity method.

(2) Operating results for the year ended December 31, 2002, reflect the Company's January 1, 2002 acquisition of the remaining 66% of Charles E. Smith Commercial Realty L.P. ("CESCR") and the resulting consolidation of CESCR's operations.

(3) FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is used by management, investors and industry analysts as a supplemental measure of operating performance of equity REITs. FFO should be evaluated along with GAAP net income (the most directly comparable GAAP measure), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO is helpful to investors as a supplemental performance measure because this measure excludes the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, this non-GAAP measure can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity.

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

Overview

The Company owns and operates office, retail and showroom properties with large concentrations of office and retail properties in the New York City metropolitan area and in the Washington, D.C. and Northern Virginia area. In addition, the Company has a 47.6% interest in an entity that owns and operates 85 cold storage warehouses nationwide and a 32.95% interest in Toys "R" Us, Inc. ("Toys") which has a significant real estate component, as well as other real estate and related investments.

The Company's business objective is to maximize shareholder value. The Company measures its success in meeting this objective by the total return to its shareholders. Below is a table comparing the Company's performance to the Morgan Stanley REIT Index ("RMS") for the following periods ending December 31, 2005:

	Total Return (1)	
	Vornado	RMS
One-year	14.8%	12.1%
Three-years	157.3%	101.6%
Five-years	184.6%	135.8%
Ten-years	638.2%	282.1%(2)

(1) Past performance is not necessarily indicative of how the Company will perform in the future.

(2) From inception on July 25, 1995

The Company intends to achieve its business objective by continuing to pursue its investment philosophy and executing its operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, D.C., where we believe there is high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Investing in fully-integrated operating companies that have a significant real estate component;
- Developing and redeveloping our existing properties to increase returns and maximize value; and
- Providing specialty financing to real estate related companies.

The Company competes with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. The Company's success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. Economic growth has been fostered, in part, by low interest rates, Federal tax cuts, and increases in government spending. To the extent economic growth stalls, the Company may experience lower occupancy rates which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, the Company may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in the Company's weighted average cost of capital and a corresponding effect on net income, funds from operations and cash flow. The Company's net income and funds from operations will also be affected by the seasonality of the Toys' business and competition from discount and mass merchandisers.

2005 Acquisitions and Investments

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, located in Los Angeles, California for $10,700,000 in cash. The Company also provided the venture with a $59,500,000 first mortgage loan which bore interest at 10% through its scheduled maturity in February 2006 and $35,000,000 of preferred equity yielding 13.5% for up to a three-year term, which is subordinate to $37,200,000 of other preferred equity and debt. On February 11, 2006, $35,000,000 of the Company's loan to the venture was converted to additional preferred equity on the same terms as the Company's existing preferred equity. The balance of the loan of $24,500,000 was extended to April 11, 2006 and bears interest at 10%. The shopping center is anchored by CompUSA, Old Navy and Sports Chalet. The venture is redeveloping the existing retail and plans, subject to governmental approvals, to develop residential condominiums and assisted living facilities. This investment is accounted for under the equity method of accounting. The Company records its pro rata share of net income or loss in Beverly Connection on a one-month lag basis as the Company files its consolidated financial statements on Form 10-K and 10-Q prior to the time the venture reports its earnings.

On May 20, 2005, the Company acquired the retail condominium of the former Westbury Hotel in Manhattan, consisting of the entire block front on Madison Avenue between 69th Street and 70th Street, for $113,000,000 in cash. Simultaneously with the closing, the Company placed an $80,000,000 mortgage loan on the property bearing interest at 5.292% and maturing in 2018. The property contains approximately 17,000 square feet and is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The operations of this asset are consolidated into the accounts of the Company from the date of acquisition.

On June 13, 2005, the Company acquired the 90% that it did not already own of the Bowen Building, a 231,000 square foot class A office building located at 875 15th Street N.W. in the Central Business District of Washington, D.C. The purchase price was $119,000,000, consisting of $63,000,000 in cash and $56,000,000 of existing mortgage debt, which bears interest at LIBOR plus 1.5%, (5.66% as of December 31, 2005) and is due in February 2007. The operations of the Bowen Building are consolidated into the accounts of the Company from the date of acquisition.

On July 25, 2005, the Company acquired a property located at Madison Avenue and East 66th Street in Manhattan for $158,000,000 in cash. The property contains 37 rental apartments with an aggregate of 85,000 square feet, and 10,000 square feet of retail space. The operations of East 66th Street are consolidated into the accounts of the Company from the date of acquisition. The rental apartment operations are included in the Company's Other segment and the retail operations are included in the Retail Properties segment.

On August 26, 2005, a joint venture in which the Company has a 90% interest acquired a property located at 220 Central Park South in Manhattan for $136,550,000. The Company and its partner invested cash of $43,400,000 and $4,800,000, respectively, in the venture to acquire the property. The venture obtained a $95,000,000 mortgage loan which bears interest at LIBOR plus 3.50% (8.04% as of December 31, 2005) and matures in August 2006, with two six-month extensions. The property contains 122 rental apartments with an aggregate of 133,000 square feet and 5,700 square feet of commercial space. The operations of 220 Central Park South are consolidated into the accounts of the Company from the date of acquisition.

On December 20, 2005, the Company acquired a 46% partnership interest in, and became co-general partner of, partnerships that own a complex in Rosslyn, Virginia, containing four office buildings with an aggregate of 714,000 square feet and two apartment buildings containing 195 rental units. The consideration for the acquisition consisted of 734,486 newly issued Vornado Realty L.P. partnership units (valued at $61,814,000) and $27,300,000 of its pro-rata share of existing debt. Of the partnership interest acquired, 19% was from Robert H. Smith and Robert P. Kogod, trustees of Vornado, and their family members, representing all of their interest in the partnership. This investment is accounted for under the equity method of accounting.

On December 27, 2005, the Company acquired the Broadway Mall, located on Route 106 in Hicksville, Long Island, New York, for $152,500,000, consisting of $57,600,000 in cash and $94,900,000 of existing mortgage debt. The mall contains 1.2 million square feet, of which 1.0 million is owned by the Company, and is anchored by Macy's, Ikea, Multiplex Cinemas and Target. The operations of the Broadway Mall are consolidated into the accounts of the Company from the date of acquisition.

On December 27, 2005, the Company acquired the 95% interest that it did not already own in the Warner Building, a 560,000 square foot class A office building located at 1299 Pennsylvania Avenue three blocks from the White House. The purchase price was approximately $319,000,000, consisting of $170,000,000 in cash and $149,000,000 of existing mortgage and other debt. The operations of the Warner Building are consolidated into the accounts of the Company from the date of acquisition.

Overview – continued

On December 28, 2005, the Company acquired the Boston Design Center, which contains 552,500 square feet and is located in South Boston for $96,000,000, consisting of $24,000,000 in cash and $72,000,000 of existing mortgage debt. The operations of the Boston Design Center are consolidated into the accounts of the Company from the date of acquisition.

On January 31, 2006, the Company closed on an option to purchase the 1.4 million square foot Springfield Mall which is located on 79 acres at the intersection of Interstate 95 and Franconia Road in Springfield, Fairfax County, Virginia, and is anchored by Macy's, and J.C. Penney and Target, who own their stores aggregating 389,000 square feet. The purchase price for the option was $35,600,000, of which the Company paid $14,000,000 in cash at closing and the remainder of $21,600,000 will be paid in installments over four years. The Company intends to redevelop, reposition and re-tenant the mall and has committed to spend $25,000,000 in capital expenditures over a six-year period from the closing of the option agreement. The option becomes exercisable upon the passing of one of the existing principals of the selling entity and may be deferred at the Company's election through November 2012. Upon exercise of the option, the Company will pay $80,000,000 to acquire the mall, subject to the existing mortgage of $180,000,000, which will be amortized to $149,000,000 at maturity in 2013. Upon closing of the option on January 31, 2006, the Company acquired effective control of the mall, including management of the mall and right to the mall's net cash flow. Accordingly, the Company will consolidate the accounts of the mall into its financial position and results of operations pursuant to the provisions of FIN 46R. The Company has a 2.5% minority partner in this transaction.

Investment in H Street Building Corporation ("H Street")

On July 20, 2005, the Company acquired H Street, which owns directly or indirectly through stock ownership in corporations, a 50% interest in real estate assets located in Pentagon City, Virginia, including 34 acres of land leased to various residential and retail operators, a 1,670 unit apartment complex, 10 acres of land and two office buildings located in Washington, DC containing 577,000 square feet. The purchase price was approximately $246,600,000, consisting of $194,500,000 in cash and $52,100,000 for the Company's pro rata share of existing mortgage debt. The operations of H Street are consolidated into the accounts of the Company from the date of acquisition.

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that the Company encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of the Company's acquisition of H Street. In addition, on July 29, 2005, a tenant under a ground lease with one of these corporations brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the Company's acquisition of H Street violated a provision giving them a right of first offer and on that basis seeks a rescission of the Company's acquisition and the right to acquire H Street for the price paid by the Company. On September 12, 2005, the Company filed a complaint against each of these corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. These legal actions are currently in the discovery stage. In connection with these legal actions, the Company has accrued legal fees of $2,134,000 in the fourth quarter of 2005, which are included in general and administrative expenses on the consolidated statement of income. The Company believes that the actions filed against the Company are without merit and that it will ultimately be successful in defending against them.

Because of the legal actions described above, the Company has not been granted access to the financial information of these two corporations and accordingly has not recorded its share of their net income or loss or disclosed its pro rata share of their outstanding debt in the accompanying consolidated financial statements.

Investment in Toys "R" Us ("Toys")

On July 21, 2005, a joint venture owned equally by the Company, Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys for $26.75 per share in cash or approximately $6.6 billion. In connection therewith, the Company invested $428,000,000 of the $1.3 billion of equity in the venture, consisting of $407,000,000 in cash and $21,000,000 in Toys common shares held by the Company. This investment is accounted for under the equity method of accounting.

The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, the Company records its 32.95% share of Toys net income or loss on a one-quarter lag basis. Accordingly, the Company will record its share of Toys fourth quarter net income in its first quarter of 2006. Equity in net loss from Toys for the period from July 21, 2005 (date of acquisition) through December 31, 2005 was $40,496,000, which consisted of (i) the Company's $1,977,000 share of Toys net loss in Toys' second quarter ended July 30, 2005 for the period from July 21, 2005 (date of acquisition) through July 30, 2005, (ii) the Company's $44,812,000 share of Toys net loss in Toys' third quarter ended October 29, 2005, partially offset by, (iii) $5,043,000 of interest income on the Company's senior unsecured bridge loan described below and (iv) $1,250,000 of management fees.

On August 29, 2005, the Company acquired $150,000,000 of the $1.9 billion one-year senior unsecured bridge loan financing provided to Toys. The loan is senior to the acquisition equity of $1.3 billion and $1.6 billion of existing debt. The loan bears interest at LIBOR plus 5.25% (9.43% as of December 31, 2005) not to exceed 11% and provides for an initial .375% placement fee and additional fees of .375% at the end of three and six months if the loan has not been repaid. The loan is prepayable at any time without penalty. On December 9, 2005, $73,184,000 of this loan was repaid to the Company.

On January 9, 2006, Toys announced plans and is in the process of closing 87 Toys "R" Us stores in the United States, of which twelve stores will be converted into Babies "R" Us stores, five leased properties are expiring and one has been sold. Vornado is handling the leasing and disposition of the real estate of the remaining 69 stores. As a result of the store-closing program, Toys will incur restructuring and other charges aggregating approximately $155,000,000 before tax, which includes $45,000,000 for the cost of liquidating the inventory. Of this amount, approximately $99,000,000 will be recorded in Toys' fourth quarter ending January 28, 2006 and $56,000,000 will be recorded in the first quarter of their next fiscal year. These estimated amounts are preliminary and remain subject to change. The Company's 32.95% share of the $155,000,000 charge is $51,000,000, of which $36,000,000 will have no income statement effect as a result of purchase price accounting and the remaining portion relating to the cost of liquidating the inventory of approximately $9,000,000 after-tax, will be recorded as an expense in the first quarter of 2006.

The unaudited pro forma information set forth below presents the condensed consolidated statements of income for the Company for the three months and years ended December 31, 2005 and 2004 (including Toys' results for the three and twelve months ended October 29, 2005 and October 30, 2004, respectively) as if the above transactions had occurred on November 1, 2003. The unaudited pro forma information below is not necessarily indicative of what the Company's actual results would have been had the Toys transactions been consummated on November 1, 2003, nor does it represent the results of operations for any future periods. In management's opinion, all adjustments necessary to reflect these transactions have been made.

Pro Forma Condensed Consolidated Statements of Income (in thousands, except per share amounts)	For the Year Ended December 31, Pro Forma 2005	For the Year Ended December 31, Pro Forma 2004	For The Three Months Ended December 31, Actual 2005	For The Three Months Ended December 31, Pro Forma 2004

Revenues	$ 2,547,628	$ 1,712,713	$ 697,219	$ 505,977
Income before allocation to limited partners	$ 620,759	$ 717,891	$ 138,415	$ 262,255
Minority limited partners' interest in the Operating Partnership	(64,686)	(84,063)	(12,243)	(29,180)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(6,211)	(17,388)
Net income	488,954	564,720	119,961	215,687
Preferred share dividends	(46,501)	(21,920)	(14,211)	(6,351)
Net income applicable to common shares	$ 442,453	$ 542,800	$ 105,750	$ 209,336
Net income per common share – basic	$ 3.31	$ 4.33	$ 0.75	$ 1.65
Net income per common share – diluted	$ 3.14	$ 4.08	$ 0.71	$ 1.55

Overview – continued

Investment in Sears, Roebuck and Co. ("Sears")

In July and August 2004, the Company acquired an aggregate of 1,176,600 common shares of Sears, Roebuck and Co. ("Sears") for $41,945,000, an average price of $35.65 per share. On March 30, 2005, upon consummation of the merger between Sears and Kmart, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ("Sears Holdings") and $21,797,000 of cash in exchange for its 1,176,600 Sears common shares. The Sears Holdings common shares were valued at $48,143,000, based on the March 30, 2005 closing share price of $130.00. As a result the Company recognized a net gain of $27,651,000, the difference between the aggregate cost basis in the Sears shares and the market value of the total consideration received of $69,940,000. On April 4, 2005, 99,393 of the Company's Sears Holdings common shares with a value of $13,975,000 were utilized to satisfy a third-party participation. The remaining 270,937 Sears Holdings shares were sold in the fourth quarter of 2005 at a weighted average sales price of $125.83 per share, which resulted in a net loss on disposition of $1,137,000, based on the March 30, 2005 adjusted cost basis of $130.00 per share. The Company's net gain on its investment in these Sears shares was $26,514,000.

In August and September 2004, the Company acquired an economic interest in an additional 7,916,900 Sears common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on Sears common shares. These call and put options had an initial weighted-average strike price of $39.82 per share, or an aggregate of $315,250,000, expire in April 2006 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income.

On March 30, 2005, as a result of the merger between Sears and Kmart and pursuant to the terms of the contract, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holdings valued at $323,936,000 based on the then closing share price of $130.00 and $146,663,000 of cash. As a result, the Company recognized a net gain of $58,443,000 based on the fair value of the derivative position on March 30, 2005. During the fourth quarter of 2005, 402,660 of the common shares were sold at a weighted average sales price of $123.77 per share. In accordance with the derivative agreements, the proceeds from these sales will remain in the derivative position until the entire position is settled or until expiration in April 2006. Based on Sears Holdings' closing share price on December 31, 2005 of $115.53, the remaining shares in the derivative position have a market value of $241,361,000, which together with cash of $196,499,000 aggregates $437,860,000. In the period from March 31, 2005 through December 31, 2005, the Company recorded an expense of $43,475,000 from the derivative position, which consists of (i) $30,230,000 from the mark-to-market of the remaining shares in the derivative based on Sears Holdings $115.53 closing share price on December 31, 2005, (ii) $2,509,000 for the net loss on the shares sold based on a weighted average sales price of $123.77 and (iii) $10,736,000 resulting primarily from the increase in the strike price at an annual rate of LIBOR plus 45 basis points.

The Company's aggregate net income recognized on the owned shares and the derivative position from inception to December 31, 2005 was $124,266,000.

Investment in Sears Canada Inc. ("Sears Canada")

In connection with the Company's investment in Sears Holdings Corporation, the Company acquired 7,500,000 common shares of Sears Canada between February and September of 2005 for an aggregate cost of $143,737,000, or $19.16 per share. On December 16, 2005, Sears Canada paid a special dividend, of which Vornado's share was $120,500,000. As a result, the Company recognized $22,885,000 of income in the fourth quarter of 2005 (in addition to the unrecognized gain of $53,870,000 discussed below) and paid a $.77 special cash dividend on December 30, 2005 to shareholders of record on December 27, 2005. The Company accounts for its investment in Sears Canada as a marketable equity security classified as available-for-sale. Accordingly, the common shares are marked-to-market on a quarterly basis through "Accumulated Other Comprehensive Income" on the balance sheet. At December 31, 2005, based on a closing share price of $15.47, the unrecognized gain in Accumulated Other Comprehensive Income is $53,870,000.

Overview – continued

Investment in McDonald's Corporation ("McDonalds") (NYSE: MCD)

In July 2005, the Company acquired an aggregate of 858,000 common shares of McDonalds for $25,346,000, an average price of $29.54 per share. These shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as "available for sale." Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in "accumulated other comprehensive income" in the shareholders' equity section of the Company's consolidated balance sheet and not recognized in income. At December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, $3,585,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income."

During the three months ended September 30, 2005, the Company acquired an economic interest in an additional 14,565,000 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. These call and put options have an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to

95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. During the year ended December 31, 2005, the Company recorded net income of $17,254,000, comprised of (i) $15,239,000 from the mark-to-market of the options on December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, (ii) $9,759,000 of dividend income, partially offset by (iii) $7,744,000 for the increase in strike price resulting from the LIBOR charge.

Based on McDonalds' most recent filing with the Securities and Exchange Commission, the Company's aggregate investment in McDonalds represents 1.2% of McDonalds' outstanding common shares.

Other 2005 Acquisitions

In addition to the acquisitions and investments described above, the Company made $281,500,000 of other acquisitions and investments during 2005, which are summarized below:

(Amounts in thousands)	Amount	Segment
Dune Capital L.P. (5.4% interest) (1)	$ 50,000	Other
Wasserman Joint Venture (95% interest)	49,400	Other
692 Broadway, New York, NY	28,500	Retail
South Hills Mall, Poughkeepsie, NY	25,000	Retail
Rockville Town Center, Rockville, MD	24,800	Retail
211-217 Columbus Avenue, New York, NY	24,500	Retail
1750-1780 Gun Hill Road, Bronx, NY	18,000	Retail
TCG Urban Infrastructure Holdings Limited, India (25% interest)	16,700	Other
42 Thompson Street, New York, NY	16,500	Office
Verde Group LLC (5% interest)	15,000	Other
Other	13,100	Other
	$ 281,500	

(1) On May 31, 2005, the Company contributed $50,000 in cash to Dune Capital L.P., a limited partnership involved in corporate, real estate and asset-based investments. The Company's investment represented a 3.5% limited partnership interest for the period from May 31, 2005 through September 30, 2005. On October 1, 2005, Dune Capital made a return of capital to one of its investors and the Company's ownership interest was effectively increased to 5.4%. The Company initially accounted for this investment on the cost method based on its ownership interest on May 31, 2005. Subsequent to October 1, 2005, the Company accounts for its investment on the equity method on a one-quarter lag basis. Dune Capital's financial statements are prepared on a market value basis and changes in value from one reporting period to the next are recognized in income. Accordingly, the Company's share of Dune Capital's net income or loss will reflect such changes in market value.

2005 Dispositions

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for $126,000,000, which resulted in a net gain on sale after closing costs of $31,614,000.

At June 30, 2005, the Company owned 3,972,447 common shares of Prime Group Realty Trust ("Prime") with a carrying amount of $4.98 per share or an aggregate of $19,783,000. The investment was recorded as marketable securities on the Company's consolidated balance sheet and classified as "available-for-sale". On July 1, 2005, a third party completed its acquisition of Prime by acquiring all of Prime's outstanding common shares and limited partnership units for $7.25 per share or unit. In connection therewith, the Company recognized a gain of $9,017,000, representing the difference between the purchase price and the Company's carrying amount, which is reflected as a component of "net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate" in the Company's consolidated statement of income for the year ended December 31, 2005.

On December 30, 2005, the Company sold its $3,050,000 senior preferred equity in 3700 Associates LLC, which owns 3700 Las Vegas Boulevard, a development land parcel, and recognized a net gain of $12,110,000. In addition, the purchaser repaid the Company's $5,000,000 senior mezzanine loan to the venture.

2005 Mezzanine Loan Activity

On January 7, 2005, all of the outstanding General Motors Building loans aggregating $275,000,000 were repaid. In connection therewith, the Company received a $4,500,000 prepayment premium and $1,996,000 of accrued interest and fees through January 14, 2005, which is included in "interest and other income" on the Company's consolidated statement of income for the year ended December 31, 2005.

On February 3, 2005, the Company made a $135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). The terms of the financings are as follows: (i) $60,000,000 of a $325,000,000 mezzanine tranche of a $2,400,000,000 credit facility secured by certain equity interests and which is junior to $1,900,000,000 of the credit facility, bears interest at LIBOR plus 5.25% (9.64% as of December 31, 2005) and matures in February 2008 with two one-year extensions; and (ii) $75,000,000 of $400,000,000 of unsecured notes which are subordinate to the $2,400,000,000 credit facility and senior to over $700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On April 7, 2005, the Company made a $108,000,000 mezzanine loan secured by The Sheffield, a 684,500 square foot mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to $378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (12.14% at December 31, 2005).

On May 11, 2005, the Company's $83,000,000 loan to Extended Stay America was repaid. In connection therewith, the Company received an $830,000 prepayment premium, which is included in "interest and other investment income" in the Company's consolidated statement of income for the year ended December 31, 2005.

On December 7, 2005, the Company made a $42,000,000 mezzanine loan secured by The Manhattan House, a 780,000 square foot mixed-use residential property in Manhattan containing 583 apartments, 45,000 square feet of retail space and an underground parking garage. The loan is subordinate to $630,000,000 of other debt, matures in November 2007 with two one-year extensions and bears interest at LIBOR plus 6.25% (10.64% at December 31, 2005).

Overview – continued

2005 Financings

On January 19, 2005, the Company redeemed all of its 8.5% Series C Cumulative Redeemable Preferred Shares at their stated liquidation preference of $25.00 per share or $115,000,000. In addition, the Company redeemed a portion of the Series D-3 Perpetual Preferred Units of the Operating Partnership at their stated liquidation preference of $25.00 per unit or $80,000,000. The redemption amounts exceeded the carrying amounts by $6,052,000, representing the original issuance costs. Upon redemption, the Company wrote-off these issuance costs as a reduction to earnings.

On March 29, 2005, the Company completed a public offering of $500,000,000 principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their principal amount. The net proceeds from this offering, after the underwriters' discount were approximately $490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at a current exchange rate of 11.062199 (initial exchange rate of 10.9589) common shares per $1,000 of principal amount of debentures. The initial exchange price of $91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of $70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control. The net proceeds from the offering were used for working capital and to fund the acquisition of Toys.

On March 31, 2005, the Company completed a $225,000,000 refinancing of its 909 Third Avenue office building. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. After repaying the existing floating rate loan and closing costs, the Company retained net proceeds of approximately $100,000,000, which were used for working capital.

On June 17, 2005, the Company completed a public offering of $112,500,000 6.75% Series H Cumulative Redeemable Preferred Shares, at a price of $25.00 per share, pursuant to an effective registration statement. The Company may redeem the Series H Preferred Shares at their stated liquidation preference of $25.00 per share after June 17, 2010. The Company used the net proceeds of the offering of $108,956,000, together with existing cash balances, to redeem the remaining $120,000,000 8.25% Series D-3 Perpetual Preferred Units and the $125,000,000 8.25% Series D-4 Perpetual Preferred Units on July 14, 2005 at stated their stated liquidation preference of $25.00 per unit. In conjunction with the redemptions, the Company wrote-off approximately $6,400,000 of issuance costs as a reduction to earnings in the third quarter of 2005.

On August 10, 2005, the Company completed a public offering of 9,000,000 common shares at a price of $86.75 per share, pursuant to an effective registration statement. The net proceeds after closing costs of $780,750,000 were used to fund acquisitions and investments and for working capital.

On August 23, 2005, the Company completed a public offering of $175,000,000 6.625% Series I Cumulative Redeemable Preferred Shares at a price of $25.00 per share, pursuant to an effective registration statement. The Company may redeem the Series I preferred shares at their stated liquidation preference of $25.00 per share after August 31, 2010. In addition, on August 31, 2005, the underwriters exercised their option and purchased $10,000,000 Series I preferred shares to cover over-allotments. On September 12, 2005, the Company sold an additional $85,000,000 Series I preferred shares at a price of $25.00 per share, in a public offering pursuant to an effective registration statement. Combined with the earlier sales, the Company sold a total of 10,800,000 Series I preferred shares for net proceeds of $262,898,000. The net proceeds were used primarily to redeem outstanding perpetual preferred units.

On September 12, 2005, the Company sold $100,000,000 of 6.75% Series D-14 Cumulative Redeemable Preferred Units to an institutional investor in a private placement. The perpetual preferred units may be called without penalty at the Company's option commencing in September 2010. The proceeds were used primarily to redeem outstanding perpetual preferred units.

On September 19, 2005, the Company redeemed all of its 8.25% Series D-5 and D-7 Cumulative Redeemable Preferred Units at their stated liquidation preference of $25.00 per unit for an aggregate of $342,000,000. In conjunction with the redemptions, the Company wrote-off $9,642,000 of issuance costs as a reduction to earnings in the third quarter.

On December 12, 2005, the Company completed a $318,554,000 refinancing of its 888 Seventh Avenue office building. This interest only loan is at a fixed rate of 5.71% and matures on January 11, 2016. The Company realized net proceeds of approximately $204,448,000 after repaying the existing loan on the property and closing costs. The net proceeds were used primarily for working capital.

Overview – continued

On December 21, 2005, the Company completed a $93,000,000 refinancing of Reston Executive I, II and III. The loan bears interest at 5.57% and matures in 2012. The Company retained net proceeds of $22,050,000 after repaying the existing loan and closing costs.

On December 30, 2005, the Company redeemed the 8.25% Series D-6 and D-8 Cumulative Redeemable Preferred Units at their stated liquidation preference of $25.00 per unit for an aggregate of $30,000,000. In conjunction with these redemptions, the Company wrote-off $750,000 of issuance costs as a reduction to earnings in the fourth quarter.

On February 16, 2006, the Company completed a public offering of $250,000,000 principal amount of 5.60% senior unsecured notes due 2011 pursuant to an effective registration statement. The net proceeds from this offering, after underwriters' discount, were $248,265,000 and will be used primarily for working capital.

Temperature Controlled Logistics

Prior to November 18, 2004, the Company owned a 60% interest in Vornado Crescent Portland Partnership ("VCPP") which owned Americold Realty Trust ("Americold"). Americold owned 88 temperature controlled warehouses, all of which were leased to AmeriCold Logistics. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. On November 18, 2004, the Company and its 40% partner, Crescent Real Estate Equities Company ("CEI") collectively sold 20.7% of Americold's common shares to The Yucaipa Companies ("Yucaipa") for $145,000,000, which resulted in a gain, of which the Company's share was $18,789,000. The sale price was based on a $1.450 billion valuation for Americold before debt and other obligations. Yucaipa is a private equity firm with significant expertise in the food distribution, logistics and retail industries. Upon closing of the sale to Yucaipa on November 18, 2004, Americold is owned 47.6% by the Company, 31.7% by CEI and 20.7% by Yucaipa.

Pursuant to the sales agreement: (i) Yucaipa may be entitled to receive up to 20% of the increase in the value of Americold, realized through the sale of a portion of the Company's and CEI's interests in Americold subject to limitations, provided that Americold's Threshold EBITDA, as defined, exceeds $133,500,000 at December 31, 2007; (ii) the annual asset management fee payable by CEI to the Company has been reduced from approximately $5,500,000 to $4,548,000, payable quarterly through October 30, 2027. CEI, at its option, may terminate the payment of this fee at any time after November 2009, by paying the Company a termination fee equal to the present value of the remaining payments through October 30, 2027, discounted at 10%. In addition, CEI is obligated to pay a pro rata portion of the termination fee to the extent it sells a portion of its equity interest in Americold; and (iii) VCPP was dissolved. The Company has the right to appoint three of the five members to Americold's Board of Trustees. Consequently, the Company is deemed to exercise control over Americold and, on November 18, 2004, the Company began to consolidate the operations and financial position of Americold into its accounts and no longer accounts for its investment on the equity method.

Newkirk Master Limited Partnership and affiliates ("Newkirk MLP")

On August 11, 2005 Newkirk MLP completed a $750,000,000 mortgage financing comprised of two separate loans. One loan, in the initial principal amount of $272,200,000 (the "T-2 loan") is collateralized by contract right notes encumbering certain of Newkirk MLP's properties. The other loan, in the initial principal amount of $477,800,000 is collateralized by Newkirk MLP's properties, subject to the existing first and certain second mortgage loans on those properties. The new loans bear interest at LIBOR plus 1.75% (5.87% as of December 31, 2005) and mature in August 2008, with two one-year extension options. The loans are prepayable without penalty after August 2006. The proceeds of the new loans were used to repay approximately $708,737,000 of existing debt and accrued interest and $34,500,000 of prepayment penalties and closing costs. The Company's $7,992,000 share of the losses on the early extinguishment of debt and write-off of the related deferred financing costs are included in the equity in net loss of Newkirk MLP in the year ended December 31, 2005.

On November 2, 2005, Newkirk Realty Trust, Inc. (NYSE: NKT) ("Newkirk REIT") completed an initial public offering and in conjunction therewith acquired a controlling interest in Newkirk MLP and became its sole general partner. Prior to the public offering, the Company owned a 22.4% interest in Newkirk MLP. Subsequent to the offering, the Company owns approximately 15.8% of Newkirk MLP. The Company's 10,186,991 partnership units in Newkirk MLP are exchangeable on a one-for-one basis into common shares of Newkirk REIT after an IPO blackout period that expires on November 7, 2006.

Upon completion of the initial public offering on November 2, 2005, Newkirk MLP acquired the contract right notes and assumed the obligations under the T-2 loan, which resulted in a net gain of $16,053,000 to the Company. In addition, on November 7, 2005, the Company transferred Newkirk MLP units to its partner to satisfy a promoted obligation, which resulted in an expense of $8,470,000 representing the book value of the units transferred.

Overview – continued

Investment in GMH Communities L.P.

On July 20, 2004, the Company committed to make up to a $159,000,000 convertible preferred investment in GMH Communities L.P. ("GMH"), a partnership focused on the student and military housing sectors. Distributions accrued on the full committed balance of the investment, whether or not drawn, from July 20, 2004, at a rate of 16.27%. In connection with this commitment, the Company received a placement fee of $3,200,000. The Company also purchased for $1,000,000, warrants to acquire GMH common equity. The warrants entitled the Company to acquire (i) 6,666,667 limited partnership units in GMH at an exercise price of $7.50 per unit and (ii) 5,496,724 limited partnership units at an exercise price of $9.10 per unit, through May 6, 2006 and are adjusted for dividends declared by GCT. The Company funded a total of $113,777,000 of the commitment as of November 3, 2004.

On November 3, 2004, GMH Communities Trust (NYSE: GCT) ("GCT") closed its initial public offering ("IPO") at a price of $12.00 per share. GCT is a real estate investment trust that conducts its business through GMH, of which it is the sole general partner. In connection with the IPO, (i) the $113,777,000 previously funded by the Company under the $159,000,000 commitment was repaid, together with accrued distributions of $13,381,000, (ii) the Company contributed its 90% interest in Campus Club Gainesville, which it acquired in 2000, in exchange for an additional 671,190 GMH limited partnership units and (iii) the Company exercised its first tranche of warrants to acquire 6,666,667 limited partnership units at a price of $7.50 per unit, or an aggregate of $50,000,000, which resulted in a gain of $29,500,000.

As of December 31, 2005, the Company owns 7,337,857 GMH partnership units (which are exchangeable on a one-for-one basis into common shares of GCT) and 700,000 common shares of GCT, which were acquired from GCT in October 2005 for $14.25 per share, and holds warrants to purchase 5,884,727 GMH limited partnership units or GCT common shares at a price of $8.50 per unit or share. The Company's aggregate investment represents 11.3% of the limited partnership interest in GMH.

The Company accounts for its investment in the GMH partnership units and GCT common shares on the equity-method based on its percentage ownership interest and because Michael D. Fascitelli, the Company's President, is a member of the Board of Trustees of GCT, effective August 10, 2005. The Company records its pro-rata share of GMH's net income or loss on a one-quarter lag basis as the Company files its financial statements on Form 10-K and 10-Q prior to the time GMH files its financial statements.

The Company accounts for the warrants as derivative instruments that do not qualify for hedge accounting treatment. Accordingly, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statements of income. In the years ended December 31, 2005 and 2004, the Company recognized income of $14,079,000 and $24,190,000, respectively, from the mark-to-market of these warrants which were valued using a trinomial option pricing model based on GCT's closing stock price on the NYSE of $15.51 and $14.10 per share on December 31, 2005 and 2004, respectively.

For Mr. Fascitelli's service as a Director, on August 10, 2005 he received 4,034 restricted common shares of GCT at a price of $14.33 per share. These shares vest in equal installments over three years and are held by Mr. Fascitelli for the Company's benefit.

Overview – continued

Leasing Activity

The following table summarizes, by business segment, the leasing statistics which the Company views as key performance indicators.

(Square feet and cubic feet in thousands)

As of December 31, 2005:	Office: New York City	Office: Washington D.C. (2)	Retail	Merchandise Mart: Office	Merchandise Mart: Showroom	Temperature Controlled Logistics
Square feet/cubic feet	12,972	16,569	17,727	3,100	6,290	17,311/437,200
Number of properties	20	91	111	10	10	85
Occupancy rate	96.0%	91.2%	95.6%	97.0%	94.7%	81.7%
Leasing Activity:						
Year Ended December 31, 2005:						
Square feet	1,270	2,659	864	273	1,150	—
Initial rent (1)	$ 45.75	$ 30.18	$ 16.30	$ 24.17	$ 27.58	—
Weighted average lease terms (years)	7.9	5.6	9.2	8.1	5.4	—
Rent per square foot on relet space:						
Square feet	947	1,639	463	199	1,150	—
Initial Rent (1)	$ 44.26	$ 30.07	$ 19.42	$ 24.78	$ 27.58	—
Prior escalated rent	42.42	30.53	$ 16.86	$ 29.28	$ 26.72	—
Percentage increase (decrease):						
Cash basis	4.3%	(1.5)%	15.2%	(15.4)%	3.2%	—
Straight-line basis	8.2%	4.1%	20.0%	(0.8)%	13.1%	—
Rent per square foot on space previously vacant:						
Square feet	323	1,020	401	74	—	—
Initial rent (1)	$ 50.12	$ 30.34	$ 12.69	$ 22.53	—	—
Tenant improvements and leasing commissions:						
Per square foot	$ 30.98	$ 9.17	$ 8.04	$ 50.41	$ 8.30	—
Per square foot per annum	$ 4.01	$ 1.64	$ 0.88	$ 6.19	$ 1.53	—
Quarter ended December 31, 2005:						
Square feet	274	629	390	36	194	—
Initial rent (1)	$ 42.49	$ 29.78	$ 11.36	$ 23.57	$ 29.12	—
Weighted average lease terms (years)	8.6	5.8	9.8	7.6	5.2	—
Rent per square foot on relet space:						
Square feet	247	396	184	36	194	—
Initial rent (1)	$ 42.43	$ 28.78	$ 11.56	$ 23.57	$ 29.45	—
Prior escalated rent	$ 41.90	$ 30.87	$ 9.93	$ 25.26	$ 29.38	—
Percentage increase (decrease):						
Cash basis	1.3%	(6.8)%	16.4%	(6.7)%	0.2%	—
Straight-line basis	4.5%	(2.4)%	21.3%	37.3%	7.0%	—
Rent per square foot on space previously vacant:						
Square feet	27	234	206	—	—	—
Initial rent (1)	$ 43.04	$ 31.47	$ 11.18	—	—	—
Tenant improvements and leasing commissions:						
Per square foot	$ 34.95	$ 7.39	$ 7.31	$ 28.49	$ 5.58	—
Per square foot per annum	$ 4.06	$ 1.27	$ 0.75	$ 3.77	$ 1.07	—

In addition to the above, the New York City Office division leased the following retail space during the year ended December 31, 2005:

Square feet	40
Initial rent (1)	$ 149.77
Percentage increase over prior escalated rent for space relet	183%

See Notes on following page.

Overview – continued

(Square feet and cubic feet in thousands)	Office: New York City	Office: Washington D.C.	Retail	Merchandise Mart: Office	Merchandise Mart: Showroom	Temperature Controlled Logistics
As of December 31, 2004:						
Square feet/cubic feet	12,989	14,216	14,210	3,261	5,589	17,563/443,700
Number of properties	19	67	94	9	9	88
Occupancy rate	95.5%	91.5%	93.9%	96.5%	97.6%	76.9%
Leasing Activity:						
Year Ended December 31, 2004:						
Square feet	1,502	2,824	1,021	569	1,038	—
Initial rent (1)	$ 43.34	$ 28.93	$ 16.33	$ 22.85	$ 22.65	—
Weighted average lease terms (years)	9.4	6.1	8.0	12.1	5.2	—
Rent per square foot on relet space:						
Square feet	1,074	2,030	682	323	1,038	—
Initial Rent (1)	$ 42.54	$ 29.38	$ 16.64	$ 22.92	$ 22.65	—
Prior escalated rent	$ 40.02	$ 29.98	$ 13.99	$ 24.80	$ 22.92	—
Percentage increase	6.3%	(2.0)%	18.9%	(7.6)%	(1.2)%	—
Rent per square foot on space previously vacant:						
Square feet	428	793	339	246	—	—
Initial rent (1)	$ 45.35	$ 27.77	$ 15.71	$ 22.76	—	—
Tenant improvements and leasing commissions:						

Per square foot	$ 38.63	$ 20.03	$ 4.89	$ 65.50	$ 5.38	—
Per square foot per annum	$ 4.10	$ 3.28	$ 0.61	$ 5.42	$ 1.04	—

(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
(2) Includes 574,000 square feet for Crystal Plazas Two, Three and Four which were taken out of service for redevelopment. Excludes the occupancy and leasing activity for these properties. See discussion of Crystal City PTO space below.

Overview – continued

U.S. Patent and Trademark Office ("PTO") Space

The following table sets forth the Company's original plan to re-lease the PTO space and the space leased through February 1, 2006.

	Square Feet (in thousands)	
Period in which Rent Commences	**Original Plan**	**Leasing Activity**
4Q 05	247	247
Q1 06 (as of February 1, 2006)	612	689
	859	936
To be leased:		
Q2 2006	404	
Q3 2006	252	
Q4 2006	98	
Q1 2007	145	
	899	
To be redeveloped (1)	181	
Total	1,939	

(1) Crystal Plaza Two, a 13-story office building, was taken out of service to be converted to a 19-story residential tower containing 265 rentable/saleable square feet and 256 apartments. The original plan assumed that this building would remain an office building to be re-leased in Q1 06.

Of the square feet leased to larger tenants, 261,000 square feet was leased to the Federal Supply Service (which will relocate from 240,000 square feet in other Crystal City buildings); 144,000 square feet was leased to KBR, a defense contractor; and 126,000 square feet was leased to the Public Broadcasting Service. Straight-line rent per square foot for the square feet leased is $33.50, which is equal to the estimate in the original plan. Tenant improvements and leasing commissions per square foot are $43.50 as compared to the original plan of $45.28.

Critical Accounting Policies

In preparing the consolidated financial statements 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. Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. The summary should be read in conjunction with the more complete discussion of the Company's accounting policies included in Note 2 to the consolidated financial statements in this Annual Report on Form 10-K.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. As of December 31, 2005 and 2004, the carrying amounts of real estate, net of accumulated depreciation, were $9.8 billion and $8.3 billion, respectively. Maintenance and repairs are charged to operations as incurred. Depreciation requires an estimate by management of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. If the Company does not allocate these costs appropriately or incorrectly estimates the useful lives of its real estate, depreciation expense may be misstated.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, identified intangibles such as acquired above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141: Business Combinations and SFAS No. 142: Goodwill and Other Intangible Assets, and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. The Company's properties, including any related intangible assets, are reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. If the Company incorrectly estimates the values at acquisition or the undiscounted cash flows, initial allocations of purchase price and future impairment charges may be different. The impact of the Company's estimates in connection with acquisitions and future impairment analysis could be material to the Company's consolidated financial statements.

Identified Intangible Assets

Upon an acquisition of a business the Company records intangible assets acquired at their estimated fair value separate and apart from goodwill. The Company amortizes identified intangible assets that are determined to have finite lives which are based on the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the business acquired. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset, including the related real estate when appropriate, is not recoverable and its carrying amount exceeds its estimated fair value.

As of December 31, 2005 and 2004, the carrying amounts of identified intangible assets were $197,014,000 and $176,122,000, respectively. Such amounts are included in "other assets" on the Company's consolidated balance sheets. In addition, the Company had $146,325,000 and $70,264,000, of identified intangible liabilities as of December 31, 2005 and 2004, which are included in "deferred credit" on the Company's consolidated balance sheets. If these assets are deemed to be impaired, or the estimated useful lives of finite-life intangibles assets or liabilities change, the impact to the Company's consolidated financial statements could be material.

Notes and Mortgage Loans Receivable

The Company's policy is to record mortgages and notes receivable at the stated principal amount net of any discount or premium. As of December 31, 2005 and 2004, the carrying amounts of Notes and Mortgage Loans Receivable were $363,565,000 and $440,186,000, respectively. The Company accretes or amortizes any discounts or premiums over the life of the related loan receivable utilizing the effective interest method. The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether it is impaired. A loan is considered to be impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. The impact of the Company's estimates in connection with the collectibility of both interest and principal of its loans could be material to the Company's consolidated financial statements.

Partially-Owned Entities

As of December 31, 2005 and 2004, the carrying amounts of investments and advances to partially-owned entities, including Alexander's and Toys "R" Us, were $1,369,853,000 and $605,300,000, respectively. In determining whether the Company has a controlling interest in a partially-owned entity and the requirement to consolidate the accounts of that entity, it considers factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which it will absorb the majority of the entity's expected losses, if they occur, or receive the majority of the expected residual returns, if they occur, or both. The Company accounts for investments on the equity method when the requirements for consolidation are not met, and the Company has significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for the Company's share of net income or loss and cash contributions and distributions. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

The Company's investments in partially-owned entities are reviewed for impairment, periodically, if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. The ultimate realization of the Company's investments in partially-owned entities is dependent on a number of factors, including the performance of each investment and market conditions. The Company will record an impairment charge if it determines that a decline in the value of an investment is other than temporary.

Allowance For Doubtful Accounts

The Company periodically evaluates the collectibility of amounts due from tenants and maintains an allowance for doubtful accounts ($16,907,000 and $17,339,000 as of December 31, 2005 and 2004) for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. The Company also maintains an allowance for receivables arising from the straight-lining of rents ($6,051,000 and $6,787,000 as of December 31, 2005 and 2004). This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. These estimates may differ from actual results, which could be material to the Company's consolidated financial statements.

Revenue Recognition

The Company has the following revenue sources and revenue recognition policies:

- Base Rents — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases.
- Percentage Rents — income arising from retail tenant leases which are contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized in accordance with Staff Accounting Bulletin No. 104: Revenue Recognition, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).
- Hotel Revenues — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue are recognized when the services have been rendered.
- Trade Show Revenues — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized in accordance with the booth rental contracts when the trade shows have occurred.
- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- Temperature Controlled Logistics revenue — income arising from the Company's investment in Americold Logistics. Storage and handling revenue are recognized as services are provided. Transportation fees are recognized upon delivery to customers.
- Management, Leasing and Other Fees — income arising from contractual agreements with third parties or with partially-owned entities. This revenue is recognized as the related services are performed under the respective agreements.

Before the Company recognizes revenue, it assesses, among other things, its collectibility. If the Company's assessment of the collectibility of its revenue changes, the impact on the Company's consolidated financial statements could be material.

Income Taxes

The Company operates in a manner intended to enable it to continue to qualify as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company intends to distribute to its shareholders 100% of its taxable income. Therefore, no provision for Federal income taxes is required. If the Company fails to distribute the required amount of income to its shareholders, or fails to meet other REIT requirements, it may fail to qualify as a REIT and substantial adverse tax consequences may result.

Recently Issued Accounting Literature

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29.* The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 on its effective date did not have a material effect on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123: (Revised 2004) - *Share-Based Payment* ("SFAS No. 123R"). SFAS No. 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first annual reporting period beginning after December 31, 2005. The Company has adopted SFAS No. 123R on a modified prospective method, effective January 1, 2006 and believes that the adoption will not have a material effect on its consolidated financial statements.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Asset Retirement Obligations*. FIN 47 provides clarification of the term "conditional asset retirement obligation" as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. Under this standard, a company must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 became effective in the Company's fiscal quarter ended December 31, 2005. Certain of the Company's real estate assets contain asbestos. Although the asbestos is appropriately contained, in accordance with current environmental regulations, the Company's practice is to remediate the asbestos upon the renovation or redevelopment of its properties. Accordingly, the Company has determined that these assets meet the criteria for recording a liability and has recorded an asset retirement obligation aggregating approximately $8,400,000, which is included in "Other Liabilities" on the consolidated balance sheet as of December 31, 2005. The cumulative effect of adopting this standard was approximately $2,500,000, and is included in "Depreciation and Amortization" on the consolidated statement of income for the year ended December 31, 2005.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and SFAS No. 3.* SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring that a voluntary change in accounting principle be applied retrospectively with all prior periods' financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 also requires that a change in depreciation or amortization for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle and corrections of errors in previously issued financial statements should be termed a "restatement". SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes that the adoption of SFAS No. 154 will not have a material effect on the Company's consolidated financial statements.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 04-05, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05"). EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF 04-05 became effective on June 29, 2005, for all newly formed or modified limited partnership arrangements and January 1, 2006 for all existing limited partnership arrangements. The Company believes that the adoption of this standard will not have a material effect on its consolidated financial statements.

Net income and EBITDA by Segment for the years ended December 31, 2005, 2004 and 2003.

EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." Management considers EBITDA a supplemental measure for making decisions and assessing the un-levered performance of its segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

	For the Year Ended December 31, 2005						
(Amounts in thousands)	**Total**	**Office (2)**	**Retail (2)**	**Merchandise Mart (2)**	**Temperature Controlled Logistics (3)**	**Toys**	**Other (4)**
Property rentals	$ 1,332,915	$ 838,270	$ 200,618	$ 221,924	$ —	$ —	$ 72,103
Straight-line rents:							
Contractual rent increases	22,779	13,122	6,019	3,578	—	—	60
Amortization of free rent	27,285	16,586	4,030	6,669	—	—	—
Amortization of acquired below-market leases, net	13,797	7,388	5,596	—	—	—	813
Total rentals	1,396,776	875,366	216,263	232,171	—	—	72,976
Temperature Controlled Logistics	846,881	—	—	—	846,881	—	—
Tenant expense reimbursements	209,036	115,895	73,454	16,953	—	—	2,734
Fee and other income:							
Tenant cleaning fees	30,350	30,350	—	—	—	—	—
Management and leasing fees	15,433	14,432	941	60	—	—	—
Lease termination fees	30,117	10,746	2,399	16,972	—	—	—
Other	19,035	13,823	271	4,940	—	—	1
Total revenues	2,547,628	1,060,612	293,328	271,096	846,881	—	75,711
Operating expenses	1,305,027	404,281	88,952	100,733	662,703	—	48,358
Depreciation and amortization	334,961	171,610	33,168	41,100	73,776	—	15,307
General and administrative	183,001	40,051	15,823	24,784	40,925	—	61,418
Total expenses	1,822,989	615,942	137,943	166,617	777,404	—	125,083
Operating income (loss)	724,639	444,670	155,385	104,479	69,477	—	(49,372)
Income applicable to Alexander's	59,022	694	695	—	—	—	57,633
Loss applicable to Toys 'R' Us	(40,496)	—	—	—	—	(40,496)	—
Income from partially-owned entities	36,165	3,639	9,094	588	1,248	—	21,596
Interest and other investment income	167,225	1,824	583	187	2,273	—	162,358
Interest and debt expense	(340,751)	(141,292)	(60,018)	(10,769)	(56,272)	—	(72,400)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	39,042	690	896	—	—	—	37,456
Minority interest of partially-owned entities	(3,808)	—	—	120	(4,221)	—	293

Income (loss) from continuing operations	641,038	310,225	106,635	94,605	12,505	(40,496)	157,564
Income (loss) from discontinued operations	32,440	—	(163)	—	—	—	32,603
Income (loss) before allocation to limited partners	673,478	310,225	106,472	94,605	12,505	(40,496)	190,167
Minority limited partners' interest in the Operating Partnership	(66,755)	—	—	—	—	—	(66,755)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	—	—	—	—	—	(67,119)
Net income (loss)	539,604	310,225	106,472	94,605	12,505	(40,496)	56,293
Interest and debt expense (1)	415,826	145,734	68,274	11,592	26,775	46,789	116,662
Depreciation and amortization(1)	367,260	175,220	37,954	41,757	35,211	33,939	43,179
Income tax (benefit) expense (1)	(21,062)	1,199	—	1,138	1,275	(25,372)	698
EBITDA	$ 1,301,628	$ 632,378	$ 212,700	$ 149,092	$ 75,766	$ 14,860	$ 216,832
Percentage of EBITDA by segment	100%	48.6%	16.3%	11.5%	5.8%	1.1%	16.7%

Other EBITDA includes a net gain on sale of real estate of $31,614, income from the mark-to-market and conversion of derivative instruments of $72,816 and certain other gains and losses that affect comparability. Excluding these items the percentages of EBITDA by segment are 54.9% for Office, 18.2% for Retail, 12.9% for Merchandise Mart, 6.6% for Temperature Controlled Logistics, 1.3% for Toys and 6.2% for Other.

See Notes on page 77.

	For the Year Ended December 31, 2004					
(Amounts in thousands)	Total	Office (2)	Retail (2)	Merchandise Mart (2)	Temperature Controlled Logistics (3)	Other (4)
Property rentals	$ 1,273,133	$ 829,015	$ 164,273	$ 217,034	$ —	$ 62,811
Straight-line rents:						
Contractual rent increases	35,217	26,675	5,044	3,333	—	165
Amortization of free rent	26,264	9,665	11,290	5,315	—	(6)
Amortization of acquired below market leases, net	14,949	10,076	4,873	—	—	—
Total rentals	1,349,563	875,431	185,480	225,682	—	62,970
Temperature Controlled Logistics	87,428	—	—	—	87,428	—
Expense reimbursements	191,245	104,446	64,610	18,904	—	3,285
Fee and other income:						
Tenant cleaning fees	31,293	31,293	—	—	—	—
Management and leasing fees	16,754	15,501	1,084	155	—	14
Lease termination fees	16,989	12,696	709	3,584	—	—
Other	19,441	13,390	908	5,079	—	64
Total revenues	1,712,713	1,052,757	252,791	253,404	87,428	66,333
Operating expenses	681,556	391,336	78,208	98,833	67,989	45,190
Depreciation and amortization	244,020	159,970	26,825	36,044	7,968	13,213
General and administrative	145,229	38,356	13,187	22,588	4,264	66,834
Costs of acquisitions not consummated	1,475	—	—	—	—	1,475
Total expenses	1,072,280	589,662	118,220	157,465	80,221	126,712
Operating income (loss)	640,433	463,095	134,571	95,939	7,207	(60,379)
Income applicable to Alexander's	8,580	433	668	—	—	7,479
Income (loss) from partially-owned entities	43,381	2,728	(1,678)	545	5,641	36,145
Interest and other investment income	203,998	997	397	105	220	202,279
Interest and debt expense	(242,955)	(129,716)	(58,625)	(11,255)	(6,379)	(36,980)
Net gain on disposition of wholly-owned and partially-owned assets other than real estate	19,775	369	—	—	—	19,406
Minority interest of partially-owned entities	(109)	—	—	—	(158)	49
Income from continuing operations	673,103	337,906	75,333	85,334	6,531	167,999
Income from discontinued operations	77,013	—	10,054	—	—	66,959
Income before allocation to minority limited partners	750,116	337,906	85,387	85,334	6,531	234,958
Minority limited partners' interest in the operating partnership	(88,091)	—	—	—	—	(88,091)
Perpetual preferred unit distributions of the operating partnership	(69,108)	—	—		—	(69,108)
Net income	592,917	337,906	85,387	85,334	6,531	77,759
Interest and debt expense(1)	313,289	133,602	61,820	12,166	30,337	75,364
Depreciation and amortization(1)	296,980	162,975	30,619	36,578	34,567	32,241
Income taxes(1)	1,664	406	—	852	79	327
EBITDA	$ 1,204,850	$ 634,889	$ 177,826	$ 134,930	$ 71,514	$ 185,691
Percentage of EBITDA by segment	100%	52.7%	14.8%	11.2%	5.9%	15.4%

Included in EBITDA are (i) net gains on sale of real estate of $75,755, of which and $9,850 and $65,905 are in the Retail and Other segments, respectively, and (ii) net gains from the mark-to-market and conversion of derivative instruments of $135,372 and certain other gains and losses that affect comparability which are in the Other segment. Excluding these items, the percentages of EBITDA by segment are 62.4% for Office, 16.9% for Retail, 13.3% for Merchandise Mart, 7.0% for Temperature Controlled Logistics and 0.4% for Other.

See Notes on page 77.

	For the Year Ended December 31, 2003					
(Amounts in thousands)	Total	Office(2)	Retail(2)	Merchandise Mart(2)	Temperature Controlled Logistics (3)	Other (4)
Property rentals	$ 1,210,185	$ 809,506	$ 140,249	$ 207,929	$ —	$ 52,501
Straight-line rents:						
Contractual rent increases	34,538	27,363	3,087	4,079	—	9
Amortization of free rent	7,071	(562)	5,552	2,090	—	(9)
Amortization of acquired below market leases, net	9,047	8,007	1,040	—	—	—
Total rentals	1,260,841	844,314	149,928	214,098	—	52,501
Expense reimbursements	179,214	98,184	56,995	20,949	—	3,086
Fee and other income:						

Tenant cleaning fees	29,062	29,062	—	—	—	—
Management and leasing fees	12,812	11,427	1,290	—	—	95
Lease termination fees	8,581	2,866	2,056	3,659	—	—
Other	12,340	5,986	2,638	3,685	—	31
Total revenues	1,502,850	991,839	212,907	242,391	—	55,713
Operating expenses	583,038	370,545	71,377	97,073	—	44,043
Depreciation and amortization	214,623	149,524	19,343	32,087	—	13,669
General and administrative	121,879	37,143	9,783	20,323	—	54,630
Total expenses	919,540	557,212	100,503	149,483	—	112,342
Operating income (loss)	583,310	434,627	112,404	92,908	—	(56,629)
Income applicable to Alexander's	15,574	—	640	—	—	14,934
Income (loss) from partially-owned entities	67,901	2,426	3,752	(108)	18,416	43,415
Interest and other investment income	25,401	2,960	359	93	—	21,989
Interest and debt expense	(230,064)	(134,715)	(59,674)	(14,788)	—	(20,887)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	2,343	180	—	188	—	1,975
Minority interest of partially-owned entities	(1,089)	(1,119)	—	—	—	30
Income from continuing operations	463,376	304,359	57,481	78,293	18,416	4,827
Income (loss) from discontinued operations	175,175	172,736	4,850	—	—	(2,411)
Income before allocation to minority limited partners	638,551	477,095	62,331	78,293	18,416	2,416
Minority limited partners' interest in the operating partnership	(105,132)	—	—	—	—	(105,132)
Perpetual preferred unit distributions of the operating partnership	(72,716)	—	—	—	—	(72,716)
Net income (loss)	460,703	477,095	62,331	78,293	18,416	(175,432)
Interest and debt expense (1)	296,059	138,379	62,718	15,700	24,670	54,592
Depreciation and amortization (1)	279,507	153,273	22,150	32,711	34,879	36,494
Income taxes(1)	1,627	45	—	—	—	1,582
EBITDA	$ 1,037,896	$ 768,792	$ 147,199	$ 126,704	$ 77,965	$ (82,764)
Percentage of EBITDA by segment	100%	74.1%	14.2%	12.2%	7.5%	(8.0)%

Included in EBITDA are gains on sale of real estate of $161,789, of which $157,200 and $4,589 are in the Office and Retail segments, respectively. Excluding these items, the percentages of EBITDA by segment are 69.8% for Office, 16.3% for Retail, 14.5% for Merchandise Mart, 8.9% for Temperature Controlled Logistics and (9.5)% for Other.

See Notes on the following page.

Notes to the preceding tabular information:

(1) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA includes the Company's share of the interest and debt expense and depreciation and amortization of its partially-owned entities.

(2) At December 31, 2004, 7 West 34th Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York ("HIP") and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of $13,362 and is anticipated to make annual payments ranging from $1,000 to $2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the $2,462 balance of the HIP receivable arising from the straight-lining of rent. In the first quarter of 2005, the Company began redevelopment of a portion of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results related to the office component of this asset from the New York City Office division to the Merchandise Mart division for both the current and prior periods presented. The operations and financial results related to the retail component of this asset were transferred to the Retail division for both current and prior periods presented.

(3) Operating results for the years ended December 31, 2005 and 2004 reflect the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004. Previously, this investment was accounted for on the equity method.

(4) Other EBITDA is comprised of:

	For the Year Ended December 31,		
(Amounts in thousands)	**2005**	**2004**	**2003**
Alexander's (see page 81)	$ 84,874	$ 25,909	$ 22,361
Newkirk Master Limited Partnership (see page 82)	55,126	70,517	76,873
Hotel Pennsylvania (see page 78 and 80)	22,522	15,643	4,573
GMH Communities L.P in 2005 and Student Housing in 2004 and 2003 (see page 82).	7,955	1,440	2,000
Industrial warehouses	5,666	5,309	6,208
Other investments	5,319	—	—
	181,462	118,818	112,015
Minority limited partners' interest in the Operating Partnership	(66,755)	(88,091)	(105,132)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(72,716)
Corporate general and administrative expenses (see page 80)	(57,221)	(62,854)	(51,461)
Investment income and other (see page 84)	156,331	215,688	27,254
Net gains on sale of marketable equity securities (including $9,017 for Prime Group in 2005)	25,346	—	2,950
Net gain on disposition of investment in 3700 Las Vegas Boulevard	12,110	—	—
Discontinued operations:			
Palisades (including $65,905 net gain on sale in 2004)	—	69,697	5,006
400 North LaSalle (including $31,614 net gain on sale in 2005)	32,678	1,541	(680)
	$ 216,832	$ 185,691	$ (82,764)

Results Of Operations - Years Ended December 31, 2005 and December 31, 2004

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, Temperature Controlled Logistics revenues, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were $2,547,628,000 for the year ended December 31, 2005, compared to $1,712,713,000 in the prior year, an increase of $834,915,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Property rentals:							
Increase (decrease) due to:							
Acquisitions:							
Bowen Building	June 2005	$ 4,985	$ 4,985	$ —	$ —	$ —	$ —
Westbury Retail Condominium	May 2005	4,181	—	4,181	—	—	—
So. California Supermarkets	July 2004	3,044	—	3,044	—	—	—
40 East 66th Street	July 2005	2,481	—	1,246	—	—	1,235
Crystal City Marriott	August 2004	2,386	2,386	—	—	—	—
Burnside Plaza Shopping Center	December 2004	1,819	—	1,819	—	—	—
Rockville Town Center	March 2005	1,811	—	1,811	—	—	—
386 and 387 W. Broadway	December 2004	1,623	—	1,623	—	—	—
Lodi Shopping Center	November 2004	1,603	—	1,603	—	—	—
220 Central Park South	August 2005	1,248	—	—	—	—	1,248
H Street	July 2005	1,180	1,180	—	—	—	—
South Hills Mall	August 2005	1,146	—	1,146	—	—	—
Starwood Ceruzzi Venture – effect of consolidating from August 8, 2005 vs. equity method prior	August 2005	919	—	919	—	—	—
Other		4,632	918	3,555	159	—	—
Development/Redevelopment:							
Crystal Plaza 2, 3 and 4 – taken out of service		(10,415)	(10,415)	—	—	—	—
4 Union Square South - placed into service		4,042	—	4,042	—	—	—
7 West 34th Street – conversion from office space to showroom space		(2,234)	—	—	(2,234)	—	—
715 Lexington Avenue - placed into service		1,484	—	1,484	—	—	—
Bergen Mall – taken out of service		(1,300)	—	(1,300)	—	—	—
East Brunswick - placed into service		820	—	820	—	—	—
Crystal Drive Retail - placed into service		814	814	—	—	—	—
Amortization of acquired below market leases, net		(1,152)	(2,688)	723	—	—	813
Operations:							
Hotel activity		11,309	—	—	—	—	11,309(1)
Trade shows activity		3,204	—	—	3,204(2)	—	—
Leasing activity (see page 67)		7,583	2,755(3)	4,067	5,360	—	(4,599)(4)
Total increase (decrease) in property rentals		47,213	(65)	30,783	6,489	—	10,006
Tenant expense reimbursements:							
Increase (decrease) due to:							
Acquisitions/development		1,755	1,589	2,332	(2,166)	—	—
Operations		16,036	9,860	6,512	215	—	(551)
Total increase (decrease) in tenant expense reimbursements		17,791	11,449	8,844	(1,951)	—	(551)
Temperature Controlled Logistics (effect of consolidating from November 18, 2004 vs. equity method prior)		759,453	—	—	—	759,453	—
Fee and other income:							
Increase (decrease) in:							
Lease cancellation fee income		13,128	(1,950)	1,690	13,388(5)	—	—
Management and leasing fees		(1,321)	(1,067)	(143)	(95)	—	(16)
BMS Cleaning fees		(943)	(943)	—	—	—	—
Other		(406)	431	(637)	(139)	—	(61)
Total increase (decrease) in fee and other income		10,458	(3,529)	910	13,154	—	(77)
Total increase in revenues		$ 834,915	$ 7,855	$ 40,537	$ 17,692	$ 759,453	$ 9,378

See notes on following page.

Notes to preceding tabular information:

(1) Average occupancy and revenue per available room ("REVPAR") were 83.7% and $96.85 for the year ended December 31, 2005, as compared to 78.9% and $77.56 in the prior year.

(2) Results primarily from an increase in booth sales at several of the trade shows held in 2005.

(3) Results primarily from a $16,746 increase in New York City Office rental income from 2004 and 2005 leasing activity, partially offset by a $13,566 decrease in Washington, D.C. Office rental income due to the Patent and Trade Office leases expiring. See Overview – Leasing Activity for further details.

(4) Results primarily from the contribution, in November 2004, of the Company's 90% interest in Student Housing (Campus Club Gainsville LLC) in exchange for limited partnership units in GMH Communities L.P. The investment in Student Housing was consolidated into the accounts of the Company whereas the investment in GMH Communities L.P. is accounted for on the equity method.

(5) Results primarily from lease termination income of $13,362 received from HIP at 7 West 34th Street in January 2005.

Expenses

The Company's expenses were $1,822,989,000 for the year ended December 31, 2005, compared to $1,072,280,000 in the prior year, an increase of 750,709,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Operating:							
Increase (decrease) due to:							

Americold — effect of consolidating from November 18, 2004 vs. equity method prior		$ 594,714	$ —	$ —	$ —	$ 594,714	$ —
Acquisitions:							
Bowen Building	June 2005	1,769	1,769	—	—	—	—
Starwood Ceruzzi Venture — effect of consolidating from August 8, 2005 vs. equity method prior	August 2005	1,314	—	1,314	—	—	—
40 East 66th Street	July 2005	1,229	—	376	—	—	853
220 Central Park South	August 2005	1,152	—	—	—	—	1,152
South Hills Mall	August 2005	979	—	979	—	—	—
Burnside Plaza Shopping Center	December 2004	931	—	931	—	—	—
Westbury Retail Condominium	May 2005	928	—	928	—	—	—
H Street	July 2005	717	717	—	—	—	—
Rockville Town Center	March 2005	518	—	518	—	—	—
Lodi Shopping Center	November 2004	469	—	469	—	—	—
Other		1,745	398	1,283	64	—	—
Development/Redevelopment:							
Bergen Mall — taken out of service		(2,785)	—	(2,785)	—	—	—
Crystal Plaza 2, 3 and 4 — taken out of service		(2,536)	(2,536)	—	—	—	—
7 West 34th Street — conversion from office space to showroom space		1,898	—	—	1,898	—	—
4 Union Square South - placed into service		1,344	—	1,344	—	—	—
715 Lexington Avenue - placed into service		609	—	609	—	—	—
Crystal Drive Retail - placed into service		559	559	—	—	—	—
East Brunswick - placed into service		(189)	—	(189)	—	—	—
Hotel activity		3,843	—	—	—	—	3,843
Trade shows activity		1,254	—	—	1,254(1)	—	—
Operations		13,009	12,038(2)	4,967	(1,316)(3)	—	(2,680)
Total increase in operating expenses		623,471	12,945	10,744	1,900	594,714	3,168
Depreciation and amortization:							
Increase due to:							
Americold — effect of consolidating from November 18, 2004 vs. equity method prior		65,808	—	—	—	65,808	—
Acquisitions/Development		9,626	1,857	6,620	1,149	—	—
Operations (due to additions to buildings and improvements)		15,507	9,783	(277)	3,907	—	2,094
Total increase in depreciation and amortization		90,941	11,640	6,343	5,056	65,808	2,094
General and administrative:							
Increase due to:							
Americold — effect of consolidating from November 18, 2004 vs. equity method prior		36,661	—	—	—	36,661	—
Acquisitions		3,240	2,617	400	223	—	
Operations		(2,129)	(922)	2,236(4)	1,973(5)	—	(5,416)(6)
Total increase (decrease) in general and administrative		37,772	1,695	2,636	2,196	36,661	(5,416)
Costs of acquisition not consummated		(1,475)	—	—	—	—	(1,475)(7)
Total increase (decrease) in expenses		$ 750,709	$ 26,280	$ 19,723	$ 9,152	$ 697,183	$ (1,629)

See notes on following page.

Notes to preceding tabular information:

(1) Results primarily from an increase in trade show marketing expenses.

(2) Results from increases in New York City Office operating expenses, including $7,588 in real estate taxes and $10,155 in utility costs, net of a $5,376 reduction in bad debt expense and other expenses.

(3) Primarily due to a $3,000 reduction in bad debt expense, partially offset by an increase in utilities expense of $904.

(4) Results primarily from the increase in payroll and benefits resulting from the growth in this segment.

(5) Results primarily from (i) a $547 increase in payroll and benefits, (ii) a $401 write-off of pre-acquisition costs, (iii) $354 for costs incurred in connection with a tenant escalation dispute settled in favor of the Company and (iv) a $286 increase in income tax expense.

(6) The decrease in general and administrative expenses results from:

Bonuses to four executive vice presidents in connection with the successful leasing, development and financing of Alexander's in 2004	$ (6,500)
Cost of Vornado Operating Company litigation in 2004	(4,643)
Increase in payroll and fringes in 2005	3,244
Charitable contributions in 2005	1,119
Other, net	1,364
	$ (5,416)

(7) Costs expensed in 2004 as a result of an acquisition not consummated.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was $59,022,000 for the year ended December 31, 2005, compared to $8,580,000 for the prior year, an increase of $50,442,000. The increase is primarily due to (i) $30,895,000 for the Company's share of Alexander's after-tax net gain on sale of condominiums in the current year, (ii) a $16,236,000 decrease in the Company's share of Alexander's stock appreciation rights compensation ("SAR") expense, (iii) income from Alexander's 731 Lexington Avenue property which was placed into service subsequent to the third quarter of 2004, (iv) a $2,465,000 increase in development and guarantee fees, (v) a $1,399,000 increase in management and leasing fees, partially offset by, (vi) a $2,520,000 decrease in interest income on the Company's loans to Alexander's which were repaid in July 2005 and (vii) $1,274,000 for the Company's share of a gain on sale of land parcel in the prior year.

Loss Applicable to Toys 'R' Us

The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, the Company records its 32.95% share of Toys net income or loss on a one-quarter lag basis. Accordingly, the Company will record its share of Toys' fourth quarter net income in its first quarter of 2006. Equity in net loss from Toys for the period from July 21, 2005 (date of acquisition) through December 31, 2005 was $40,496,000 which consisted of (i) the Company's $1,977,000 share of Toys net loss in Toys' second quarter ended July 30, 2005 for the period from July 21, 2005 (date of acquisition) through July 30, 2005, (ii) the Company's $44,812,000 share of Toys net loss in Toys' third quarter ended October 29, 2005, partially offset by, (iii) $5,043,000 of interest income on the Company's senior unsecured bridge loan and (iv) $1,250,000 of management fees.

Income from Partially-Owned Entities

Below are the condensed statements of operations of the Company's unconsolidated investments, as well as the increase (decrease) in income from these partially-owned entities for the years ended December 31, 2005 and 2004:

(Amounts in thousands)	Total	Monmouth Mall	Newkirk MLP	GMH (1)	Beverly Connection (2)	Starwood Ceruzzi Joint Venture (3)	Partially-Owned Office Buildings	Temperature Controlled Logistics (4)	Other
December 31, 2005:									
Revenues		$ 24,804	$ 233,430	$ 195,340	$ 5,813	$ 1,312	$ 155,014		
Expenses:									
Operating, general and administrative and costs of good sold		(10,126)	(13,882)	(131,796)	(3,724)	(2,020)	(59,235)		
Depreciation		(4,648)	(45,974)	(26,453)	(3,436)	(470)	(24,532)		
Interest expense		(8,843)	(66,152)	(24,448)	(6,088)	—	(41,554)		
Other, net		(6,574)	(58,640)	—	(2,145)	(8)	(274)		
Net (loss) income		$ (5,387)	$ 48,782	$ 12,643	$ (9,580)	$ (1,186)	$ 29,419		
Company's interest		50%	15.82%	12.08%	50%	80%	12.8%		
Equity in net (loss) income	$ 9,077	$ (2,694)	$ 10,196	1,528	$ (4,790)	$ (949)	$ 3,771		$ 2,015
Interest and other income	24,766	6,875	9,154	—	7,403	—	(132)		1,466
Fee income	2,322	1,065		—	900	—	—		357
Income (loss) from partially-owned entities	$ 36,165	$ 5,246(5)	$ 19,350(6)	$ 1,528	$ 3,513	$ (949)	$ 3,639	N/A	$ 3,838(8)
December 31, 2004:									
Revenues		$ 24,936	$ 239,496			$ 1,649	$ 118,660	$ 131,053	
Expenses:									
Operating, general and administrative and costs of good sold		(9,915)	(23,495)			(3,207)	(48,329)	(29,351)	
Depreciation		(6,573)	(45,134)			(634)	(19,167)	(50,211)	
Interest expense		(6,390)	(80,174)			—	(32,659)	(45,504)	
Other, net		(3,208)	45,344			(4,791)	975	(5,387)	
Net (loss) income		$ (1,150)	$ 136,037			$ (6,983)	$ 19,480	$ 600	
Company's interest		50%	22.4%			80%	17%	47.6%	
Equity in net income (loss)	$ 22,860	$ (576)	$ 24,041			$ (5,586)	$ 2,935	$ 360	$ 1,686
Interest and other income	14,459	3,290	11,396			—	(207)	(20)	—
Fee income	6,062	1,027	—			—	—	5,035	—
Income (loss) from partially-owned entities	$ 43,381	$ 3,741	$ 35,437(6)	$ N/A	$ N/A	$ (5,586)(7)	$ 2,728	$ 5,375	$ 1,686(8)
(Decrease) increase in income of partially-owned entities	$ (7,216)	$ 1,505(5)	$ (16,087)(6)	$ 1,528	$ 3,513	$ 4,637(7)	$ 911	$ (5,375)	$ 2,152(8)

See footnotes on following page.

Notes to preceding tabular information:

(1) See page 66 for details.

(2) See page 57 for details.

(3) On August 8, 2005, the Company acquired the remaining 20% of Starwood Ceruzzi it did not already own for $940 in cash.

(4) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company. See page 65 for details.

(5) On August 11, 2005, the Company's $23,500 preferred equity investment in the Monmouth Mall with a yield of 14% was replaced with $10,000 of new preferred equity with a yield of 9.5%. In connection with this transaction the venture paid to the Company a prepayment penalty of $4,346, of which $2,173 was recognized as income from partially-owned entities in 2005.

(6) Included in the Company's share of net income from Newkirk MLP are the following:

(Amounts in thousands)	For the Years Ended December 31, 2005	2004
Net gain on disposition of T-2 assets	$ 16,053	$ —
Net losses on early extinguishment of debt and related write-off of deferred financing costs	(9,455)	—
Expense from payment of promoted obligation to partner	(8,470)	—
Impairment losses	(6,602)	(2,901)
Net gains on sale of real estate	4,236	2,705
Net gain on sale of Newkirk MLP option units	—	7,494
Total (expense) income	$ (4,238)	$ 7,298

In addition, the Company has excluded its $7,119 share of the gain recognized by Newkirk MLP on the sale of its Stater Brothers real estate portfolio to the Company on July 29, 2004, which was reflected as an adjustment to the basis of the Company's investment in Newkirk MLP.

(7) 2004 includes the Company's $3,833 share of Starwood Ceruzzi's impairment loss.

(8) 2005 includes $1,351 of income recognized from Dune Capital L.P.

Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was $167,225,000 for the year ended December 31, 2005, compared to $203,998,000 in the year ended December 31, 2004, a decrease of $36,773,000. This decrease resulted from the following:

(Amounts in thousands)		
Increase (decrease) due to:		
Income of $81,730 from the mark-to-market of Sears derivative position in 2004, partially offset by income of $14,968 in 2005 from the net gain on conversion of Sears derivative position to Sears Holdings derivative position on March 30, 2005 and mark-to-market adjustments though 2005	$	(66,762)
Net gain on exercise of GMH warrants in 2004		(29,452)
Net gain on conversion of Sears common shares to Sears Holdings common shares and sale in 2005		26,514
Income recognized as a result of Sears Canada special dividend in 2005		22,885
Income from the mark-to-market of McDonalds derivative position in 2005		17,254
Interest on $159,000 commitment to GMH in 2004, which was satisfied in November 2004		(16,581)
Income of $24,190 from the mark-to-market of GMH warrants in 2004, partially offset by income of $14,080 from the mark-to-market of the warrants in through 2005		(10,110)
Other, net – primarily due to higher yields on higher average amounts invested		19,479
	$	(36,773)

Interest and Debt Expense

Interest and debt expense was $340,751,000 for the year ended December 31, 2005, compared to $242,955,000 in the year ended December 31, 2004, an increase of $97,796,000. This increase is primarily due to (i) $49,893,000 resulting from the consolidation of the Company's investment in Americold from November 18, 2004 versus accounting for the investment on the equity method previously, (ii) $26,199,000 from a 2.27% increase in the weighted average interest rate on variable rate debt, (iii) $15,335,000 of interest expense on the $500,000,000 exchangeable senior debentures issued in March 2005 and (iv) $6,881,000 of additional interest expense on the $250,000,000 senior unsecured notes due 2009, which were issued in August 2004.

Net Gain on Disposition of Wholly-owned and Partially-owned Assets other than Depreciable Real Estate

Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate of $39,042,000 for the year ended December 31, 2005 is comprised of (i) $25,346,000 of net gains on sales of marketable equity securities, of which $9,017,000 relates to the disposition of the Prime Group common shares, (ii) $12,110,000 for the net gain on disposition of the Company's senior preferred equity investment in 3700 Las Vegas Boulevard and (iii) $1,586,000 relates to net gains on sale of land parcels. Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate of $19,775,000 for the year ended December 31, 2004 primarily represents a $18,789,000 net gain on sale of a portion of the investment in Americold to Yucaipa.

Minority Interest of Partially-Owned Entities

Minority interest expense of partially-owned entities was $3,808,000 for the year ended December 31, 2005, compared to $109,000 in the prior year, an increase of $3,699,000. This increase resulted primarily from the consolidation of the Company's investment in Americold beginning on November 18, 2004 versus accounting for the investment on the equity method in the prior year.

Discontinued Operations

Assets related to discontinued operations consist primarily of real estate, net of accumulated depreciation. The following table sets forth the balances of the assets related to discontinued operations as of December 31, 2005 and 2004.

(Amounts in thousands)	December 31,			
		2005		2004
400 North LaSalle	$	—	$	82,624
Vineland		908		908
	$	908	$	83,532

Liabilities related to discontinued operations as of December 31, 2004 represents the 400 North LaSalle mortgage payable of $5,187,000.

The combined results of operations of the assets related to discontinued operations for the years ended December 31, 2005 and 2004 are as follows:

(Amounts in thousands)	December 31,			
		2005		2004
Total Revenues	$	2,443	$	14,345
Total Expenses		1,617		13,087
Net income		826		1,258
Gains on sale of real estate		31,614		75,755
Income from discontinued operations	$	32,440	$	77,013

On April 21, 2005, the Company, through its 85% joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for $126,000,000, which resulted in a net gain on sale after closing costs of $31,614,000. All of the proceeds from the sale were reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031 of the Internal Revenue Code.

In anticipation of selling the Palisades Residential Complex, on February 27, 2004, the Company acquired the remaining 25% interest in the Palisades venture it did not previously own for approximately $17,000,000 in cash. On June 29, 2004, the Company sold the Palisades for $222,500,000, which resulted in a net gain on sale after closing costs of $65,905,000.

On August 12, 2004, the Company sold its Dundalk, Maryland shopping center for $12,900,000, which resulted in a net gain on sale after closing costs of $9,850,000.

Perpetual Preferred Unit Distributions of the Operating Partnership

Perpetual preferred unit distributions of the Operating Partnership were $67,119,000 for the year ended December 31, 2005, compared to $69,108,000 for the prior year, a decrease of $1,989,000. This decrease resulted primarily from the redemption of (i) $80,000,000 of the 8.25% Series D-3 preferred units in January 2005, (ii) $245,000,000 of the remaining 8.25% Series D-3 and D-4 preferred units in July 2005, (iii) $342,000,000 of the 8.25% Series D-5 and D-7 preferred units in September 2005 and (iv) $30,000,000 of the 8.25% Series D-6 and D-8 preferred units in December 2005, partially offset by, (v) a $19,017,000 write-off of the issuance costs of the preferred units redeemed in 2005, and (vi) distributions to holders of the 7.20% Series D-11 and 6.55% Series D-12 units issued in May and December 2004.

Minority Limited Partners' Interest in the Operating Partnership

Minority limited partners' interest in the Operating Partnership was $66,755,000 for the year ended December 31, 2005 compared to $88,091,000 for the prior year, a decrease of $21,336,000. This decrease results primarily from a lower minority limited partnership ownership interest due to the conversion of Class A operating partnership units into common shares of the Company during 2004 and 2005, and lower net income subject to allocation to the minority limited partners.

EBITDA

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

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other
Year ended December 31, 2004	$ 1,204,850	$ 634,889	$ 177,826	$ 134,930	$ 71,514	$ —	$ 185,691
2005 Operations:							
Same store operations(1)		290	4,977	5,788	—	—	
Acquisitions, dispositions and non-same store income and expenses		(2,801)	29,897	8,374	4,252	14,860(5)	
Year ended December 31, 2005	$ 1,301,628	$ 632,378	$ 212,700	$ 149,092	$ 75,766	$ 14,860	$ 216,832
% increase in same store operations		—%(2)	3.2%	4.7%(3)	N/A(4)	N/A	

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses which are included in "acquisitions, dispositions and non-same store income and expenses" above.

(2) EBITDA and the same store percentage increase (decrease) were $341,601 and 4.3% for the New York City Office portfolio and $290,777 and (4.7%) for the Washington, D.C. Office portfolio.

(3) EBITDA and the same store percentage increase reflect the commencement of the WPP Group leases (228 square feet) in the third quarter of 2004 and the Chicago Sun Times lease (127 square feet) in the second quarter of 2004. The same store percentage increase in EBITDA exclusive of these leases was 0.9%.

(4) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold Realty Trust), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company consolidates the operations of the combined company. See page 101 for condensed pro forma operating results of Americold for the years ended December 31, 2005 and 2004, giving effect to the acquisition of its tenant, AmeriCold Logistics, as if it had occurred on January 1, 2004. The same store percentage increase on a pro forma basis for the combined company is 14.2%.

(5) The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, the Company records its 32.95% share of Toys net income or loss on a one-quarter lag basis. Accordingly, the Company will record its share of Toys fourth quarter net income in its first quarter of 2006. Toys EBITDA above includes (i) the Company's share of Toy's EBITDA for the period from July 21, 2005 (date of acquisition) through October 29, 2005, (ii) $5,043,000 of interest income on the Company's senior unsecured bridge loan and (iii) $1,250,000 of management fees.

Results of Operations - Years Ended December 31, 2004 and December 31, 2003

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were $1,712,713,000 for the year ended December 31, 2004, compared to $1,502,850,000 in the prior year, an increase of $209,863,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Property rentals:							
Increase (decrease) due to:							
Acquisitions:							
Bergen Mall	December 2003	$ 10,156	$ —	$ 10,156	$ —	$ —	$ —
2101 L Street	August 2003	7,197	7,197	—	—	—	—
So. California supermarkets	July 2004	2,217	—	2,217	—	—	—
Marriot Hotel	July 2004	1,890	1,890	—	—	—	—
25 W. 14th Street	March 2004	2,212	—	2,212	—	—	—

Forest Plaza Shopping Center	February 2004	2,581	—	2,581	—	—	—
99-01 Queens Boulevard	August 2004	491	—	491	—	—	—
Lodi Shopping Center	November 2004	267	—	267	—	—	—
Burnside Plaza Shopping Center	December 2004	166	—	166	—	—	—
Development placed into service:							
4 Union Square South		6,989	—	6,989	—	—	—
Amortization of acquired below market leases, net		5,806	1,973	3,833	—	—	—
Operations:							
Hotel activity		13,075	—	—	—	—	13,075(1)
Trade shows activity		3,033	—	—	3,033	—	—
Leasing activity (see page 68)		32,642	20,057(2)	6,640	8,551	—	(2,606)
Total increase in property rentals		88,722	31,117	35,552	11,584	—	10,469
Tenant expense reimbursements:							
Increase (decrease) due to:							
Acquisitions		7,561	1,157	6,404	—	—	—
Operations		4,470	5,105(3)	1,211	(2,045)(4)	—	199
Total increase (decrease) in tenant expense reimbursements		12,031	6,262	7,615	(2,045)	—	199
Temperature Controlled Logistics (effect of consolidating from November 18, 2004 vs. equity method prior)		87,428	—	—	—	87,428	—
Fee and other income:							
Increase (decrease) in:							
Acquisitions (Kaempfer Management Company)		3,695	3,695	—	—	—	—
Lease cancellation fee income		8,505	9,829(5)	(1,291)	(33)	—	—
BMS Cleaning fees		2,231	2,231	—	—	—	—
Management and leasing fees		328	379	(206)	155	—	—
Other		6,923	7,405(6)	(1,786)	1,352	—	(48)
Total increase (decrease) in fee and other income		21,682	23,539	(3,283)	1,474	—	(48)
Total increase in revenues		$ 209,863	$ 60,918	$ 39,884	$ 11,013	$ 87,428	$ 10,620

See notes on following page.

Notes to preceding tabular information:

(1) Average occupancy and REVPAR were 78.9% and $77.56 for the year ended December 31, 2004, as compared to 63.7% and $58.00 in the prior year.

(2) Reflects increases of $19,845 from New York City Office primarily from higher rents for space relet.

(3) Reflects higher reimbursements from tenants resulting primarily from increases in New York City Office real estate taxes and utilities.

(4) Reflects lower reimbursements from tenants resulting primarily from a decrease in accrued real estate taxes based on the finalization of 2003 real estate taxes in September of 2004.

(5) The increase relates to early lease terminations at the Company's 888 Seventh Avenue and 909 Third Avenue office properties for approximately 175 square feet, a substantial portion of which has been re-leased at equal or higher rents.

(6) Reflects an increase of $4,541 from New York City Office, which primarily relates to an increase in Penn Plaza signage income.

Expenses

The Company's expenses were $1,072,280,000 for the year ended December 31, 2004, compared to $919,540,000 in the prior year, an increase of $152,740,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)	**Date of Acquisition**	**Total**	**Office**	**Retail**	**Merchandise Mart**	**Temperature Controlled Logistics**	**Other**
Operating:							
Increase (decrease) due to:							
Acquisitions:							
Bergen Mall	December 2003	$ 6,015	$ —	$ 6,015	$ —	$ —	$ —
2101 L Street	August 2003	2,431	2,431	—	—	—	—
25 W. 14th Street	March 2004	254	—	254	—	—	—
Forest Plaza Shopping Center	February 2004	986	—	986	—	—	—
99-01 Queens Boulevard	August 2004	109	—	109	—	—	—
Lodi Shopping Center	November 2004	36	—	36	—	—	—
Burnside Plaza Shopping Center	December 2004	66	—	66	—	—	—
Development placed into service:							
4 Union Square South		1,139	—	1,139	—	—	—
Americold — effect of consolidating from November 18, 2004 vs. equity method prior		67,989	—	—	—	67,989	—
Hotel activity		1,862	—	—	—	—	1,862

Trade shows activity	1,946	—	—	1,946	—	—
Operations	15,685	18,360(1)	(1,774)(2)	(186)(3)	—	(715)
Total increase in operating expenses	98,518	20,791	6,831	1,760	67,989	1,147
Depreciation and amortization:						
Increase (decrease) due to:						
Acquisitions/Development	10,214	2,249	7,965	—	—	—
Americold – effect of consolidating Americold from November 18, 2004 vs. equity method accounting prior	7,968	—	—	—	7,968	—
Operations	11,215(4)	8,197	(483)	3,957	—	(456)
Total increase (decrease) in depreciation and amortization	29,397	10,446	7,482	3,957	7,968	(456)
General and administrative:						
Increase due to:						
Americold — effect of consolidating from November 18, 2004 vs. equity method prior	4,264	—	—	—	4,264	—
Operations	19,086(5)	1,213	3,404	2,265	—	12,204
Total increase in general and administrative	23,350	1,213	3,404	2,265	4,264	12,204
Cost of acquisitions and development not consummated	1,475(6)	—	—	—	—	1,475(6)
Total increase in expenses	$ 152,740	$ 32,450	$ 17,717	$ 7,982	$ 80,221	$ 14,370

See notes on following page.

Notes to preceding tabular information:

(1) Results primarily from (i) a $8,134 increase in real estate taxes, of which $6,700 relates to the New York City Office portfolio, (ii) a $5,452 increase in utility costs, of which $2,816 and $2,636 relate to the New York City Office and Washington, D.C. Office portfolios, respectively and (iii) a $1,192 increase due to higher repairs and maintenance (primarily New York City Office).

(2) Results primarily from a net decrease in the allowance for bad debts due to recoveries in 2004.

(3) Results primarily from (i) reversal of overaccrual of 2003 real estate taxes of $3,928, based on finalization of 2003 taxes in September 2004, offset by (ii) increase in the allowance for straight-lined rent receivables in 2004 of $3,585.

(4) Primarily due to additions to buildings and improvements during 2003 and 2004.

(5) The increase in general and administrative expenses results from:

Bonuses to four executive vice presidents in connection with the successful leasing, development and financing of Alexander's	$ 6,500
Costs of Vornado Operating Company litigation in 2004	4,643
Legal fees in 2004 in connection with Sears investment	1,004
Increase in payroll and fringe benefits	6,555
Severance payments and the non-cash charge related to the accelerated vesting of severed employees' restricted stock in 2003 in excess of 2004 amounts	(2,319)
Costs in 2003 in connection with the relocation of Washington, D.C. Office accounting operations to the Company's administrative headquarters in New Jersey	(1,123)
Other, net	3,826
	$ 19,086

(6) Results from the write-off of costs associated with an acquisition not consummated.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was $33,920,000 before $25,340,000 of Alexander's stock appreciation rights compensation ("SAR") expense or $8,580,000 net, in the year ended December 31, 2004, compared to income of $30,442,000 before $14,868,000 of SAR expense or $15,574,000 net, in the year ended December 31, 2003, a decrease after SAR expense of $6,994,000. This decrease resulted primarily from (i) an increase in the Company's share of Alexander's SAR expense of $10,472,000, (ii) the Company's $1,434,000 share of Alexander's loss on early extinguishment of debt in 2004, partially offset by, (iii) income in 2004 from the commencement of leases with Bloomberg on November 15, 2003 and other tenants in the second half of 2004 at Alexander's 731 Lexington Avenue property and (iv) the Company's $1,274,000 share of gain on sale of a land parcel in the quarter ended September 30, 2004.

Income from Partially-Owned Entities

Below are the condensed statements of operations of the Company's unconsolidated subsidiaries, as well as the increase (decrease) in income from these partially-owned entities for the years ended December 31, 2004 and 2003:

(Amounts in thousands) For the year ended:	Total	Newkirk MLP	Temperature Controlled Logistics (1)	Monmouth Mall	Partially-Owned Office Buildings	Starwood Ceruzzi Joint Venture	Other
December 31, 2004:							
Revenues		$ 239,496	$ 131,053	$ 24,936	$ 118,660	$ 1,649	
Expenses:							
Operating, general and administrative		(23,495)	(29,351)	(9,915)	(48,329)	(3,207)	
Depreciation		(45,134)	(50,211)	(6,573)	(19,167)	(634)	
Interest expense		(80,174)	(45,504)	(6,390)	(32,659)	—	
Other, net		45,344	(5,387)	(3,208)	975	(4,791)	
Net income (loss)		$ 136,037	$ 600	$ (1,150)	$ 19,480	$ (6,983)	
Vornado's interest		22.4%	47.6%	50%	17%	80%	
Equity in net income (loss)	$ 22,860	$ 24,041(2)	$ 360	$ (576)	$ 2,935	$ (5,586)(5)	$ 1,686
Interest and other income	14,459	11,396(3)	(20)	3,290	(207)	—	—
Fee income	6,062	—	5,035	1,027	—	—	—
Income (loss) from partially-owned entities	$ 43,381	$ 35,437	$ 5,375	$ 3,741	$ 2,728	$ (5,586)	$ 1,686
December 31, 2003:							
Revenues		$ 273,500	$ 119,605	$ 24,121	$ 99,590	$ 4,394	
Expenses:							
Operating, general and administrative		(15,357)	(6,905)	(10,520)	(39,724)	(3,381)	
Depreciation		(51,777)	(56,778)	(4,018)	(18,491)	(998)	
Interest expense		(97,944)	(41,117)	(6,088)	(27,548)	—	
Other, net		43,083	5,710	(3,220)	2,516	(866)	
Net income (loss)		$ 151,505	$ 20,515	$ 275	$ 16,343	$ (851)	
Vornado's interest		22.6%	60%	50%	15%	80%	
Equity in net income (loss)	$ 51,057	$ 33,243(4)	$ 12,869	$ 138	$ 2,426	$ (681)(5)	$ 3,062(6)
Interest and other income	10,292	7,002	—	3,290	—	—	—
Fee income	6,552	—	5,547	1,005	—	—	—
Income (loss) from partially-owned entities	$ 67,901	$ 40,245	$ 18,416	$ 4,433	$ 2,426	$ (681)	$ 3,062
Increase (decrease) in income from partially-owned entities	$ (24,520)	$ (4,808)	$ (13,041)(2)	$ (692)	$ 302	$ (4,905)(5)	$ (1,376)(6)

See footnotes on following page.

Notes to preceding tabular information:

(1) On November 18, 2004, the Company's investment in Americold was consolidated into the accounts of the Company and ceased accounting for the investment on the equity method.

(2) Includes the Company's $2,479 share of gains on sale of real estate and the Company's $2,901 share of impairment losses recorded by Newkirk MLP.

(3) Includes a gain of $7,494, resulting from the exercise of an option by the Company's joint venture partner to acquire certain Newkirk MLP units held by the Company.

(4) Includes the Company's $9,900 share of gains on sale of real estate and early extinguishment of debt.

(5) Equity in income for the year ended December 31, 2004 includes the Company's $3,833 share of an impairment loss. Equity in income for the year ended December 31, 2003 includes the Company's $2,271 share of income from the settlement of a tenant bankruptcy claim, partially offset by the Company's $876 share of a net loss on disposition of leasehold improvements.

(6) Includes $5,583 for the Company's share of Prime Group Realty L.P.'s equity in net income of which $4,413 was for the Company's share of Prime Group's lease termination fee income. On May 23, 2003, the Company exchanged the units it owned for common shares and no longer accounts for its investment in the partnership on the equity method.

Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was $203,998,000 for the year ended December 31, 2004, compared to $25,401,000 in the year ended December 31, 2003, an increase of $178,597,000. This increase results from:

(Amounts in thousands)	
Income from the mark-to-market of Sears' option position	$ 82,734
Investment in GMH Communities L.P.:	
Net gain on exercise of warrants for 6.7 million GMH limited partnership units	29,452
Net gain from the mark-to-market of 5.6 million warrants at December 31, 2004	24,190
Distributions received on $159,000 commitment	16,581
Increase in interest income on $275,000 GM building mezzanine loans	22,187
Interest income recognized on the repayment of the Company's loan to Vornado Operating Company in November 2004	4,771
Increase in interest income from mezzanine loans in 2004	5,495
Other, net – primarily $5,655 of contingent interest income in 2003 from the Dearborn Center loan	(6,813)
	$ 178,597

Interest and Debt Expense

Interest and debt expense was $242,955,000 for the year ended December 31, 2004, compared to $230,064,000 in the year ended December 31, 2003, an increase of $12,891,000. This increase is primarily due to (i) $6,379,000 resulting from the consolidation of the Company's investment in Americold from November 18, 2004 versus equity method accounting prior, (ii) $7,411,000 from an increase in average outstanding debt balances, primarily due to the issuance of $250,000,000 and $200,000,000 of senior unsecured notes in August 2004 and November 2003, respectively, and (iii) $1,206,000 from an increase in the weighted average interest rate on total debt of three basis points.

Net Gain on Disposition of Wholly-owned and Partially-owned Assets other than Depreciable Real Estate

The following table sets forth the details of net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate for the years ended December 31, 2004 and 2003:

(Amounts in thousands)	For the Year Ended December 31, 2004	2003
Wholly-owned Assets:		
Gain on sale of residential condominiums units	$ 776	$ 282
Net (loss) gain on sale of marketable securities	(159)	2,950
Loss on settlement of Primestone guarantees	—	(1,388)
Gain on sale of land parcels	—	499
Partially-owned Assets:		
Net gain on sale of a portion of investment in Americold to Yucaipa	18,789	—
Other	369	—
	$ 19,775	$ 2,343

Perpetual Preferred Unit Distributions of the Operating Partnership

Perpetual preferred unit distributions of the Operating Partnership were $69,108,000 for the year ended December 31, 2004, compared to $72,716,000 for the prior year, a decrease of $3,608,000. This decrease resulted primarily from the redemptions of the Series D-2 preferred units in January 2004 and Series C-1 and D-1 preferred units in the fourth quarter of 2003.

Minority Limited Partners' Interest in the Operating Partnership

Minority limited partners' interest in the Operating Partnership was $88,091,000 for the year ended December 31, 2004 compared to $105,132,000 for the prior year, a decrease of $17,041,000. This decrease results primarily from a lower minority limited partnership ownership interest due to the conversion of Class A operating partnership units into common shares of the Company during 2003 and 2004, partially offset by higher net income subject to allocation to the minority limited partners.

Discontinued Operations

Assets related to discontinued operations consist primarily of real estate, net of accumulated depreciation. The following table sets forth the balances of the assets related to discontinued operations as of December 31, 2004 and 2003.

(Amounts in thousands)	December 31, 2004	2003
400 North LaSalle	$ 82,624	$ 80,685
Palisades (sold on June 29, 2004)	—	138,629
Baltimore (Dundalk) (sold on August 12, 2004)	—	2,167
Vineland	908	908
	$ 83,532	$ 222,389

The following table sets forth the balances of the liabilities related to discontinued operations (primarily mortgage notes payable) as of December 31, 2004 and 2003.

(Amounts in thousands)	December 31, 2004	2003
400 North LaSalle	$ 5,187	$ 3,038
Palisades (sold on June 29, 2004)	—	120,000
	$ 5,187	$ 123,038

The combined results of operations of the assets related to discontinued operations for the years ended December 31, 2004 and 2003 are as follows:

(Amounts in thousands)	December 31, 2004	2003
Total Revenues	$ 14,345	$ 42,899
Total Expenses	13,087	29,513
Net income	1,258	13,386
Gains on sale of real estate	75,755	161,789
Income from discontinued operations	$ 77,013	$ 175,175

On January 9, 2003, the Company sold its Baltimore, Maryland shopping center for $4,752,000, which resulted in a net gain after closing costs of $2,644,000.

On October 10, 2003, the Company sold Two Park Avenue, a 965,000 square foot office building, for $292,000,000, which resulted in a net gain on the sale after closing costs of $156,433,000.

On November 3, 2003, the Company sold its Hagerstown, Maryland shopping center for $3,100,000, which resulted in a net gain on sale after closing costs of $1,945,000.

In anticipation of selling the Palisades Residential Complex, on February 27, 2004, the Company acquired the remaining 25% interest in the Palisades venture it did not previously own for approximately $17,000,000 in cash. On June 29, 2004, the Company sold the Palisades for $222,500,000, which resulted in a net gain on sale after closing costs of $65,905,000.

On August 12, 2004, the Company sold its Dundalk, Maryland shopping center for $12,900,000, which resulted in a net gain on sale after closing costs of $9,850,000.

EBITDA

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

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Year ended December 31, 2003	$ 1,037,896	$ 768,792	$ 147,199	$ 126,704	$ 77,965	$ (82,764)
2004 Operations:						
Same store operations(1)		18,793	7,333	10,144	—	
Acquisitions, dispositions and non-same store income and expenses		(152,696)	23,294	(1,918)	(6,451)	
Year ended December 31, 2004	$ 1,204,850	$ 634,889	$ 177,826	$ 134,930	$ 71,514	$ 185,691
% increase in same store operations		3.1%(2)	5.5%	8.9%(3)	N/A(4)	

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses which are included in “acquisitions, dispositions and non-same store income and expenses” above.

(2) EBITDA and the same store percentage increase were $330,689 and 4.4% for the New York City Office portfolio and $304,200 and 1.7% for the Washington, D.C. Office portfolio.

(3) EBITDA and the same store percentage increase reflect the commencement of the WPP Group leases (228 square feet) in the third quarter of 2004 and the Chicago Sun Times lease (127 square feet) in the second quarter of 2004. EBITDA for the year ended December 31, 2004, exclusive of the incremental impact of these leases was $131,296 or a 5.6% same store increase over the prior year.

(4) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold Realty Trust), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of the combined company.

Supplemental Information

Three Months Ended December 31, 2005 and December 31, 2004

Below is a summary of Net Income and EBITDA by segment for the three months ended December 31, 2005 and 2004.

	For the Three Months Ended December 31, 2005						
(Amounts in thousands)	Total	Office (2)	Retail (2)	Merchandise Mart (2)	Temperature Controlled Logistics (3)	Toys(4)	Other (5)
Property rentals	$ 346,540	$ 213,558	$ 52,816	$ 58,066	$ —	$ —	$ 22,100
Straight-line rents:							
Contractual rent increases	8,834	4,506	1,619	2,702	—	—	7
Amortization of free rent	5,917	4,339	2,185	(607)	—	—	—
Amortization of acquired below-market leases, net	4,679	2,041	1,911	—	—	—	727
Total rentals	365,970	224,444	58,531	60,161	—	—	22,834
Temperature Controlled Logistics	253,987	—	—	—	253,987	—	—
Tenant expense reimbursements	54,524	31,125	18,570	4,141	—	—	688
Fee and other income:							
Tenant cleaning fees	7,130	7,130	—	—	—	—	—
Management and leasing fees	4,820	4,584	224	12	—	—	—
Lease termination fees	5,385	3,804	—	1,581	—	—	—
Other	5,403	4,037	67	1,299	—	—	—
Total revenues	697,219	275,124	77,392	67,194	253,987	—	23,522
Operating expenses	370,505	103,875	24,323	27,607	201,319	—	13,381
Depreciation and amortization	90,506	45,720	9,207	12,283	18,125	—	5,171
General and administrative	48,387	11,853	4,628	6,361	9,867	—	15,678
Total expenses	509,398	161,448	38,158	46,251	229,311	—	34,230
Operating income (loss)	187,821	113,676	39,234	20,943	24,676	—	(10,708)
Income applicable to Alexander’s	16,907	315	173	—	—	—	16,419
Loss applicable to Toys “R” Us	(39,966)	—	—	—	—	(39,966)	—
Income from partially-owned entities	15,643	876	2,144	112	571	—	11,940
Interest and other investment income	31,764	726	174	46	981	—	29,837
Interest and debt expense	(91,046)	(37,034)	(15,370)	(2,718)	(14,511)	—	(21,413)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	22,106	84	—	—	—	—	22,022
Minority interest of partially-owned entities	(4,770)	—	—	14	(5,007)	—	223
Income (loss) from continuing operations	138,459	78,643	26,355	18,397	6,710	(39,966)	48,320
Loss from discontinued operations	(44)	—	(44)	—	—	—	—

Income (loss) before allocation to limited partners	138,415	78,643	26,311	18,397	6,710	(39,966)	48,320
Minority limited partners' interest in the Operating Partnership	(12,243)	—	—	—	—	—	(12,243)
Perpetual preferred unit distributions of the Operating Partnership	(6,211)	—	—	—	—	—	(6,211)
Net income (loss)	119,961	78,643	26,311	18,397	6,710	(39,966)	29,866
Interest and debt expense (1)	140,505	38,319	17,797	2,868	6,905	42,176	32,440
Depreciation and amortization(1)	124,053	46,642	11,286	12,499	8,652	30,644	14,330
Income tax (benefit) expense	(24,031)	253	—	81	(191)	(24,383)	209
EBITDA	$ 360,488	$ 163,857	$ 55,394	$ 33,845	$ 22,076	$ 8,471	$ 76,845

See notes on page 98.

	For The Three Months Ended December 31, 2004					
(Amounts in thousands)	**Total**	**Office (2)**	**Retail (2)**	**Merchandise Mart (2)**	**Temperature Controlled Logistics (3)**	**Other (4)**
Property rentals	$ 327,801	$ 206,448	$ 46,038	$ 57,376	$ —	$ 17,939
Straight-line rents:						
Contractual rent increases	9,703	7,117	1,320	1,175	—	91
Amortization of free rent	7,507	3,338	2,340	1,828	—	1
Amortization of acquired below market leases, net	3,457	2,117	1,340	—	—	—
Total rentals	348,468	219,020	51,038	60,379	—	18,031
Temperature Controlled Logistics	87,428	—	—	—	87,428	—
Expense reimbursements	49,430	27,285	18,525	2,706	—	914
Fee and other income:						
Tenant cleaning fees	8,606	8,606	—	—	—	—
Management and leasing fees	3,560	3,278	296	5	—	(19)
Lease termination fees	2,613	147	—	2,466	—	—
Other	5,872	4,667	50	1,141	—	14
Total revenues	505,977	263,003	69,909	66,697	87,428	18,940
Operating expenses	223,991	100,836	20,819	24,432	67,989	9,915
Depreciation and amortization	70,869	42,010	7,546	10,400	7,968	2,945
General and administrative	55,066	9,820	3,681	6,791	4,264	30,510
Total expenses	349,926	152,666	32,046	41,623	80,221	43,370
Operating income (loss)	156,051	110,337	37,863	25,074	7,207	(24,430)
Income applicable to Alexander's	4,203	88	174	—	—	3,941
Income from partially-owned entities	9,739	749	556	64	37	8,333
Interest and other investment income	167,333	363	180	22	220	166,548
Interest and debt expense	(66,128)	(31,457)	(14,144)	(2,799)	(6,379)	(11,349)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	18,999	369	—	—	—	18,630
Minority interest of partially-owned entities	(157)	—	—	—	(158)	1
Income from continuing operations	290,040	80,449	24,629	22,361	927	161,674
Income (loss) from discontinued operations	(51)	—	(189)	—	—	138
Income before allocation to minority limited partners'	289,989	80,449	24,440	22,361	927	161,812
Minority limited partners' interest in the Operating Partnership	(32,647)	—	—	—	—	(32,647)
Perpetual preferred unit distributions of the Operating Partnership	(17,388)	—	—	—	—	(17,388)
Net income	239,954	80,449	24,440	22,361	927	111,777
Interest and debt expense (1)	78,474	32,473	15,022	3,025	7,326	20,628
Depreciation and amortization(1)	78,378	42,771	8,826	10,533	8,601	7,647
Income taxes	829	113	—	573	79	64
EBITDA	$ 397,635	$ 155,806	$ 48,288	$ 36,492	$ 16,933	$ 140,116

See notes on following page.

Notes to preceding tabular information:

(1) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(2) In the first quarter of 2005, the Company began redevelopment of a portion of 7 West 34 th Street into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results related to the office component of this asset from the New York City Office division to the Merchandise Mart division for both the current and prior periods presented. The operations and financial results related to the retail component of this asset were transferred to the Retail division for both current and prior periods presented.

(3) Operating results for the three months ended December 31, 2005 and 2004, reflect the consolidation of the Company's investment in Americold beginning on November 18, 2004. Previously, this investment was accounted for on the equity method.

(4) Equity in net loss from Toys for the three months ended December 31, 2005 represents (i) $44,812,000 for the Company's share of Toys net loss for Toys' third quarter ended October 29, partially offset by (ii) $3,710,000 of interest income for the Company's share of Toys' bridge loan and (iii) $1,136,000 of management fees.

(5) Other EBITDA is comprised of:

	For the Three Months Ended December 31,	
(Amounts in thousands)	**2005**	**2004**
Alexander's	$ 23,909	$ 8,839
Newkirk MLP	18,743	16,286
Hotel Pennsylvania	8,372	7,680
GMH Communities L.P. in 2005 and Student Housing in 2004	2,626	186
Industrial warehouses	1,629	1,506
Other investments	4,621	—
	59,900	34,497
Minority limited partners' interest in the Operating Partnership	(12,243)	(32,647)
Perpetual preferred unit distributions of the Operating Partnership	(6,211)	(17,388)
Corporate general and administrative expenses	(14,604)	(29,488)
Investment income and other	27,981	184,312
Net gain on disposition of investment in 3700 Las Vegas Boulevard	12,110	—
Net gains on sale of marketable securities	9,912	—
Discontinued operations	—	830
	$ 76,845	$ 140,116

Below are the details of the changes by segment in EBITDA for the three months ended December 31, 2005 compared to the three months ended December 31, 2004.

(Amounts in thousands)	**Total**	**Office**	**Retail**	**Merchandise Mart**	**Temperature Controlled Logistics**	**Toys**	**Other**
For the three months ended December 31, 2004	$ 397,635	$ 155,806	$ 48,288	$ 36,492	$ 16,933	$ —	$ 140,116
2005 Operations:							
Same store operations(1)		3,349	479	1,432	—	—	
Acquisitions, dispositions and non-same store income and expenses		4,702	6,627	(4,079)	5,143	8,471	
For the three months ended December 31, 2005	$ 360,488	$ 163,857	$ 55,394	$ 33,845	$ 22,076	$ 8,471	$ 76,845
% increase in same store operations		2.2%(2)	1.1%	4.6%	N/A(3)	N/A	

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses which are included in "acquisitions, dispositions and non same store income and expenses" above.

(2) EBITDA and same store percentage increase (decrease) was $90,468 and 5.0% for the New York City Office portfolio and $73,389 and (1.2%) for the Washington, D.C. Office portfolio.

(3) Not comparable because prior to November 4, 2004, (date the operations of AmeriCold Logistics were combined with Americold), the Company reflected its equity in the rent Americold received from AmeriCold Logistics. Subsequent thereto, the Company reflects its equity in the operations of the combined company.

The Company's revenues and expenses are subject to seasonality during the year which impacts quarter-by-quarter net earnings, cash flows and funds from operations. The business of Toys is highly seasonal. Historically, Toys' fourth quarter net income, which the Company records on a one-quarter lag basis in its first quarter, accounts for more than 80% of Toys' fiscal year net income. The Office and Merchandise Mart segments have historically experienced higher utility costs in the third quarter of the year. The Merchandise Mart segment also has experienced higher earnings in the second and fourth quarters of the year due to major trade shows occurring in those quarters. The Retail segment revenue in the fourth quarter is typically higher due to the recognition of percentage rental income. The Temperature Controlled Logistics segment has experienced higher earnings in the fourth quarter due to higher activity and occupancy in its warehouse operations due to the holiday season's impact on the food industry.

Below are the details of the changes by segment in EBITDA for the three months ended December 31, 2005 compared to the three months ended September 30, 2005:

(Amounts in thousands)	**Total**	**Office**	**Retail**	**Merchandise Mart**	**Temperature Controlled Logistics**	**Toys**	**Other**
For the three months ended September 30, 2005	$ 227,592	$ 150,944	$ 56,791	$ 33,042	$ 19,248	$ 6,389	$ (38,822)
2005 Operations:							
Same store operations(1)		10,734	649	2,641	2,828	—	
Acquisitions, dispositions and non-same store income and expenses		2,179	(2,046)	(1,838)	—	2,082	

For the three months ended December 31, 2005	$ 360,488	$ 163,857	$ 55,394	$ 33,845	$ 22,076	$ 8,471	$ 76,845
% increase in same store operations		7.2%(2)	1.3%	8.7%(3)	14.7%	N/A	

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses which are included in "acquisitions, dispositions and non-same store income and expenses" above.

(2) EBITDA and same store percentage increase was $90,468 and 7.8% for the New York City Office portfolio and $73,389 and 6.5% for the Washington, D.C. Office portfolio. The same store percentage changes reflect seasonally lower utility costs in the fourth quarter than the third quarter, of which $4,584 relates to the New York City Office portfolio and $2,871 relates to the Washington D.C. Office portfolio. The same store operations exclusive of the seasonal change in utilities increased by 2.1% for the New York City Office portfolio and increased by 2.3% for the Washington, D.C. Office portfolio.

(3) Primarily due to seasonality of trade show operations.

Below is a reconciliation of net income and EBITDA for the three months ended September 30, 2005.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Toys	Other
Net income (loss) for the three months ended September 30, 2005	$ 38,742	$ 69,677	$ 30,243	$ 20,016	$ 2,941	$ (530)	$ (83,605)
Interest and debt expense	100,355	37,178	17,178	2,917	6,738	4,613	31,731
Depreciation and amortization	87,455	43,455	9,370	9,670	8,722	3,295	12,943
Income tax expense (benefit)	1,040	634	—	439	847	(989)	109
EBITDA for the three months ended September 30, 2005	$ 227,592	$ 150,944	$ 56,791	$ 33,042	$ 19,248	$ 6,389	$ (38,822)

Investment in Americold Realty Trust

Prior to November 18, 2004, the Company owned a 60% interest in Vornado Crescent Portland Partnership ("VCPP") which owned Americold Realty Trust ("Americold"). Americold owned 88 temperature controlled warehouses, all of which were leased to AmeriCold Logistics. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. On November 18, 2004, the Company and its 40% partner, Crescent Real Estate Equities Company ("CEI") collectively sold 20.7% of Americold's common shares to The Yucaipa Companies ("Yucaipa") for $145,000,000, which resulted in a gain, of which the Company's share was $18,789,000. The sale price was based on a $1.450 billion valuation for Americold before debt and other obligations. Yucaipa is a private equity firm with significant expertise in the food distribution, logistics and retail industries. Upon closing of the sale to Yucaipa on November 18, 2004, Americold is owned 47.6% by the Company, 31.7% by CEI and 20.7% by Yucaipa.

Pursuant to the sales agreement: (i) Yucaipa may be entitled to receive up to 20% of the increase in the value of Americold, realized through the sale of a portion of the Company's and CEI's interests in Americold subject to limitations, provided that Americold's Threshold EBITDA, as defined, exceeds $133,500,000 at December 31, 2007; (ii) the annual asset management fee payable by CEI to the Company has been reduced from approximately $5,500,000 to $4,548,000, payable quarterly through October 30, 2027. CEI, at its option, may terminate the payment of this fee at any time after November 2009, by paying the Company a termination fee equal to the present value of the remaining payments through October 30, 2027, discounted at 10%. In addition, CEI is obligated to pay a pro rata portion of the termination fee to the extent it sells a portion of its equity interest in Americold; and (iii) VCPP was dissolved. The Company has the right to appoint three of the five members to Americold's Board of Trustees. Consequently, the Company is deemed to exercise control over Americold and, on November 18, 2004, the Company began to consolidate the operations and financial position of Americold into its accounts and no longer accounts for its investment on the equity method.

The following is a pro forma presentation of the results of operations of Americold for the three months and year ended December 31, 2004, giving effect to the acquisition of AmeriCold Logistics as if it had occurred on January 1, 2004 as compared to the actual results for the comparable periods in the current year.

	For the Year Ended December 31,		For the Three Months Ended December 31,	
(Amounts in thousands)	2005	2004	2005	2004
Revenue	$ 846,881	$ 701,707	$ 253,987	$ 191,595
Cost of operations	662,341	545,971	200,957	146,686
Gross margin	184,540	155,736	53,030	44,909
Depreciation, depletion and amortization	73,776	72,059	18,125	17,622
Interest expense	56,272	52,443	14,511	13,894
General and administrative expense	40,925	33,815	9,867	6,930
Other (income) expense, net	(2,792)	6,497	(824)	4,573
Net income (loss)	16,359	(9,078)	11,351	1,890
Depreciation and amortization	73,776	72,059	18,125	17,622
Interest expense	56,272	52,443	14,511	13,894
Income tax expense (benefit)	2,679	875	(403)	60
EBITDA	$ 149,086	$ 116,299	$ 43,584	$ 33,466
Same store % increase	14.2%		9.1%	

The Company's actual share of net income and EBITDA for 2005 and pro forma share for 2004 are as follows:

The Company's pro rata share:				
Net income (loss)	$ 7,784(1)	$ (4,319)(2)	$ 5,401(1)	$ 899(2)
EBITDA	$ 70,935(1)	$ 55,335(2)	$ 20,737(1)	$ 15,923(2)

(1) Amounts reported by the Company for the three months and year ended December 31, 2005 include asset management fees of $1,010 and $4,832, respectively, which are not included in the above table.

(2) Actual results reported by the Company for these periods was based on a 60% ownership interest through November 18, 2004, as compared to the pro forma ownership interest of 47.6% used in the above table. In addition, the Company earned asset management fees for the three months and year ended December 31, 2004 of $1,310 and $5,824, which are not included in the above table.

Related Party Transactions

Loan and Compensation Agreements

On December 22, 2005, Steven Roth, the Company's Chief Executive Officer, repaid to the Company his $13,122,500 outstanding loan which was scheduled to mature in January 2006. Pursuant to a credit agreement dated November 1999, Mr. Roth may draw up to $15,000,000 of loans from the Company on a revolving basis. Each loan bears interest, payable quarterly, at the applicable Federal rate on the date the loan is made and matures on the sixth anniversary of such loan. Loans are collateralized by assets with a value of not less than two times the amount outstanding. On December 23, 2005, Mr. Roth borrowed $13,122,500 under this facility, which bears interest at 4.45% per annum and matures on December 23, 2011.

At December 31, 2005, the balance of the loan due from Michael Fascitelli, the Company's President, in accordance with his employment agreement was $8,600,000. The loan matures in December 2006 and bears interest, payable quarterly, at a weighted average rate of 3.97% (based on the applicable Federal rate).

Effective January 1, 2002, the Company extended its employment agreement with Mr. Fascitelli for a five-year period through December 31, 2006. Pursuant to the extended employment agreement, Mr. Fascitelli is entitled to receive a deferred payment on December 31, 2006 of 626,566 Vornado common shares which are valued for compensation purposes at $27,500,000 (the value of the shares on March 8, 2002, the date the extended employment agreement was executed). The shares are held in a rabbi trust for the benefit of Mr. Fascitelli and vested 100% on December 31, 2002. The extended employment agreement does not permit diversification, allows settlement of the deferred compensation obligation by delivery of these shares only, and permits the deferred delivery of these shares. The value of these shares was amortized ratably over the one-year vesting period as compensation expense.

Pursuant to the Company's annual compensation review in February 2002 with Joseph Macnow, the Company's Chief Financial Officer, the Compensation Committee approved a $2,000,000 loan to Mr. Macnow, bearing interest at the applicable federal rate of 4.65% per annum and due in June 2007. The loan was funded on July 23, 2002 and is collateralized by assets with a value of not less than two times the loan amount.

On February 22, 2005, the Company and Sandeep Mathrani, Executive Vice President – Retail Division, entered into a new employment agreement. Pursuant to the agreement, the Company granted Mr. Mathrani (i) 16,836 restricted shares of the Company's stock, (ii) stock options to acquire 300,000 of the Company's common shares at an exercise price of $71.275 per share and (iii) the right to receive 200,000 stock options over the next two years at the then prevailing market price. In addition, Mr. Mathrani repaid the $500,000 loan the Company provided him under his prior employment agreement.

On March 11, 2004, the Company loaned $2,000,000 to Melvyn Blum, an executive officer of the Company, pursuant to the revolving credit facility contained in his January 2000 employment agreement. Melvyn Blum resigned effective July 15, 2005. In accordance with the terms of his employment agreement, his $2,000,000 outstanding loan as of June 30, 2005 was repaid on August 14, 2005.

Transactions with Affiliates and Officers and Trustees of the Company

Alexander's

The Company owns 33% of Alexander's. Mr. Roth and Mr. Fascitelli are officers and directors of Alexander's, the Company provides various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 5 - Investments in Partially-Owned Entities to the Company's consolidated financial statements in this annual report on Form 10-K.

On December 29, 2005, Michael Fascitelli, the Company's President and President of Alexander's, exercised 350,000 of his Alexander's stock appreciation rights ("SARs") which were scheduled to expire in December 2006 and received $173.82 for each SAR exercised, representing the difference between Alexander's stock price of $247.70 (the average of the high and low market price) on the date of exercise and the exercise price of $73.88. This exercise was consistent with Alexander's tax planning.

On January 10, 2006, the Omnibus Stock Plan Committee of the Board of Directors of Alexander's granted Mr. Fascitelli a SAR covering 350,000 shares of Alexander's common stock. The exercise price of the SAR is $243.83 per share of common stock, which was the average of the high and low trading price of Alexander's common stock on date of grant. The SAR will become exercisable on July 10, 2006, provided Mr. Fascitelli is employed with Alexander's on such date, and will expire on March 14, 2007. Mr. Fascitelli's early exercise and Alexander's related tax consequences were factors in Alexander's decision to make the new grant to him.

Interstate Properties

As of December 31, 2005, Interstate Properties and its partners beneficially owned approximately 9.2% of the common shares of beneficial interest of the Company and 27.7% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the 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 also directors of Alexander's.

The Company manages and leases the real estate assets of Interstate Properties pursuant to a management agreement for which the Company receives an annual fee equal to 4% of annual base rent and percentage rent. 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. The Company believes based upon comparable fees charged by other real estate companies that its terms are fair to the Company. The Company earned $791,000, $726,000 and $703,000 of management fees under the management agreement for the years ended December 31, 2005, 2004 and 2003. In addition, during fiscal year 2003, as a result of a previously existing leasing arrangement with Alexander's, Alexander's paid to Interstate $587,000, for the leasing and other services actually rendered by the Company. Upon receipt of these payments, Interstate promptly paid them over to the Company without retaining any interest therein. This arrangement was terminated at the end of 2003 and all payments by Alexander's thereafter for these leasing and other services are made directly to the Company.

Vornado Operating Company ("Vornado Operating")

In October 1998, Vornado Operating was spun off from the Company in order to own assets that the Company could not itself own and conduct activities that the Company could not itself conduct. Vornado Operating's primary asset was its 60% investment in AmeriCold Logistics, which leased 88 refrigerated warehouses from Americold, owned 60% by the Company. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. As part of this transaction, Vornado Operating repaid the $21,989,000 balance of its loan to the Company as well as $4,771,000 of unpaid interest. Because the Company fully reserved for the interest income on this loan beginning in January 2002, it recognized $4,771,000 of income upon collection in the fourth quarter 2004.

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating, its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately $4,500,000 or about $1 per Vornado Operating share or partnership unit before litigation expenses. The Company accrued the proposed settlement payment and related legal costs as part of "general and administrative expense" in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.

Other

On January 1, 2003, the Company acquired BMS, a company which provides cleaning and related services principally to the Company's Manhattan office properties, for $13,000,000 in cash from the estate of Bernard Mendik and certain other individuals including David R. Greenbaum, an executive officer of the Company. The Company paid BMS $53,024,000, for the year ended December 31, 2002, for services rendered to the Company's Manhattan office properties. Although the terms and conditions of the contracts pursuant to which these services were provided were not negotiated at arms length, the Company believes based upon comparable amounts charged to other real estate companies that the terms and conditions of the contracts were fair to the Company.

On August 4, 2003, the Company completed the acquisition of 2101 L Street, a 370,000 square foot office building located in Washington D.C. The consideration for the acquisition consisted of approximately 1.1 million newly issued Operating Partnership units (valued at approximately $49,517,000) and the assumption of existing mortgage debt and transaction costs totaling approximately $32,000,000. Robert H. Smith and Robert P. Kogod, trustees of Vornado, together with family members, owned approximately 24 percent of the limited partnership that sold the building and Mr. Smith was a general partner. On August 5, 2003, the Company repaid the mortgage of $29,056,000.

On October 7, 2003, the Company acquired a 2.5% interest in the planned redevelopment of Waterfront (described in Note 3) for $2,171,000, of which the Company paid $1,545,000 in cash and issued 12,500 Operating Partnership units valued at $626,000. The partnership units were issued to Mitchell N. Schear, one of the partners in the Waterfront interest, and the President of the Company's CESCR division.

On July 1, 2004, the Company acquired the Marriott hotel located in its Crystal City office complex from a limited partnership in which Robert H. Smith and Robert P. Kogod, trustees of the Company, together with family members, own approximately 67 percent. The purchase price of $21,500,000 was paid in cash. The hotel contains 343 rooms and is leased to an affiliate of Marriott International, Inc. until July 31, 2015, with one 10-year extension option. The land under the hotel was acquired in 1999.

On October 1, 2004, the Company increased its ownership interest in the Investment Building in Washington, D.C. to 5% by acquiring an additional 2.8% interest for $2,240,000 in cash. The Company's original interest in the property was acquired in connection with the acquisition of the Kaempfer Company in April 2003. Mitchell N. Schear, President of the Company's Washington, D.C. Office division and other former members of Kaempfer management were also partners in the Investment Building partnership.

On December 20, 2005, the Company acquired a 46% partnership interest in, and became co-general partner of, partnerships that own a complex in Rosslyn, Virginia, containing four office buildings with an aggregate of 714,000 square feet and two apartment buildings containing 195 rental units. The consideration for the acquisition consisted of 734,486 newly issued Vornado Realty L.P. partnership units (valued at $61,814,000) and $27,300,000 of its pro-rata share of existing debt. Of the partnership interest acquired, 19% was from Robert H. Smith and Robert P. Kogod, trustees of Vornado, and their family members, representing all of their interest in the partnership.

Liquidity and Capital Resources

The Company anticipates that cash from continuing operations over the next twelve months will be adequate to fund its business operations, dividends to shareholders and distributions to unitholders of the Operating Partnership and recurring capital expenditures, and together with existing cash balances, will be greater than its anticipated cash requirements, including development and redevelopment expenditures and debt amortization. Capital requirements for significant acquisitions may require funding from borrowings or equity offerings.

The Company's believes that it has complied with the financial covenants required by its revolving credit facility and its senior unsecured notes due 2007, 2009, 2010 and 2025, and that as of December 31, 2005, it has the ability to incur a substantial amount of additional indebtedness. As at December 31, 2005, the Company has an effective shelf registration under which the Company can offer an aggregate of approximately $836,750,000 of equity securities and Vornado Realty L.P. can offer an aggregate of $4,510,000,000 of debt securities.

Certain Future Cash Requirements

For 2006 the Company has budgeted approximately $173,500,000 for capital expenditures excluding acquisitions as follows:

(Amounts in millions except square foot data)	**Total**	**New York City Office**	**Washington DC Office**	**Retail**	**Merchandise Mart**	**Other (1)**
Expenditures to maintain assets	$ 70.0	$ 18.0	$ 17.0	$ 2.0	$ 13.0	$ 20.0
Tenant improvements	76.0	16.0	40.5	4.6	14.9	
Leasing commissions	27.5	6.0	14.5	2.4	4.6	—
Total Tenant Improvements and Leasing Commissions	103.5	22.0	55.0	7.0	19.5	—
Per square foot		$ 35.00	$ 16.20	$ 15.40	$ 15.00 (2)	$ —
Per square foot per annum		$ 3.60	$ 2.70	$ 1.40	$ 3.00 (2)	$ —
Total Capital Expenditures and Leasing Commissions	$ 173.5	$ 40.0	$ 72.0	$ 9.0	$ 32.5	$ 20.0

Square feet budgeted to be leased (in thousands)		650	2,650	450	1,300
Weighted average lease term		9.5	6.0	11.0	5.0

(1) Americold, Hotel Pennsylvania, Paramus Office and Warehouses.

(2) Tenant improvements and leasing commissions per square foot budgeted for 2006 leasing activity are $33.75 ($5.80 per annum) and $10.00 ($1.90 per annum) for Merchandise Mart office and showroom space, respectively.

In addition to the capital expenditures reflected above, the Company is currently engaged in certain development and redevelopment projects for which it has budgeted approximately $718,500,000. Of this amount, $228,000,000 is estimated to be expended in 2006.

The table above excludes the anticipated 2006 capital expenditures of Alexander's, Newkirk MLP, Toys "R" Us or any other partially-owned entity that is not consolidated by the Company, as these entities are expected to fund their own cash requirements without additional equity contributions from the Company.

Financing Activities and Contractual Obligations

Below is a schedule of the Company's contractual obligations and commitments at December 31, 2005.

(Amounts in thousands)	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	Thereafter
Contractual Cash Obligations:					
Mortgages and Notes Payable (principal and interest)	$ 6,703,189	$ 669,796	$ 1,563,391	$ 1,614,495	$ 2,855,507
Senior Unsecured Notes due 2007	539,750	26,500	513,250	—	—
Senior Unsecured Notes due 2009	288,438	11,250	22,500	254,688	—
Senior Unsecured Notes due 2010	244,333	9,500	19,000	215,833	—
Exchangeable Senior Debentures due 2025	872,969	19,375	38,750	38,750	776,094
Americold Revolving Credit Facility	9,151	9,151	—	—	—
Operating leases	1,066,912	26,913	50,339	45,880	943,780
Purchase obligations, primarily construction commitments	26,658	26,658	—	—	—
Capital lease obligations	64,225	10,004	15,308	12,412	26,501
Total Contractual Cash Obligations	$ 9,815,625	$ 809,147	$ 2,222,538	$ 2,182,058	$ 4,601,882
Commitments:					
Capital commitments to partially-owned entities	$ 40,800	$ 20,800	$ 10,000	$ 10,000	$ —
Standby letters of credit	40,962	40,962	—	—	—
Mezzanine loan commitments	30,530	30,530	—	—	—
Other Guarantees	—	—	—	—	—
Total Commitments	$ 112,292	$ 92,292	$ 10,000	$ 10,000	$ —

At December 31, 2005, the Company's $600,000,000 revolving credit facility, which expires in July 2006, had a zero outstanding balance and $22,311,000 was reserved for outstanding letters of credit. This facility contains financial covenants, which require the Company to maintain minimum interest coverage and maximum debt to market capitalization, and provides for higher interest rates in the event of a decline in the Company's ratings below Baa3/BBB. At December 31, 2005, Americold's $30,000,000 revolving credit facility had a $9,076,000 outstanding balance and $17,000,000 was reserved for outstanding letters of credit. This facility requires Americold to maintain, on a trailing four-quarter basis, a minimum of $30,000,000 of free cash flow, as defined. Both of these facilities contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

On March 29, 2005, the Company completed a public offering of $500,000,000 principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their principal amount. The net proceeds from this offering, after the underwriters' discount were approximately $490,000,000. The debentures are exchangeable, under certain circumstances, for common shares of the Company at a current exchange rate of 11.062199 (initial exchange rate of 10.9589) common shares per $1,000 of principal amount of debentures. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control.

The Company has made acquisitions and investments in partially-owned entities for which it is committed to fund additional capital aggregating $40,800,000. Of this amount, $25,000,000 relates to capital expenditures to be funded over the next six years at the Springfield Mall, in which it has a 97.5% interest.

In addition to the above, on November 10, 2005, the Company committed to fund up to $30,530,000 of the junior portion of a $173,000,000 construction loan to an entity developing a mix-use building complex in Boston, Massachusetts, at the north end of the Boston Harbor. The Company will earn current-pay interest at 30-day LIBOR plus 11%. The loan will mature in November 2008, with a one-year extension option. The Company anticipates funding all or portions of the loan beginning in 2006.

The Company carries comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) "acts of terrorism" as defined in the Terrorism Risk Insurance Extension Act of 2005 which expires in 2007 and (v) rental loss insurance) with respect to its assets. Below is a summary of the current all risk property insurance and terrorism risk insurance in effect through September 2006 for each of the following business segments:

	Coverage Per Occurrence	
	All Risk (1)	Sub-Limits for Acts of Terrorism
New York City Office	$ 1,400,000,000	$ 750,000,000
Washington, D.C. Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, the Company carries lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Extension Act of 2005.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007, 2009 and 2010, its exchangeable senior debentures due 2025 and its revolving credit agreements, contain customary covenants requiring the Company to maintain insurance. Although the Company believes that it has adequate insurance coverage under these agreements, the Company may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than the Company is able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect the Company's ability to finance and/or refinance its properties and expand its portfolio.

Each of the Company's properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to the Company.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming the Company has no right to reallocate and therefore continue to collect $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. On May 17, 2005, the Company filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed the Company's motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. The Company intends to pursue its claims against Stop & Shop vigorously. There are various other legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition, results of operations or cash flow.

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. The Company had $177,650,000 and $23,110,000 of cash invested in these agreements at December 31, 2005 and 2004, respectively.

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 that cannot be quantified by the Company.

Cash Flows for the Year Ended December 31, 2005

Cash and cash equivalents were $294,504,000 at December 31, 2005, as compared to $599,282,000 at December 31, 2004, a decrease of $304,778,000.

Cash flows provided by operating activities of $762,678,000 was primarily comprised of (i) net income of $539,604,000, (ii) adjustments for non-cash items of $221,296,000, (iii) distributions of income from partially-owned entities of $40,152,000, partially offset by (iv) a net change in operating assets and liabilities of $32,374,000. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $346,775,000, (ii) minority limited partners' interest in the Operating Partnership of $66,755,000, (iii) perpetual preferred unit distributions of the Operating Partnership of $48,102,000, which includes the write-off of perpetual preferred unit issuance costs upon their redemption of $19,017,000, partially offset by (iv) net gains on mark-to-market of derivatives of $73,953,000 (Sears, McDonald's and GMH warrants), (v) equity in net income of partially-owned entities, including Alexander's and Toys, of $54,691,000, (vi) the effect of straight-lining of rental income of $50,064,000, (vii) net gains on sale of real estate of $31,614,000, (viii) net gains on dispositions of wholly-owned and partially-owned assets other than real estate of $39,042,000, and (ix) amortization of below market leases, net of above market leases of $13,797,000.

Net cash used in investing activities of $1,751,284,000 was primarily comprised of (i) investments in partially-owned entities of $971,358,000, (ii) acquisitions of real estate and other of $889,369,000, (iii) investment in notes and mortgages receivable of $307,050,000, (iv) purchases of marketable securities, including McDonalds derivative position, of $242,617,000, (v) development and redevelopment expenditures of $176,486,000 (see details below), (vi) capital expenditures of $68,443,000, partially offset by, (vii) repayments received on notes receivable of $383,050,000, (viii) distributions of capital from partially-owned entities of $260,764,000, including a $124,000,000 repayment of loan to Alexander's and a $73,184,000 repayment of a bridge loan to Toys "R" Us, (ix) proceeds from the sale of marketable securities of $115,974,000, and (x) proceeds from the sale of real estate of $126,584,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2005.

(Amounts in thousands)	Total	New York City Office	Washington, D.C. Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Capital Expenditures (Accrual basis):							
Expenditures to maintain the assets:							
Recurring	$ 53,613	$ 13,090	$ 13,688	$ 500	$ 10,961	$ 14,953	$ 421
Non-recurring	—	—	—	—	—	—	—
	53,613	13,090	13,688	500	10,961	14,953	421
Tenant improvements:							
Recurring	70,194	32,843	17,129	6,735	13,487	—	—
Non-recurring	1,938	—	1,938	—	—	—	—
Total	72,132	32,843	19,067	6,735	13,487	—	—

Leasing Commissions:							
Recurring	17,259	7,611	5,014	902	3,732	—	—
Non-recurring	294	—	294	—	—	—	—
	17,553	7,611	5,308	902	3,732	—	—
Tenant improvements and leasing commissions:							
Per square foot		$ 30.98	$ 9.17	$ 8.04	$ 16.38	$ —	$ —
Per square foot per annum		$ 4.01	$ 1.64	$ 0.88	$ 2.42	$ —	$ —
Total Capital Expenditures and Leasing Commissions (accrual basis)	143,298	53,544	38,063	8,137	28,180	14,953	421
Adjustments to reconcile accrual basis to cash basis:							
Expenditures in the current year applicable to prior periods	63,258	23,725	19,394	2,094	18,045	—	—
Expenditures to be made in future periods for the current period	(42,203)	(22,389)	(8,221)	(4,815)	(6,778)	—	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	$ 164,353	$ 54,880	$ 49,236	$ 5,416	$ 39,447	$ 14,953	$ 421
Development and Redevelopment:							
Expenditures:							
Crystal Plazas (PTO)	$ 48,748	$ —	$ 48,748	$ —	$ —	$ —	$ —
7 W. 34th Street	19,529	—	—	—	19,529	—	—
Bergen Mall	11,727	—	—	11,727	—	—	—
640 Fifth Avenue	9,244	9,244	—	—	—	—	—
Green Acres Mall	8,735	—	—	8,735	—	—	—
715 Lexington Avenue	8,180	—	—	8,180	—	—	—
Farley Post Office	7,176	7,176	—	—	—	—	—
Other	63,147	2,768	2,711	26,026	11,841	—	19,801
	$ 176,486	$ 19,188	$ 51,459	$ 54,668	$ 31,370	$ —	$ 19,801

Capital expenditures in the table above are categorized as follows:

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

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

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

Net cash provided by financing activities of $683,828,000 was primarily comprised of (i) proceeds from borrowings of $1,310,630,000, (ii) proceeds from the issuance of common shares of $780,750,000, (iii) proceeds from the issuance of preferred shares and units of $470,934,000, (iv) proceeds from the exercise of employee share options of $52,760,000, partially offset by, (v) redemption of perpetual preferred shares and units of $812,000,000, (vi) dividends paid on common shares of $524,163,000, (vii) distributions to minority partners of $121,730,000, (viii) repayments of borrowings of $398,957,000, (ix) dividends paid on preferred shares of $34,553,000 and (x) dividends paid to the minority partners of Americold Realty Trust of $24,409,000.

Cash Flows for the Year Ended December 31, 2004

Cash and cash equivalents were $599,282,000 at December 31, 2004, as compared to $320,542,000 at December 31, 2003, an increase of $278,740,000.

Cash flows provided by operating activities of $681,433,000 was primarily comprised of (i) net income of $592,917,000, (ii) adjustments for non-cash items of $53,699,000, (iii) distributions of income from partially-owned entities of $16,740,000, and (iv) a net change in operating assets and liabilities of $18,077,000. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $253,822,000, (ii) minority interest of $156,608,000, partially offset by (iii) net gains on mark-to-market of derivatives of $135,372,000 (Sears option shares and GMH warrants), (iv) net gains on sale of real estate of $75,755,000, (v) net gains on dispositions of wholly-owned and partially-owned assets other than real estate of $19,775,000, (vi) the effect of straight-lining of rental income of $61,473,000, (vii) equity in net income of partially-owned entities and income applicable to Alexander's of $51,961,000, and (viii) amortization of below market leases, net of $14,570,000.

Net cash used in investing activities of $367,469,000 was primarily comprised of (i) capital expenditures of $117,942,000, (ii) development and redevelopment expenditures of $139,669,000, (iii) investment in notes and mortgages receivable of $330,101,000, (iv) investments in partially-owned entities of $158,467,000, (v) acquisitions of real estate and other of $286,310,000, (vi) purchases of marketable securities of $59,714,000 partially offset by, (vii) proceeds from the sale of real estate of $233,005,000, (viii) distributions of capital from partially-owned entities of $287,005,000, (ix) repayments on notes receivable of $174,276,000, (x) cash received upon consolidation of Americold of $21,694,000 and (xi) cash restricted primarily for mortgage escrows of $8,754,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the year ended December 31, 2004. See page 68 for per square foot data.

(Amounts in thousands)	**Total**	**New York City Office**	**Washington D.C. Office**	**Retail**	**Merchandise Mart**	**Other**
Capital Expenditures (Accrual basis):						

Expenditures to maintain the assets:						
Recurring	$ 50,963	$ 11,673	$ 16,272	$ 2,344	$ 18,881	$ 1,793
Non-recurring	—	—	—	—	—	—
	50,963	11,673	16,272	2,344	18,881	1,793
Tenant improvements:						
Recurring	101,026	41,007	22,112	3,346	34,561	—
Non-recurring	7,548	—	7,548	—	—	—
Total	108,574	41,007	29,660	3,346	34,561	—
Leasing Commissions:						
Recurring	33,118	18,013	6,157	671	8,277	—
Non-recurring	1,706	—	1,706	—	—	—
	34,824	18,013	7,863	671	8,277	—
Total Capital Expenditures and Leasing Commissions (accrual basis)	194,361	70,693	53,795	6,361	61,719	1,793
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	61,137	29,660	26,463	1,518	3,496	—
Expenditures to be made in future periods for the current period	(68,648)	(27,562)	(22,186)	(2,172)	(16,728)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	$ 186,850	$ 72,791	$ 58,072	$ 5,707	$ 48,487	$ 1,793
Development and Redevelopment:						
Expenditures:						
Crystal Plazas (PTO)	$ 10,993	$ —	$ 10,993	$ —	$ —	$ —
640 Fifth Avenue	15,067	15,067	—	—	—	—
4 Union Square South	28,536	—	—	28,536	—	—
Crystal Drive Retail	25,465	—	25,465	—	—	—
Other	59,608	4,027	220	33,851	21,262	248
	$ 139,669	$ 19,094	$ 36,678	$ 62,387	$ 21,262	$ 248

Net cash used in financing activities of $35,224,000 was primarily comprised of (i) dividends paid on common shares of $379,480,000, (ii) dividends paid on preferred shares of $21,920,000, (iii) distributions to minority partners of $131,142,000, (iv) repayments of borrowings of $702,823,000, (v) redemption of perpetual preferred shares and units of $112,467,000, partially offset by, proceeds from (vi) borrowings of $745,255,000, (vii) proceeds from the issuance of preferred shares and units of $510,439,000 and (viii) the exercise of employee share options of $61,935,000.

Cash Flows for the Year Ended December 31, 2003

Cash and cash equivalents were $320,542,000 at December 31, 2003, as compared to $208,200,000 at December 31, 2002, an increase of $112,342,000.

Cash flow provided by operating activities of $535,617,000 was primarily comprised of (i) net income of $460,703,000, (ii) adjustments for non-cash items of $99,985,000, (iii) distributions of income from partially-owned entities of $6,666,000, partially offset by (iv) the net change in operating assets and liabilities of $31,737,000. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $219,911,000, (ii) minority interest of $178,675,000, partially offset by, (iii) gains on sale of real estate of $161,789,000, (iv) the effect of straight-lining of rental income of $41,947,000, (v) equity in net income of partially-owned entities and Alexander's of $83,475,000 and (vi) amortization of below market leases, net of $9,047,000.

Net cash used in investing activities of $136,958,000 was comprised of (i) investment in notes and mortgages receivable of $230,375,000, (ii) acquisitions of real estate of $216,361,000, (iii) development and redevelopment expenditures of $123,436,000, (iv) capital expenditures of $120,593,000, (v) investments in partially-owned entities of $15,331,000, (vi) purchases of marketable securities of $17,356,000, partially offset by, (vii) proceeds received from the sale of real estate of $299,852,000, (viii) distributions of capital from partially-owned entities of $147,977,000, (ix) restricted cash, primarily mortgage escrows of $101,292,000, (x) repayments on notes receivable of $29,421,000 and (xi) proceeds from the sale of marketable securities of $7,952,000.

Net cash used in financing activities of $286,317,000 was primarily comprised of (i) repayments of borrowings of $752,422,000, (ii) dividends paid on common shares of $327,877,000, (iii) distributions to minority partners of $158,066,000, (iv) redemption of perpetual preferred shares and units of $103,243,000, (v) dividends paid on preferred shares of $20,815,000, partially offset by (vi) proceeds from borrowings of $812,487,000, (vi) proceeds from the issuance of preferred shares and units of $119,967,000, and (viii) proceeds from the exercise of employee share options of $145,152,000.

Below are the details of 2003 capital expenditures, leasing commissions and development and redevelopment expenditures.

(Amounts in thousands)	Total	New York City Office	Washington D.C. Office	Retail	Merchandise Mart	Other
Capital Expenditures (Accrual basis):						
Expenditures to maintain the assets:						
Recurring	$ 31,421	$ 14,201	$ 6,125	$ 592	$ 10,071	$ 432
Non-recurring	13,829	—	4,907	—	8,922	—
	45,250	14,201	11,032	592	18,993	432
Tenant improvements:						
Recurring	67,436	23,415	23,850	3,360	16,811	—
Non-recurring	7,150	—	7,150	—	—	—
	74,586	23,415	31,000	3,360	16,811	—
Leasing Commissions:						
Recurring	19,931	10,453	6,054	273	3,151	—

Non-recurring	1,496	—	1,496	—	—	—
	21,427	10,453	7,550	273	3,151	—
Total Capital Expenditures and Leasing Commissions (accrual basis):						
Recurring	118,788	48,069	36,029	4,225	30,033	432
Nonrecurring	22,475	—	13,553	—	8,922	—
Total	141,263	48,069	49,582	4,225	38,955	432
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	47,174	10,061	17,886	11,539	7,688	—
Expenditures to be made in future periods for the current period	(56,465)	(21,172)	(26,950)	(1,830)	(6,513)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	$ 131,972	$ 36,958	$ 40,518	$ 13,934	$ 40,130	$ 432
Development and Redevelopment:						
Expenditures:						
400 North LaSalle	$ 42,433	$ —	$ —	$ —	$ —	$ 42,433
640 Fifth Avenue	29,138	29,138	—	—	—	—
4 Union Square South	14,009	—	—	14,009	—	—
Crystal Drive Retail	12,495	—	12,495	—	—	—
Other	25,361	5,988	—	18,851	143	379
	$ 123,436	$ 35,126	$ 12,495	$ 32,860	$ 143	$ 42,812

Funds From Operations ("FFO")

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. The calculations of both the numerator and denominator used in the computation of income per share are disclosed in Note 16 - Income per Share, in the Company's notes to consolidated financial statements on page 173 of this Annual Report on Form 10-K.

FFO applicable to common shares plus assumed conversions was $757,219,000, or $5.21 per diluted share for the year ended December 31, 2005, compared to $750,043,000, or $5.63 per diluted share for the year ended December 31, 2004. FFO applicable to common shares plus assumed conversions was $194,101,000 or $1.26 per diluted share for the three months ended December 31, 2005, compared to $299,441,000, or $2.22 per diluted share for the three months ended December 31, 2004.

	For The Year Ended December 31,		**For The Three Months EndedDecember 31,**	
(Amounts in thousands except per share amounts)	**2005**	**2004**	**2005**	**2004**
Reconciliation of Net Income to FFO:				
Net income	$ 539,604	$ 592,917	$ 119,961	$ 239,954
Depreciation and amortization of real property	276,921	228,298	76,463	63,367
Net gains on sale of real estate	(31,614)	(75,755)	—	—
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property	42,052	49,440	20,474	9,817
Net (gains) losses on sale of real estate	(2,918)	(3,048)	476	(226)
Income tax effect of Toys adjustments included above	(4,613)	—	(4,284)	—
Minority limited partners' share of above adjustments	(31,990)	(27,991)	(9,663)	(9,159)
FFO	787,442	763,861	203,427	303,753
Preferred dividends	(46,501)	(21,920)	(14,211)	(6,351)
FFO applicable to common shares	740,941	741,941	189,216	297,402
Interest on 3.875% exchangeable senior debentures	15,335	—	4,663	—
Series A convertible preferred dividends	943	1,068	222	263
Series B-1 and B-2 convertible preferred unit distributions	—	4,710	—	1,522
Series E-1 convertible preferred unit distributions	—	1,581	—	—
Series F-1 convertible preferred unit distributions	—	743	—	254
FFO applicable to common shares plus assumed conversions	$ 757,219	$ 750,043	$ 194,101	$ 299,441
Reconciliation of Weighted Average Shares:				
Weighted average common shares outstanding	133,768	125,241	140,695	127,071
Effect of dilutive securities:				
Employee stock options and restricted share awards	6,842	5,515	7,158	6,604
3.875% exchangeable senior debentures	4,198	—	5,531	—
Series A convertible preferred shares	402	457	379	448
Series B-1 and B-2 convertible preferred units	—	1,102	—	873
Series E-1 convertible preferred units	—	637	—	—
Series F-1 convertible preferred units	—	183	—	146
Denominator for diluted FFO per share	145,210	133,135	153,763	135,142

Diluted FFO per share	$ 5.21	$ 5.63	$ 1.26	$ 2.22

The Company records its 32.95% share of Toys FFO or negative FFO on a one-quarter lag basis. FFO for the three months and year ended December 31, 2005, includes the Company's 32.95% share of Toys' negative FFO of $33,376,000 or $0.20 per share and $32,918,000 or $0.20 per share, respectively, and certain items that affect comparability as detailed in the table below. Before these items and the Company's share of Toys results, FFO per share is 1.0% lower than the prior year and is 0.8% higher than the prior year's quarter.

(Amounts in thousands, except per share amounts)	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004	For the Three Months Ended December 31, 2005	For the Three Months Ended December 31, 2004
FFO applicable to common shares plus assumed conversions	$ 757,219	$ 750,043	$ 194,101	$ 299,441
Per Share	$ 5.21	$ 5.63	$ 1.26	$ 2.22
Items that affect comparability (income)/expense:				
Sears and Sears Canada:				
Net gain on conversion of Sears common shares to Sears Holding common shares and subsequent sale	$ (26,514)	$ —	$ 1,137	$ —
Net gain on conversion of Sears derivative to Sears Holdings derivative and mark-to-market adjustments	(14,968)	(81,730)	22,607	(81,730)
Income from Sears Canada special dividend	(22,885)	—	(22,885)	—
McDonalds:				
Income from mark-to-market of McDonalds derivative at December 31, 2005	(17,254)	—	(7,395)	—
GMH Communities L.P.:				
Income from mark-to-market of GMH warrants	(14,080)	(24,190)	(6,267)	(24,190)
Net gain on exercise of warrants in 2004	—	(29,452)	—	(29,452)
Excess distributions received on loan	—	(7,809)	—	(7,809)
Alexander's:				
Net gain on sale of 731 Lexington Avenue condominiums	(30,895)	—	(2,761)	—
Stock appreciation rights	9,104	25,340	(6,324)	4,460
Bonuses to four executive Vice Presidents in connection with 731 Lexington Avenue development and leasing	—	6,500	—	6,500
Newkirk:				
Net gain on disposition of T-2 assets	(16,053)	—	(16,053)	—
Net losses on early extinguishment of debt and related write-off of deferred financing costs	9,455	—	1,463	—
Expense from payment of promoted obligation to partner	8,470	—	8,470	—
Impairment losses	6,602	2,901	—	—
Net gain on sale of Newkirk MLP option units	—	(7,494)	—	—
Other:				
Write-off of perpetual preferred share and unit issuance costs upon their redemption	22,869	3,895	750	—
Net gain on disposition of preferred investment in 3700 Las Vegas Boulevard	(12,110)	—	(12,110)	—
Net gain on disposition of Prime Group common shares	(9,017)	—	—	—
Net gain on sale of a portion of investment in AmeriCold	—	(18,789)	—	(18,789)
Impairment loss – Starwood Ceruzzi joint venture	—	3,833	—	—
Other, net	(1,508)	604	2,134	(255)
	(108,784)	(126,391)	(37,234)	(151,265)
Minority limited partners' share of above adjustments	11,612	15,404	3,572	17,523
Total items that affect comparability	$ (97,172)	$ (110,987)	$ (33,662)	$ (133,742)
Per share	$ (0.67)	$ (0.83)	$ (0.22)	$ (0.99)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors beyond the control of the Company. Various financial vehicles exist which would allow management to mitigate the impact of interest rate fluctuations on the Company's cash flows and earnings.

As of December 31, 2005, the Company has an interest rate swap as described in footnote 1 to the table below. Management may engage in additional hedging strategies in the future, depending on management's analysis of the interest rate environment and the costs and risks of such strategies.

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

($ in thousands, except per share amounts)

	2005			2004	
	December 31, Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	December 31, Balance	Weighted Average Interest Rate
Consolidated debt:					
Variable rate (1)	$ 1,150,333	5.98%	$ 11,503	$ 1,114,981	3.45%
Fixed rate	5,104,550	6.06%	—	3,841,529	6.68%
	$ 6,254,883	6.04%	11,503	$ 4,956,510	5.95%

Pro-rata share of debt of non-consolidated entities(non-recourse to the Company):					
Variable rate before Toys "R" Us	$ 199,273	5.64%	1,993	$ 122,007	4.67%
Variable rate of Toys "R" Us	1,623,447	7.02%	16,234	—	—%
Fixed rate (including $557,844 of Toys debt in 2005)	1,179,626	7.23%	—	547,935	6.73%
	$ 3,002,346	7.01%	18,227	$ 669,942	6.36%
Minority limited partners' share of above			(2,859)		
Total pro forma change in the Company's annual net income			$ 26,871		
Per share-diluted			$ 0.17		

(1) Includes $499,445 and $512,791, respectively, for the Company's senior unsecured notes due 2007, as the Company entered into interest rate swap agreements that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (4.53% at December 31, 2005). In accordance with SFAS No. 133: Accounting for Derivative Instruments and Hedging Activities, as amended, accounting for these swaps requires the Company to fair value the debt at each reporting period. At December 31, 2005 and 2004, the fair value adjustment was ($341) and $13,148, and is included in the balance of the senior unsecured notes above.

The fair value of the Company's debt, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, exceeds the aggregate carrying amount by approximately $50,058,000 at December 31, 2005.

As of December 31, 2005, the Company has mezzanine loans receivable of $209,248,000 on which the Company receives interest based on a variable rate (a fixed spread plus 30, 60 or 90 day LIBOR). The Company believes that a portion of its exposure to a change in interest rates on its floating rate debt, as illustrated above, is partially mitigated by the outstanding amounts of these loans receivable.

Derivative Instruments

The Company has the following derivative instruments that do not qualify for hedge accounting treatment:

Upon consummation of the merger between Sears and Kmart on March 30, 2005, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holding valued at $323,936,000 based on the $130.00 per share closing price on March 30, 2005, the date of the merger, and $146,663,000 of cash. As a result, the Company recognized a net gain of approximately $58,443,000 based on the fair value of the Company's derivative position after the exchange of these underlying assets. Because this derivative position does not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. For the period from March 31, 2005 through December 31, 2005, the Company recorded an expense of $43,475,000 from the derivative position, which consists of (i) $30,230,000 from the mark-to-market of the remaining shares in the derivative based on Sears Holdings $115.53 closing share price on December 31, 2005, (ii) $2,509,000 for the net loss on the shares sold based on a weighted average sales price of $123.77 and (iii) $10,736,000 resulting primarily from the increase in the strike price at an annual rate of LIBOR plus 45 basis points.

During the three months ended September 30, 2005, the Company acquired an economic interest in 14,565,000 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. These call and put options have an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under the agreement, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. During the year ended December 31, 2005, the Company recorded net income of $17,254,000, comprised of (i) $15,239,000 from the mark-to-market of the options on December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, (ii) $9,759,000 of dividend income, partially offset by (iii) $7,744,000 for the increase in strike price resulting from the LIBOR charge.

Under a warrant agreement with GMH Communities L.P., the Company holds 5.9 million warrants to purchase partnership units of GMH or GCT common shares at an adjusted exercise price of $8.50 per unit or share. Because these warrants are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. In the year ended December 31, 2005, the Company recorded $14,079,000 of income from the mark-to-market of these warrants based on GCT's closing stock price on the NYSE of $15.51 per share on December 31, 2005.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Vornado Realty Trust
New York, New York

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedules included in Item 15 of the Annual Report on Form 10-K. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. 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.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 28, 2006

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)	December 31, 2005	December 31, 2004
ASSETS		
Real estate, at cost:		
Land	$ 2,354,369	$ 1,688,002
Buildings and improvements	8,532,167	7,578,683
Development costs and construction in progress	235,409	181,891
Leasehold improvements and equipment	326,621	307,665
Total	11,448,566	9,756,241
Less accumulated depreciation and amortization	(1,672,548)	(1,407,644)
Real estate, net	9,776,018	8,348,597
Cash and cash equivalents	294,504	599,282
Escrow deposits and restricted cash	192,619	229,193
Marketable securities	276,146	185,394
Investments and advances to partially-owned entities, including Alexander's of $105,241 and $204,762	944,023	605,300
Investment in Toys "R" Us, including $76,816 due under senior unsecured bridge loan	425,830	—
Due from officers (of which $4,704 is shown as a reduction of shareholders' equity in 2004)	23,790	21,735
Accounts receivable, net of allowance for doubtful accounts of $16,907 and $17,339	238,351	164,524
Notes and mortgage loans receivable	363,565	440,186
Receivable arising from the straight-lining of rents, net of allowance of $6,051 and $6,787	377,372	324,848
Other assets	724,037	577,926
Assets related to discontinued operations	908	83,532
	$ 13,637,163	$ 11,580,517
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 4,806,168	$ 3,989,227
Senior unsecured notes	948,889	962,096
Exchangeable senior debentures	490,750	—
Americold Realty Trust revolving credit facility	9,076	—
Accounts payable and accrued expenses	476,523	413,963
Deferred credit	184,230	103,524
Other liabilities	149,556	113,402
Officers compensation payable	52,020	32,506
Liabilities related to discontinued operations	—	5,187
Total liabilities	7,117,212	5,619,905
Minority interest, including unitholders in the Operating Partnership	1,256,441	1,947,871
Commitments and contingencies		
Shareholders' equity:		

Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 34,169,572 and 23,520,604 shares	834,527	577,454
Common shares of beneficial interest: $.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 141,153,430 and 127,478,903 shares	5,675	5,128
Additional capital	4,243,465	3,257,731
Earnings in excess of distributions	103,061	133,899
	5,186,728	3,974,212
Common shares issued to officer's trust	(65,753)	(65,753)
Deferred compensation shares earned but not yet delivered	69,547	70,727
Deferred compensation shares issued but not yet earned	(10,418)	(9,523)
Accumulated other comprehensive income	83,406	47,782
Due from officers for purchase of common shares of beneficial interest	—	(4,704)
Total shareholders' equity	5,263,510	4,012,741
	$ 13,637,163	$ 11,580,517

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)	Year Ended December 31, 2005	2004	2003
Revenues:			
Property rentals	$ 1,396,776	$ 1,349,563	$ 1,260,841
Tenant expense reimbursements	209,036	191,245	179,214
Temperature Controlled Logistics	846,881	87,428	—
Fee and other income	94,935	84,477	62,795
Total revenues	2,547,628	1,712,713	1,502,850
Expenses:			
Operating	1,305,027	681,556	583,038
Depreciation and amortization	334,961	244,020	214,623
General and administrative	183,001	145,229	121,879
Costs of acquisitions and development not consummated	—	1,475	—
Total expenses	1,822,989	1,072,280	919,540
Operating income	724,639	640,433	583,310
Income applicable to Alexander's	59,022	8,580	15,574
Loss applicable to Toys "R" Us	(40,496)	—	—
Income from partially-owned entities	36,165	43,381	67,901
Interest and other investment income	167,225	203,998	25,401
Interest and debt expense (including amortization of deferred financing costs of $11,814, $7,072 and $5,893)	(340,751)	(242,955)	(230,064)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	39,042	19,775	2,343
Minority interest of partially-owned entities	(3,808)	(109)	(1,089)
Income from continuing operations	641,038	673,103	463,376
Income from discontinued operations	32,440	77,013	175,175
Income before allocation to limited partners'	673,478	750,116	638,551
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(72,716)
Minority limited partners' interest in the Operating Partnership	(66,755)	(88,091)	(105,132)
Net income	539,604	592,917	460,703
Preferred share dividends	(46,501)	(21,920)	(20,815)
NET INCOME applicable to common shares	$ 493,103	$ 570,997	$ 439,888
INCOME PER COMMON SHARE – BASIC:			
Income from continuing operations	$ 3.45	$ 3.95	$ 2.36
Income from discontinued operations	.24	.61	1.56
Net income per common share	$ 3.69	$ 4.56	$ 3.92
INCOME PER COMMON SHARE – DILUTED:			
Income from continuing operations	$ 3.27	$ 3.77	$ 2.30
Income from discontinued operations	.23	.58	1.50
Net income per common share	$ 3.50	$ 4.35	$ 3.80

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share amounts)	Preferred Shares	Common Shares	Additional Capital	Earnings in Excess of (less than) Distributions	Accumulated Other Comprehensive Income (Loss)	Other	Shareholders' Equity	Comprehensive Income (Loss)
Balance, January 1, 2003	$ 265,488	$ 4,320	$ 2,536,703	$ (169,629)	$ (3,100)	$ (6,426)	$ 2,627,356	
Net Income	—	—	—	460,703	—	—	460,703	$ 460,703
Dividends paid on Preferred Shares:								
Series A Preferred Shares ($3.25 per share)	—	—	—	(3,473)	—	—	(3,473)	—
Series B Preferred Shares ($2.125 per share)	—	—	—	(7,225)	—	—	(7,225)	—

Series C Preferred Shares ($2.125 per share)	—	—	—	(9,775)	—	—	(9,775)	—
Series D-10 preferred shares ($1.75 per share)	—	—	—	(342)	—	—	(342)	—
Proceeds from issuance of Series D-10 Preferred Shares	40,000	—	—	—	—	—	40,000	—
Conversion of Series A Preferred shares to common shares	(54,496)	86	54,410	—	—	—	—	—
Deferred compensation shares	—	8	5,392	—	—	—	5,400	—
Dividends paid on common shares ($2.91 per share, including $.16 special cash dividend)	—	—	—	(327,877)	—	—	(327,877)	—
Common shares issued under employees' share option plan	—	183	141,036	—	—	—	141,219	—
Redemption of Class A partnership units for common shares	—	140	144,291	—	—	—	144,431	—
Common shares issued in connection with dividend reinvestment plan	—	2	1,996	—	—	—	1,998	—
Change in unrealized net gain on securities available for sale	—	—	—	—	5,517	—	5,517	5,517
Shelf registration costs	—	—	(750)	—	—	—	(750)	—
Other – primarily changes in deferred compensation plan	—	—	—	—	1,107	(716)	391	1,107
Balance, December 31, 2003	250,992	4,739	2,883,078	(57,618)	3,524	(7,142)	3,077,573	$ 467,327
Net Income	—	—	—	592,917	—	—	592,917	$ 592,917
Dividends paid on Preferred Shares:								
Series A Preferred Shares ($3.25 per share)	—	—	—	(1,066)	—	—	(1,066)	—
Series B Preferred Shares ($2.125 per share)	—	—	—	(1,525)	—	—	(1,525)	—
Series C Preferred Shares ($2.125 per share)	—	—	—	(9,775)	—	—	(9,775)	—
Series D-10 preferred shares ($1.75 per share)	—	—	—	(2,800)	—	—	(2,800)	—
Series E Preferred Shares ($1.75 per share)	—	—	—	(1,925)	—	—	(1,925)	—
Series F Preferred Shares ($1.6875 per share)	—	—	—	(1,266)	—	—	(1,266)	—
Series G Preferred Shares ($1.65625 per share)	—	—	—	(368)	—	—	(368)	—
Redemption of Series B Preferred Shares	(81,805)	—	—	(3,195)	—	—	(85,000)	—
Proceeds from issuance of Series E, F and G Preferred Shares	410,272	—	—	—	—	—	410,272	—
Proceeds from issuance of Series D-10 Preferred Shares	(2,005)	2	2,003	—	—	—	—	—
Deferred compensation shares	—	24	6,835	—	—	—	6,859	—
Dividends paid on common shares ($3.05 per share, including $.16 special cash dividend)	—	—	—	(379,480)	—	—	(379,480)	—
Common shares issued under employees' share option plan	—	67	55,042	—	—	—	55,109	—
Redemption of Class A partnership units for common shares	—	294	308,038	—	—	—	308,332	—
Common shares issued in connection with dividend reinvestment plan	—	2	2,109	—	—	—	2,111	—
Change in unrealized net gain on securities available for sale	—	—	—	—	45,003	—	45,003	45,003
Shelf registration costs reclassified to other assets	—	—	626	—	—	—	626	—
Other – primarily changes in deferred compensation plan	—	—	—	—	(745)	(2,111)	(2,856)	(745)
Balance, December 31, 2004	$ 577,454	$ 5,128	$ 3,257,731	$ 133,899	$ 47,782	$ (9,253)	$ 4,012,741	$ 637,175

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED

(Amounts in thousands, except per share amounts)	Preferred Shares	Common Shares	Additional Capital	Earnings in Excess of (less than) Distributions	Accumulated Other Comprehensive Income (Loss)	Other	Shareholders' Equity	Comprehensive Income (Loss)
Balance, December 31, 2004	$ 577,454	$ 5,128	$ 3,257,731	$ 133,899	$ 47,782	$ (9,253)	$ 4,012,741	
Net Income	—	—	—	539,604	—	—	539,604	$ 539,604
Dividends paid on Preferred Shares:								
Series A Preferred Shares ($3.25 per share)	—	—	—	(930)	—	—	(930)	—
Series C Preferred Shares ($2.125 per share)	—	—	—	(489)	—	—	(489)	—
Series D-10 preferred shares ($1.75 per share)	—	—	—	(2,800)	—	—	(2,800)	—
Series E Preferred Shares ($1.75 per share)	—	—	—	(5,250)	—	—	(5,250)	—
Series F Preferred Shares ($1.6875 per share)	—	—	—	(10,097)	—	—	(10,097)	—
Series G Preferred Shares ($1.65625 per share)	—	—	—	(13,213)	—	—	(13,213)	—
Series H Preferred Shares ($1.6875 per share)	—	—	—	(4,092)	—	—	(4,092)	—
Series I Preferred Shares ($1.65625 per share)	—	—	—	(5,778)	—	—	(5,778)	—
Redemption of Series C Preferred Shares	(111,148)	—	—	(3,852)	—	—	(115,000)	—
Proceeds from issuance of Series H and I Preferred Shares	370,960	—	—	—	—	—	370,960	—
Proceeds from the issuance of common shares	—	360	780,390	—	—	—	780,750	—
Conversion of Series A Preferred shares to common shares	(2,552)	3	2,549	—	—	—	—	—
Deferred compensation shares and options	—	7	6,618	—	—	—	6,625	—
Dividends paid on common shares ($3.90 per share, including $.82 in special cash dividends)	—	—	—	(523,941)	—	—	(523,941)	—
Common shares issued under employees' share option plan	—	42	45,404	—	—	—	45,446	—
Redemption of Class A partnership units for common shares	—	133	149,008	—	—	—	149,141	—
Common shares issued in connection with dividend reinvestment plan	—	2	2,710	—	—	—	2,712	—
Change in unrealized net gain on securities available for sale	—	—	—	—	36,654	—	36,654	36,654
Common share offering costs	—	—	(945)	—	—	—	(945)	—
Change in deferred compensation plan	—	—	—	—	2,172	—	2,172	2,172
Change in pension plans	—	—	—	—	(2,697)	—	(2,697)	(2,697)
Other	(187)	—	—	—	(505)	2,629	1,937	(505)
Balance, December 31, 2005	$ 834,527	$ 5,675	$ 4,243,465	$ 103,061	$ 83,406	$ (6,624)	$ 5,263,510	$ 575,228

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31, 2005	2004	2003
Cash Flows from Operating Activities:			
Net income	$ 539,604	$ 592,917	$ 460,703
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including debt issuance costs)	346,775	253,822	219,911
Perpetual preferred unit distributions of the Operating Partnership	48,102	68,408	72,716
Minority limited partners' interest in the Operating Partnership	66,755	88,091	105,132
Net gain on mark-to-market of derivatives (Sears Holdings and McDonalds option shares and GMH Communities L.P. warrants)	(73,953)	(105,920)	—
Net gain on sale of real estate	(31,614)	(75,755)	(161,789)
Net gain on dispositions of wholly-owned and partially-owned assets other than real estate	(39,042)	(19,775)	(2,343)
Equity in income of partially-owned entities, including Alexander's and Toys "R" Us	(54,691)	(51,961)	(83,475)
Straight-lining of rental income	(50,064)	(61,473)	(41,947)
Amortization of below market leases, net	(13,797)	(14,570)	(9,047)
Distributions of income from partially-owned entities	40,152	16,740	6,666
Write-off preferred unit issuance costs	19,017	700	—
Minority interest of partially-owned entities	3,808	109	827
Net gain on exercise of GMH Communities L.P. warrants	—	(29,452)	—
Costs of acquisitions and development not consummated	—	1,475	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(45,023)	(5,954)	(18,159)
Accounts payable and accrued expenses	54,808	87,346	19,175
Other assets	(44,934)	(77,974)	(63,137)
Other liabilities	(3,225)	14,659	30,384
Net cash provided by operating activities	762,678	681,433	535,617
Cash Flows from Investing Activities:			
Investments in partially-owned entities	(971,358)	(158,467)	(15,331)
Acquisitions of real estate	(889,369)	(286,310)	(216,361)
Repayment of notes and mortgage loans receivable	383,050	174,276	29,421
Investments in notes and mortgage loans receivable	(307,050)	(330,101)	(230,375)
Purchases of marketable securities	(242,617)	(59,714)	(17,356)
Development costs and construction in progress	(176,486)	(139,669)	(123,436)
Proceeds from sale of real estate	126,584	233,005	299,852
Proceeds from Alexander's loan repayment	124,000	—	—
Proceeds from sale of marketable securities (available for sale)	115,974	—	7,952
Proceeds from Toys "R" Us loan repayment	73,184	—	—
Additions to real estate	(68,443)	(117,942)	(120,593)
Distributions of capital from partially-owned entities	63,580	287,005	147,977
Cash restricted, primarily mortgage escrows	36,658	8,754	101,292
Deposits made in connection with real estate acquisitions	(18,991)	—	—
Cash recorded upon consolidation of Americold Realty Trust	—	21,694	—
Net cash used in investing activities	(1,751,284)	(367,469)	(136,958)

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Amounts in thousands)	Year Ended December 31, 2005	2004	2003
Cash Flows from Financing Activities:			
Proceeds from borrowings	1,310,630	745,255	812,487
Redemption of perpetual preferred shares and units	(812,000)	(112,467)	(103,243)
Proceeds from issuance of common shares	780,750	—	—
Dividends paid on common shares	(524,163)	(379,480)	(327,877)
Proceeds from issuance of preferred shares and units	470,934	510,439	119,967
Repayments of borrowings	(398,957)	(702,823)	(752,422)
Distributions to minority limited partners	(121,730)	(131,142)	(158,066)
Proceeds received from exercise of employee share options	52,760	61,935	145,152
Dividends paid on preferred shares	(34,553)	(21,920)	(20,815)
Dividends paid by Americold Realty Trust	(24,409)	—	—
Costs of refinancing debt	(15,434)	(5,021)	(1,500)
Net cash provided by (used in) financing activities	683,828	(35,224)	(286,317)
Net (decrease) increase in cash and cash equivalents	(304,778)	278,740	112,342
Cash and cash equivalents at beginning of year	599,282	320,542	208,200
Cash and cash equivalents at end of year	$ 294,504	$ 599,282	$ 320,542
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest (including capitalized interest of $15,582, $8,718, and $5,407)	$ 349,331	$ 253,791	$ 245,668
Non-Cash Transactions:			
Financing assumed in acquisitions	$ 402,865	$ 34,100	$ 29,056
Conversion of Class A operating partnership units to common shares	149,141	308,332	144,431

Unrealized gain on securities available for sale	85,444	45,003	5,517
Class A units issued in connection with acquisitions	62,418	—	53,589
Increases in assets and liabilities on November 18, 2004 resulting from the consolidation of the Company's investment in Americold Realty Trust:			
Real estate, net	—	1,177,160	—
Accounts receivable, net	—	74,657	—
Other assets	—	68,735	—
Notes and mortgages payable	—	733,740	—
Accounts payable and accrued expenses	—	100,554	—
Other liabilities	—	47,362	—
Minority interest	—	284,764	—

See notes to consolidated financial statements .

1. Organization and Business

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT") and conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership. Vornado is the sole general partner of, and owned approximately 89.4% of the common limited partnership interest in, the Operating Partnership at December 31, 2005.

The Company currently owns directly or indirectly:

Office Properties:

(i) all or portions of 111 office properties aggregating approximately 30.7 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington D.C. and Northern Virginia area;

Retail Properties:

(ii) 111 retail properties in nine states and Puerto Rico aggregating approximately 16.2 million square feet, including 3.1 million square feet owned by tenants on land leased from the Company;

Merchandise Mart Properties:

(iii) 10 properties in six states aggregating approximately 9.5 million square feet of showroom and office space, including the 3.4 million square foot Merchandise Mart in Chicago;

Temperature Controlled Logistics:

(iv) a 47.6% interest in Americold Realty Trust which owns and operates 85 cold storage warehouses nationwide;

Toys "R" Us, Inc.:

(v) a 32.95% interest in Toys "R" Us, Inc. which owns and/or operates 1,204 stores worldwide, including 587 toys stores and 242 Babies "R" Us stores in the United States and 306 toy stores internationally;

Other Real Estate Investments:

(vi) 33% of the outstanding common stock of Alexander's, Inc. (NYSE: ALX) which has six properties in the greater New York metropolitan area;

(vii) the Hotel Pennsylvania in New York City consisting of a hotel portion containing 1.0 million square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;

(viii) a 15.8% interest in The Newkirk Master Limited Partnership (the limited partnership units are exchangeable on a one-for-one basis into common shares of Newkirk Realty Trust (NYSE: NKT) after an IPO blackout period that expires on November 7, 2006) which owns office, retail and industrial properties net leased primarily to credit rated tenants, and various debt interests in such properties;

(ix) mezzanine loans to real estate related companies; and

(x) interests in other real estate including an 11.3% interest in GMH Communities L.P. (the limited partnership units are exchangeable on a one-for-one basis into common shares of GMH Communities Trust (NYSE: GCT)) which owns and manages student and military housing properties throughout the United States; seven dry warehouse/industrial properties in New Jersey containing approximately 1.5 million square feet; other investments and marketable securities.

2. Basis of Presentation and Significant Accounting Policies – continued

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado

Realty L.P. All significant intercompany amounts have been eliminated. The Company accounts for its unconsolidated partially-owned entities on the equity method of accounting. See below for further details of the Company's accounting policies regarding partially-owned entities.

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Significant Accounting Policies

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. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the undepreciated net book value of the property carried forward, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is provided on a straight-line basis over the assets' estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximates the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of $15,582,000 and $8,718,000, for the years ended December 31, 2005 and 2004, respectively.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141: Business Combinations and SFAS No. 142: Goodwill and Other Intangible Assets, and allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. The Company's properties, including any related intangible assets, are reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable.

Partially-Owned Entities: The Company considers APB 18: The Equity Method of Accounting for Investments in Common Stock, SOP 78-9: Accounting for Investments in Real Estate Ventures, Emerging Issues Task Force ("EITF") 96-16: Investors Accounting for an Investee When the Investor has the Majority of the Voting Interest but the Minority Partners have Certain Approval or Veto Rights and FASB Interpretation No. 46 (Revised 2003): Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51 ("FIN 46R"), to determine the method of accounting for each of its partially-owned entities. In determining whether the Company has a controlling interest in a partially-owned entity and the requirement to consolidate the accounts of that entity, it considers factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which it will absorb the majority of the entity's expected losses, if they occur, or receive the majority of the expected residual returns, if they occur, or both. The Company has concluded that it does not control a partially-owned entity, despite an ownership interest of 50% or greater, if the entity is not considered a variable interest entity and the approval of all of the partners/members is contractually required with respect to major decisions, such as operating and capital budgets, the sale, exchange or other disposition of real property, the hiring of a chief executive officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of new or additional financing secured by assets of the venture. This is the case with respect to the Company's 50% interests in Monmouth Mall, MartParc Wells, MartParc Orleans, H Street, Beverly Connection, 478-486 Broadway, 968 Third Avenue and 825 Seventh Avenue.

2. Basis of Presentation and Significant Accounting Policies – continued

Identified Intangible Assets and Goodwill: Upon an acquisition of a business the Company records intangible assets acquired at their estimated fair value separate and apart from goodwill. The Company amortizes identified intangible assets that are determined to have finite lives which are based on the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the business acquired. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss for an asset group is allocated to the long-lived assets of the group on a pro-rata basis using the relative carrying amounts of those assets, unless the fair value of specific components of the reporting group are determinable without undue cost and effort.

As of December 31, 2005 and 2004, the carrying amounts of the Company's identified intangible assets are $197,014,000 and $176,122,000 and the carrying amounts of goodwill are $11,122,000 and $10,425,000, respectively. Such amounts are included in "other assets" on the Company's consolidated balance sheets. In addition, the Company has $146,325,000 and $70,264,000 of identified intangible liabilities as of December 31, 2005 and 2004, which are included in "deferred credit" on the Company's consolidated balance sheets.

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents do not include cash escrowed under loan agreements and cash restricted in connection with an officer's deferred compensation payable. Cash and cash equivalents include repurchase agreements collateralized by U.S. government obligations totaling $177,650,000 and $23,110,000 as of December 31, 2005 and 2004, respectively. The majority of the Company's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of $100,000. The Company has not experienced any losses to date on its invested cash.

Allowance for Doubtful Accounts: The Company periodically evaluates the collectibility of amounts due from tenants and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. The Company also maintains an allowance for receivables arising from the straight-lining of rents. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates.

Marketable Securities: The Company classifies debt and equity securities which it intends to hold for an indefinite period of time as securities available-for-sale; equity securities it intends to buy and sell on a short term basis as trading securities; and mandatory redeemable preferred stock investments as securities held to maturity. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses on securities available-for-sale are included as a component of shareholders' equity and other comprehensive income. Realized gains or losses on the sale of securities are recorded based on specific identification. A portion of the Company's preferred stock investments are accounted for in accordance with EITF 99-20: Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets. Income is recognized by applying the prospective method of adjusting the yield to maturity based on an estimate of future cash flows. If the value of the investment based on the present value of the future cash flows is less than the Company's carrying amount, the investments will be written-down to fair value through earnings. Investments in non-publicly traded securities are reported at cost, as they are not considered marketable under SFAS No. 115: Accounting For Certain Investments in Debt and Equity Securities.

At December 31, 2005 and 2004, marketable securities had an aggregate cost of $132,536,000 and $135,382,000 and an aggregate fair value of $276,146,000 and $185,394,000, of which $272,949,000 and $178,999,000 represents securities available for sale; and $3,197,000 and $6,395,000 represent securities held to maturity. Unrealized gains and losses were $90,210,000 and $1,046,000 at December 31, 2005 and $50,012,000 and $0 at December 31, 2004.

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2. Basis of Presentation and Significant Accounting Policies – continued

Notes and Mortgage Loans Receivable: The Company's policy is to record notes and mortgage loans receivable at the stated principal amount less any discount or premium. The Company accretes or amortizes any discounts or premiums over the life of the related loan receivable utilizing the straight-line method which approximates the effective interest method. The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether it is impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan's effective interest rate or, as a practical expedient, to the value of the collateral if the loan is collateral dependent.

Deferred Charges: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

Fair Value of Financial Instruments: The Company has estimated the fair value of all financial instruments reflected in the accompanying consolidated balance sheets at amounts which are based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt). The fair value of the Company's debt is approximately $50,058,000 and $256,518,000 in excess of the aggregate carrying amounts at December 31, 2005 and 2004, respectively. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

Derivative Instruments And Hedging Activities: SFAS No. 133: Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

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2. Basis of Presentation and Significant Accounting Policies – continued

Revenue Recognition: The Company has the following revenue sources and revenue recognition policies:

Base Rents — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases.

Percentage Rents — income arising from retail tenant leases which are contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized in accordance with Staff Accounting Bulletin No. 104: Revenue Recognition, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).

Hotel Revenues — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue is recognized when the services have been rendered.

Trade Show Revenues — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized in accordance with the booth rental contracts when the trade shows have occurred.

Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred. Contingent rents are not recognized until realized.

Temperature Controlled Logistics revenue – income arising from the Company's investment in Americold. Storage and handling revenue are recognized as services are provided. Transportation fees are recognized upon delivery to customers.

Management, Leasing and Other Fees – income arising from contractual agreements with third parties or with partially-owned entities. This revenue is recognized as the related services are performed under the respective agreements.

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 90% 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 will distribute to its shareholders 100% of its taxable income and therefore, no provision for Federal income taxes is required. Dividend distributions for the year ended December 31, 2005 were characterized for Federal income tax purposes as 93.6% ordinary income and 6.4% long-term capital gain income. Dividend distributions for the year ended December 31, 2004 were characterized for Federal income tax purposes as 94.8% ordinary income and 5.2% long-term capital gain income. Dividend distributions for the year ended December 31, 2003 were characterized for Federal income tax purposes as 94.5% ordinary income and 5.5% long-term capital gain income.

The Company owns stock in corporations that have elected to be treated for Federal income tax purposes, as taxable REIT subsidiaries ("TRS"). The value of the combined TRS stock cannot and does not exceed 20% of the value of the Company's total assets. A TRS is taxable on its net income at regular corporate tax rates. The total income tax paid in the years ended December 31, 2005, 2004 and 2003 was $8,672,000, $1,867,000 and $2,048,000, respectively.

The following table reconciles net income to estimated taxable income for the years ended December 31, 2005, 2004 and 2003.

(Amounts in thousands)	2005	2004	2003
Net income applicable to common shares	$ 493,103	$ 570,997	$ 439,888
Book to tax differences:			
Depreciation and amortization	93,301	85,153	59,015
Derivatives	(31,144)	(126,724)	—
Straight-line rent adjustments	(44,787)	(53,553)	(35,856)
Earnings of partially-owned entities	31,591	47,998	41,198
Net gains on sale of real estate	(28,282)	(54,143)	(88,155)
Net gain on sale of a portion of investment in Americold to Yucaipa	—	(26,459)	—
Stock options expense	(35,088)	(20,845)	(78,125)
Amortization of acquired below market leases, net of above market leases	(12,343)	(12,692)	(7,733)
Sears Canada dividend	75,201	—	—
Other	28,612	4,191	(1,727)
Estimated taxable income	$ 570,164	$ 413,923	$ 328,505

The net basis of the Company's assets and liabilities for tax purposes is approximately $3,231,076,000 lower than the amount reported for financial statement purposes.

2. Basis of Presentation and Significant Accounting Policies – continued

Income Per Share: Basic income per share is computed based on weighted average shares outstanding. Diluted income per share considers the effect of outstanding options, restricted shares, warrants and convertible or redeemable securities.

Stock-Based Compensation: In 2002 and prior years, the Company accounted for employee stock options using the intrinsic value method. Under the intrinsic value method compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to 100% of the market price of the Company's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option grants. Effective January 1, 2003, the Company adopted SFAS No. 123: Accounting for Stock-Based Compensation, as amended by SFAS No. 148: Accounting for Stock-Based Compensation - Transition and Disclosure and as revised by SFAS No. 123R: Share-Based Payment. The Company adopted SFAS No. 123 prospectively by valuing and accounting for employee stock options granted in 2003 and thereafter. The Company utilizes a binomial valuation model and appropriate market assumptions to determine the value of each grant. Stock-based compensation expense is recognized on a straight-line basis over the vesting period for all grants subsequent to 2002. See Note 10. Stock-Based Compensation, for pro forma net income and pro forma net income per share for the years ended December 31, 2005, 2004 and 2003, assuming compensation costs for grants prior to 2003 were recognized as compensation expense based on the fair value at the grant dates.

In addition to employee stock option grants, the Company has also granted restricted shares to certain of its employees that vest over a three to five year period. The Company records the value of each restricted share award as stock-based compensation expense based on the Company's closing stock price on the NYSE on the date of grant on a straight-line basis over the vesting period. As of December 31, 2005, the Company has 260,267 restricted shares or rights to receive restricted shares outstanding to employees of the Company, excluding 626,566 shares issued to the Company's President in connection with his employment agreement. The Company recognized $3,559,000, $4,200,000 and $3,239,000 of stock-based compensation expense in the years ended December 31, 2005, 2004 and 2003 for the portion of these shares that vested during each year. Dividends paid on unvested shares are charged to retained earnings and amounted to $1,038,000, $938,700 and $777,700 for the years ended December 31, 2005, 2004 and 2003, respectively. Dividends on shares that are canceled or terminated prior to vesting are charged to compensation expense in the period they are cancelled or terminated.

2. Basis of Presentation and Significant Accounting Policies – continued

Recently Issued Accounting Literature

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29.* The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 on its effective date did not have a material effect on the Company's consolidated financial statements.

On December 16, 2004, the FASB issued SFAS No. 123: (Revised 2004) - *Share-Based Payment* ("SFAS No. 123R"). SFAS No. 123R replaces SFAS No. 123, which the Company adopted on January 1, 2003. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements and measured based on the fair value of the equity or liability instruments issued. SFAS No. 123R is effective as of the first annual reporting period beginning after December 31, 2005. The Company has adopted SFAS No. 123R on a modified prospective method, effective January 1, 2006 and believes that the adoption will not have a material effect on its consolidated financial statements.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Asset Retirement Obligations*. FIN 47 provides clarification of the term "conditional asset retirement obligation" as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. Under this standard, a company must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 became effective in the Company's fiscal quarter ended December 31, 2005. Certain of the Company's real estate assets contain asbestos. Although the asbestos is appropriately contained, in accordance with current environmental regulations, the Company's practice is to remediate the asbestos upon the renovation or redevelopment of its properties. Accordingly, the Company has determined that these assets meet the criteria for recording a liability and has recorded an asset retirement obligation aggregating approximately $8,400,000, which is included in "Other Liabilities" on the consolidated balance sheet as of December 31, 2005. The cumulative effect of adopting this standard was approximately $2,500,000, and is included in "Depreciation and Amortization" on the consolidated statement of income for the year ended December 31, 2005.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and SFAS No. 3.* SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring that a voluntary change in accounting principle be applied retrospectively with all prior periods' financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 also requires that a change in depreciation or amortization for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle and corrections of errors in previously issued financial statements should be termed a "restatement". SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes that the adoption of SFAS No. 154 will not have a material effect on the Company's consolidated financial statements.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 04-05, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05"). EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF 04-05 became effective on June 29, 2005, for all newly formed or modified limited partnership arrangements and January 1, 2006 for all existing limited partnership arrangements. The Company believes that the adoption of this standard will not have a material effect on its consolidated financial statements.

3. Acquisitions and Dispositions

Acquisitions:

The Company completed approximately $2,379,750,000 of real estate acquisitions and investments in 2005 and $328,600,000 in 2004. In addition, the Company made $308,534,000 of mezzanine loans during 2005 and $183,400,000 in 2004 (see Note 6. Notes and Mortgage Loans Receivable). These acquisitions were consummated through subsidiaries of the Company. The related assets, liabilities and results of operations are included in the Company's consolidated financial statements from their respective dates of acquisition. The pro forma effect of the individual acquisitions and in the aggregate were not material to the Company's historical results of operations.

Acquisitions of individual properties are recorded as acquisitions of real estate assets. Acquisitions of businesses are accounted for under the purchase method of accounting. The purchase price for property acquisitions and businesses acquired is allocated to acquired assets and assumed liabilities using their relative fair values as of the acquisition date based on valuations and other studies. Initial valuations are subject to change until such information is finalized no later than 12 months from the acquisition date.

Office:

Crystal City Marriott

On July 1, 2004, the Company acquired the Marriott hotel located in its Crystal City office complex from a limited partnership in which Robert H. Smith and Robert P. Kogod, trustees of the Company, together with family members, own approximately 67 percent. The purchase price of $21,500,000 was paid in cash as part of a Section 1031 tax-free, "like-kind" exchange with a portion of the proceeds from the Company's sale of the Palisades Residential Complex (see Dispositions). The hotel contains 343 rooms and is leased to an affiliate of Marriott International, Inc. until July 31, 2015, with one 10-year extension option. The land under the hotel was acquired in 1999. This property is consolidated into the accounts of the Company from the date of acquisition.

Bowen Building

On June 13, 2005, the Company acquired the 90% that it did not already own of the Bowen Building, a 231,000 square foot class A office building located at 875 15th Street N.W. in the Central Business District of Washington, D.C. The purchase price was $119,000,000, consisting of $63,000,000 in cash and $56,000,000 of existing mortgage debt, which bears interest at LIBOR plus 1.5% (5.66% as of December 31, 2005) and is due in February 2007. The operations of the Bowen Building are consolidated into the accounts of the Company from the date of this acquisition.

H Street Building Corporation ("H Street")

On July 20, 2005, the Company acquired H Street, which owns directly or indirectly through stock ownership in corporations, a 50% interest in real estate assets located in Pentagon City, Virginia, including 34 acres of land leased to various residential and retail operators, a 1,670 unit apartment complex, 10 acres of land and two office buildings located in Washington, DC containing 577,000 square feet. The purchase price was approximately

$246,600,000, consisting of $194,500,000 in cash and $52,100,000 for the Company's pro rata share of existing mortgage debt. The operations of H Street are consolidated into the accounts of the Company from the date of acquisition.

On July 22, 2005, two corporations owned 50% by H Street filed a complaint against the Company, H Street and three parties affiliated with the sellers of H Street in the Superior Court of the District of Columbia alleging that the Company encouraged H Street and the affiliated parties to breach their fiduciary duties to these corporations and interfered with prospective business and contractual relationships. The complaint seeks an unspecified amount of damages and a rescission of the Company's acquisition of H Street. In addition, on July 29, 2005, a tenant under a ground lease with one of these corporations brought a separate suit in the Superior Court of the District of Columbia, alleging, among other things, that the Company's acquisition of H Street violated a provision giving them a right of first offer and on that basis seeks a rescission of the Company's acquisition and the right to acquire H Street for the price paid by the Company. On September 12, 2005, the Company filed a complaint against each of these corporations and their acting directors seeking a restoration of H Street's full shareholder rights and damages. These legal actions are currently in the discovery stage. In connection with these legal actions, the Company has accrued legal fees of $2,134,000 in the fourth quarter of 2005, which are included in general and administrative expenses on the consolidated statement of income. The Company believes that the actions filed against the Company are without merit and that it will ultimately be successful in defending against them.

Because of the legal actions described above, the Company has not been granted access to the financial information of these two corporations and accordingly has not recorded its share of their net income or loss or disclosed its pro rata share of their outstanding debt in the accompanying consolidated financial statements.

3. Acquisitions and Dispositions - continued

Rosslyn Plaza

On December 20, 2005, the Company acquired a 46% partnership interest in, and became co-general partner of, partnerships that own a complex in Rosslyn, Virginia, containing four office buildings with an aggregate of 714,000 square feet and two apartment buildings containing 195 rental units. The consideration for the acquisition consisted of 734,486 newly issued Vornado Realty L.P. partnership units (valued at $61,814,000) and $27,300,000 of its pro-rata share of existing debt. Of the partnership interest acquired, 19% was from Robert H. Smith and Robert P. Kogod, trustees of Vornado, and their family members, representing all of their interest in the partnership. The Company accounts for its investment in Rosslyn Plaza under the equity method of accounting.

Warner Building

On December 27, 2005, the Company acquired the 95% interest that it did not already own in the Warner Building, a 560,000 square foot class A office building located at 1299 Pennsylvania Avenue three blocks from the White House. The purchase price was approximately $319,000,000, consisting of $170,000,000 in cash and $149,000,000 of existing mortgage and other debt. The operations of the Warner Building are consolidated into the accounts of the Company from the date of acquisition.

BNA Complex

On February 17, 2006, the Company entered into an agreement to sell its 277,000 square foot Crystal Mall Two office building, located in Arlington, Virginia, to The Bureau of National Affairs, Inc. ("BNA"), for its corporate headquarters. Simultaneously, the Company agreed to acquire a three building complex from BNA containing approximately 300,000 square feet, which is located in Washington D.C.'s West End between Georgetown and the Central Business District. The Company will receive sales proceeds of approximately $100,000,000 for Crystal Mall Two and recognize a net gain on sale of approximately $23,000,000. The Company will pay BNA $111,000,000 for the complex it is acquiring. One of the buildings, containing 130,000 square feet, will remain an office building, while the other two buildings will be redeveloped into residential condominiums. These transactions are expected to close in the second half of 2007.

Retail:

Forest Plaza Shopping Center

On February 3, 2004, the Company acquired the Forest Plaza Shopping Center for approximately $32,500,000, consisting of $14,000,000 in cash, and $18,500,000 of existing mortgage debt. The purchase was funded as part of Section 1031 tax-free "like kind" exchange with the remaining portion of the proceeds from the sale of the Company's Two Park Avenue property (see Dispositions). Forest Plaza is a 165,000 square foot shopping center located in Staten Island, New York. The operations of Forest Plaza are consolidated into the accounts of the Company from the date of acquisition.

25 W. 14th Street

On March 19, 2004, the Company acquired a 62,000 square foot free-standing retail building located at 25 W. 14th Street in Manhattan for $40,000,000 in cash. This acquisition was paid in cash as part of a Section 1031 tax-free, "like-kind" exchange with a portion of the proceeds from the Company's sale of the Palisades Residential Complex (see Dispositions). This asset is consolidated into the accounts of the Company from the date of acquisition.

3. Acquisitions and Dispositions - continued

Southern California Supermarkets

On July 29, 2004, the Company acquired a real estate portfolio containing 25 supermarkets for $65,000,000. These properties, all of which are all located in Southern California and contain an aggregate of approximately 766,000 square feet, were purchased from the Newkirk MLP, in which the Company currently owns a 15.8% interest. The supermarkets are net leased to Stater Brothers for an initial term expiring in 2008, with six 5-year extension options. Stater Brothers is a Southern California regional grocery chain that operates 158 supermarkets and has been in business since 1936. This acquisition was paid in cash as part of a Section 1031 tax-free, "like-kind" exchange with a portion of the proceeds from the Company's sale of the

Palisades Residential Complex (see Dispositions). The Company's share of gain recognized by Newkirk MLP on this transaction was $7,119,000 and was reflected as an adjustment to the Company's basis in its investment in Newkirk MLP and not recognized as income. These assets are consolidated into the accounts of the Company from the date of acquisition.

Queens Boulevard

On August 30, 2004, the Company acquired 99-01 Queens Boulevard, a 68,000 square foot free-standing building in Forest Hills, New York for $26,500,000 in cash as part of a Section 1031 tax-free, "like-kind" exchange with a portion of the proceeds from the Company's sale of the Palisades Residential Complex (see Dispositions). This asset is consolidated into the accounts of the Company from the date of acquisition.

Broome Street and Broadway

On November 2, 2004, the Company acquired a 50% joint venture interest in a 92,500 square foot property located at Broome Street and Broadway in New York City. The Company contributed $4,462,000 of equity and provided a $24,000,000 bridge loan with interest at 10% per annum. On April 5, 2005, the $24,000,000 bridge loan was replaced with a $20,000,000 loan and $2,000,000 of cash contributed by each of the venture partners. The new loan bears annual interest at 90-day LIBOR plus 3.15% (7.38% as of December 31, 2005), matures in October 2007 and is prepayable at any time. This investment is accounted for under the equity method.

Lodi and Burnside Shopping Centers

On November 12, 2004 and December 1, 2004, the Company acquired two shopping centers aggregating 185,000 square feet, in Lodi, New Jersey and Long Island (Inwood), New York, for a total purchase of $36,600,000 in cash, and $10,900,000 of existing mortgage debt, as part of a Section 1031 tax-free, "like-kind" exchange with a portion of the proceeds from the Company's sale of the Palisades Residential Complex (see Dispositions). These assets are consolidated into the accounts of the Company from the date of acquisition.

Beverly Connection

On March 5, 2005, the Company acquired a 50% interest in a venture that owns Beverly Connection, a two-level urban shopping center, containing 322,000 square feet, located in Los Angeles, California for $10,700,000 in cash. The Company also provided the venture with a $59,500,000 first mortgage loan which bore interest at 10% through its scheduled maturity in February 2006 and $35,000,000 of preferred equity yielding 13.5% for up to a three-year term, which is subordinate to $37,200,000 of other preferred equity. On February 11, 2006, $35,000,000 of the Company's loan to the venture was converted to additional preferred equity on the same terms as the Company's existing preferred equity and debt. The balance of the loan of $24,500,000 was extended to April 11, 2006 and bears interest at 10%. The shopping center is anchored by CompUSA, Old Navy and Sports Chalet. The venture is redeveloping the existing retail and plans, subject to governmental approvals, to develop residential condominiums and assisted living facilities. This investment is accounted for under the equity method of accounting. The Company records its pro rata share of net income or loss in Beverly Connection on a one-month lag basis as the Company files its consolidated financial statements on Form 10-K and 10-Q prior to the time the venture reports its earnings (see Note 5 – Investments in Partially-Owned Entities).

3. Acquisitions and Dispositions - continued

Westbury Retail Condominium

On May 20, 2005, the Company acquired the retail condominium of the former Westbury Hotel in Manhattan for $113,000,000 in cash. Simultaneously with the closing, the Company placed an $80,000,000 mortgage loan on the property bearing interest at 5.292% and maturing in 2018. The remaining portion of the purchase price was funded as part of a Section 1031 tax-free "like-kind" exchange with a portion of the proceeds from the sale of the 400 North LaSalle Residential Tower in April 2005. The property contains approximately 17,000 square feet and is fully occupied by luxury retailers, Cartier, Chloe and Gucci under leases that expire in 2018. The operations of Westbury Retail Condominium are consolidated into the accounts of the Company from the date of acquisition.

40 East 66th Street

On July 25, 2005, the Company acquired a property located at Madison Avenue and East 66th Street in Manhattan for $158,000,000 in cash. The property contains 37 rental apartments with an aggregate of 85,000 square feet, and 10,000 square feet of retail space. The operations of East 66th Street are consolidated into the accounts of the Company from the date of acquisition. The rental apartment operations are included in the Company's Other segment and the retail operations are included in the Retail segment.

Broadway Mall

On December 27, 2005, the Company acquired the Broadway Mall, located on Route 106 in Hicksville, Long Island, New York, for $152,500,000, consisting of $57,600,000 in cash and a $94,900,000 existing mortgage. The mall contains 1.2 million square feet, of which 1.0 million is owned by the Company, and is anchored by Macy's, Ikea, Multiplex Cinemas and Target. The operations of the Broadway Mall are consolidated into the accounts of the Company from the date of acquisition.

Springfield Mall

On January 31, 2006, the Company closed on an option to purchase the 1.4 million square foot Springfield Mall which is located on 79 acres at the intersection of Interstate 95 and Franconia Road in Springfield, Fairfax County, Virginia, and is anchored by Macy's, and J.C. Penney and Target, who own their stores aggregating 389,000 square feet. The purchase price for the option was $35,600,000, of which the Company paid $14,000,000 in cash at closing and the remainder of $21,600,000 will be paid in installments over four years. The Company intends to redevelop, reposition and re-tenant the mall and has committed to spend $25,000,000 in capital expenditures over a six-year period from the closing of the option agreement. The option becomes exercisable upon the passing of one of the existing principals of the selling entity and may be deferred at the Company's election through November 2012. Upon exercise of the option, the Company will pay $80,000,000 to acquire the mall, subject to the existing mortgage of $180,000,000, which will be amortized to $149,000,000 at maturity in 2013. Upon closing of the option on January 31, 2006, the Company acquired effective control of the mall, including management of the mall and right to the mall's net cash flow. Accordingly, the Company will consolidate the accounts of the mall into its financial position and results of operations pursuant to the provisions of FIN 46R. The Company has a 2.5% minority partner in this transaction.

Other Retail

In December 2004, the Company acquired two retail condominiums aggregating 12,000 square feet, located at 386 and 387 West Broadway in New

York City for $16,900,000 in cash plus $4,700,000 of existing mortgage debt. The operations of these assets are consolidated into the accounts of the Company from the date of acquisition.

Merchandise Mart:

Boston Design Center

On December 28, 2005, the Company acquired the Boston Design Center, which contains 552,500 square feet and is located in South Boston, for $96,000,000, consisting of $24,000,000 in cash and $72,000,000 of existing mortgage debt. The operations of the Boston Design Center are consolidated into the accounts of the Company from the date of acquisition.

3. Acquisitions and Dispositions - continued

Toys "R" Us, Inc. ("Toys")

On July 21, 2005, a joint venture owned equally by the Company, Bain Capital and Kohlberg Kravis Roberts & Co. acquired Toys for $26.75 per share in cash or approximately $6.6 billion. In connection therewith, the Company invested $428,000,000 of the $1.3 billion of equity in the venture, consisting of $407,000,000 in cash and $21,000,000 in Toys common shares held by the Company. This investment is accounted for under the equity method of accounting.

The business of Toys is highly seasonal. Historically, Toys fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys' fiscal year ends on the Saturday nearest January 31, the Company records its 32.95% share of Toys net income or loss on a one-quarter lag basis. Accordingly, the Company will record its share of Toys fourth quarter net income in its first quarter of 2006. Equity in net loss from Toys for the period from July 21, 2005 (date of acquisition) through December 31, 2005 was $40,496,000 which consisted of (i) the Company's $1,977,000 share of Toys net loss in Toys' second quarter ended July 30, 2005 for the period from July 21, 2005 (date of acquisition) through July 30, 2005, (ii) the Company's $44,812,000 share of Toys net loss in Toys' third quarter ended October 29, 2005, partially offset by, (iii) $5,043,000 of interest income on the Company's senior unsecured bridge loan described below and (iv) $1,250,000 of management fees.

On August 29, 2005, the Company acquired $150,000,000 of the $1.9 billion one-year senior unsecured bridge loan financing provided to Toys. The loan is senior to the acquisition equity of $1.3 billion and $1.6 billion of existing debt. The loan bears interest at LIBOR plus 5.25% (9.43% as of December 31, 2005) not to exceed 11% and provides for an initial ..375% placement fee and additional fees of .375% at the end of three and six months if the loan has not been repaid. The loan is prepayable at any time without penalty. On December 9, 2005, $73,184,000 of this loan was repaid to the Company.

On January 9, 2006, Toys announced plans and is in the process of closing 87 Toys "R" Us stores in the United States, of which twelve stores will be converted into Babies "R" Us stores, five leased properties are expiring and one has been sold. Vornado is handling the leasing and disposition of the real estate of the remaining 69 stores. As a result of the store-closing program, Toys will incur restructuring and other charges aggregating approximately $155,000,000 before tax, which includes $45,000,000 for the cost of liquidating inventory. Of this amount, approximately $99,000,000 will be recorded in Toys' fourth quarter ending January 28, 2006 and $56,000,000 will be recorded in the first quarter of their next fiscal year. These estimated amounts are preliminary and remain subject to change. The Company's 32.95% share of the $155,000,000 charge is $51,000,000, of which $36,000,000 will have no income statement effect as a result of purchase price accounting and the remaining portion relating to the cost of liquidating the inventory of approximately $9,000,000 after-tax, will be recorded as an expense in the first quarter of 2006.

3. Acquisitions and Dispositions - continued

The unaudited pro forma information set forth below presents the condensed consolidated statements of income for the Company for the three months and years ended December 31, 2005 and 2004 (including Toys' results for the three and twelve months ended October 29, 2005 and October 30, 2004, respectively) as if the above transactions had occurred on November 1, 2003. The unaudited pro forma information below is not necessarily indicative of what the Company's actual results would have been had the Toys transactions been consummated on November 1, 2003, nor does it represent the results of operations for any future periods. In management's opinion, all adjustments necessary to reflect these transactions have been made.

Pro Forma Condensed Consolidated Statements of Income
(in thousands, except per share amounts)

	For the Year Ended December 31,		For the Three Months Ended December 31,	
	Pro Forma 2005	Pro Forma 2004	Actual 2005	Pro Forma 2004
Revenues	$ 2,547,628	$ 1,712,713	$ 697,219	$ 505,977
Income before allocation to limited partners	$ 620,759	$ 717,891	$ 138,415	$ 262,255
Minority limited partners' interest in the Operating Partnership	(64,686)	(84,063)	(12,243)	(29,180)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(6,211)	(17,388)
Net income	488,954	564,720	119,961	215,687
Preferred share dividends	(46,501)	(21,920)	(14,211)	(6,351)
Net income applicable to common shares	$ 442,453	$ 542,800	$ 105,750	$ 209,336
Net income per common share – basic	$ 3.31	$ 4.33	$ 0.75	$ 1.65
Net income per common share – diluted	$ 3.14	$ 4.08	$ 0.71	$ 1.55

3. Acquisitions and Dispositions - continued

Other:

220 Central Park South

On August 26, 2005, a joint venture in which the Company has a 90% interest, acquired a property located at 220 Central Park South in Manhattan for $136,550,000. The Company and its partner invested cash of $43,400,000 and $4,800,000, respectively, in the venture to acquire the property. The venture obtained a $95,000,000 mortgage loan which bears interest at LIBOR plus 3.50% (8.04% as of December 31, 2005) which is due in August 2006, with two six-month extensions. The property contains 122 rental apartments with an aggregate of 133,000 square feet and 5,700 square feet of commercial space. The operations of 220 Central Park South are consolidated into the accounts of the Company from the date of acquisition.

Other

In addition to the acquisitions and investments described above, the Company made $281,500,000 of other acquisitions and investments during 2005, which are summarized below:

(Amounts in thousands)	Amount
Dune Capital L.P. (5.4% interest) (1)	$ 50,000
Wasserman Ventures (95% interest)	49,400
692 Broadway, New York, NY	28,500
South Hills Mall, Poughkeepsie, NY	25,000
Rockville Town Center, Rockville, MD	24,800
211-217 Columbus Avenue, New York, NY	24,500
1750-1780 Gun Hill Road, Bronx, NY	18,000
TCG Urban Infrastructure Holdings Limited, India (25% interest)	16,700
42 Thompson Street, New York, NY	16,500
Verde Group LLC (5% interest)	15,000
Other	13,100
	$ 281,500

(1) On May 31, 2005, the Company contributed $50,000 in cash to Dune Capital L.P., a limited partnership involved in corporate, real estate and asset-based investments. The Company's investment represented a 3.5% limited partnership interest for the period from May 31, 2005 through September 30, 2005. On October 1, 2005, Dune Capital made a return of capital to one of its investors and the Company's ownership interest was effectively increased to 5.4%. The Company initially accounted for this investment on the cost method based on its ownership interest on May 31, 2005. Subsequent to October 1, 2005, the Company accounts for its investment on the equity method on a one-quarter lag basis. Dune Capital's financial statements are prepared on a market value basis and changes in value from one reporting period to the next are recognized in income. Accordingly, the Company's share of Dune Capital's net income or loss will reflect such changes in market value.

3. Acquisitions and Dispositions - continued

Other Investments:

Investment in Sears, Roebuck and Co. ("Sears")

In July and August 2004, the Company acquired an aggregate of 1,176,600 common shares of Sears, Roebuck and Co. ("Sears") for $41,945,000, an average price of $35.65 per share. On March 30, 2005, upon consummation of the merger between Sears and Kmart, the Company received 370,330 common shares of Sears Holdings Corporation (Nasdaq: SHLD) ("Sears Holdings") and $21,797,000 of cash in exchange for its 1,176,600 Sears common shares. The Sears Holdings common shares were valued at $48,143,000, based on the March 30, 2005 closing share price of $130.00. As a result the Company recognized a net gain of $27,651,000, the difference between the aggregate cost basis in the Sears shares and the market value of the total consideration received of $69,940,000. On April 4, 2005, 99,393 of the Company's Sears Holdings common shares with a value of $13,975,000 were utilized to satisfy a third-party participation. The remaining 270,937 Sears Holdings shares were sold in the fourth quarter of 2005 at a weighted average sales price of $125.83 per share, which resulted in a net loss on disposition of $1,137,000, based on the March 30, 2005 adjusted cost basis of $130.00 per share. The Company's net gain on its investment in these Sears shares was $26,514,000.

In August and September 2004, the Company acquired an economic interest in an additional 7,916,900 Sears common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on Sears common shares. These call and put options had an initial weighted-average strike price of $39.82 per share, or an aggregate of $315,250,000, expire in April 2006 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income.

On March 30, 2005, as a result of the merger between Sears and Kmart and pursuant to the terms of the contract, the Company's derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holdings valued at $323,936,000 based on the then closing share price of $130.00 and $146,663,000 of cash. As a result, the Company recognized a net gain of $58,443,000 based on the fair value of the derivative position on March 30, 2005. During the fourth quarter of 2005, 402,660 of the common shares were sold at a weighted average sales price of $123.77 per share. In accordance with the derivative agreements, the proceeds from these sales will remain in the derivative position until the entire position is settled or until expiration in April 2006. Based on Sears Holdings' closing share price on December 31, 2005 of $115.53, the remaining shares in the derivative position have a market value of $241,361,000, which together with cash of $196,499,000 aggregates $437,860,000. In the period from March 31, 2005 through December 31, 2005, the Company recorded an expense of $43,475,000 from the derivative position, which consists of (i) $30,230,000 from the mark-to-market of the remaining shares in the derivative based on Sears Holdings $115.53 closing share price on December 31, 2005, (ii) $2,509,000 for the net loss on the shares sold based on a weighted average sales price of $123.77 and (iii) $10,736,000 resulting primarily from the increase in the strike price at an annual rate of LIBOR plus 45 basis points.

The Company's aggregate net income recognized on the owned shares and the derivative position from inception to December 31, 2005 was $124,266,000.

Investment in Sears Canada, Inc. ("Sears Canada")

In connection with the Company's investment in Sears Holdings Corporation, the Company acquired 7,500,000 common shares of Sears Canada between February and September of 2005 for an aggregate cost of $143,737,000, or $19.16 per share. On December 16, 2005, Sears Canada paid a special dividend, of which Vornado's share was $120,500,000. As a result, the Company recognized $22,885,000 of income in the fourth quarter of 2005 (in addition to the unrecognized gain of $53,870,000 discussed below) and paid a $.77 special cash dividend on December 30, 2005 to shareholders of record on December 27, 2005. The Company accounts for its investment in Sears Canada as a marketable equity security classified as available-for-sale. Accordingly, the common shares are marked-to-market on a quarterly basis through "Accumulated Other Comprehensive Income" on the balance sheet. At December 31, 2005, based on a closing share price of $15.47, the unrecognized gain in Accumulated Other Comprehensive Income is $53,870,000.

3. Acquisitions and Dispositions - continued

Investment in McDonald's Corporation ("McDonalds") (NYSE: MCD)

In July 2005, the Company acquired an aggregate of 858,000 common shares of McDonalds for $25,346,000, an average price of $29.54 per share. These shares are recorded as marketable equity securities on the Company's consolidated balance sheet and are classified as "available for sale." Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in "accumulated other comprehensive income" in the shareholders' equity section of the Company's consolidated balance sheet and not recognized in income. At December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, $3,585,000 of appreciation in the value of these shares was included in "accumulated other comprehensive income."

During the three months ended September 30, 2005, the Company acquired an economic interest in an additional 14,565,000 McDonalds common shares through a series of privately negotiated transactions with a financial institution pursuant to which the Company purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. These call and put options have an initial weighted-average strike price of $32.66 per share, or an aggregate of $475,692,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide the Company with the same economic gain or loss as if it had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statement of income. During the year ended December 31, 2005, the Company recorded net income of $17,254,000, comprised of (i) $15,239,000 from the mark-to-market of the options on December 31, 2005, based on McDonalds' closing stock price of $33.72 per share, (ii) $9,759,000 of dividend income, partially offset by (iii) $7,744,000 for the increase in strike price resulting from the LIBOR charge.

Based on McDonalds' most recent filing with the Securities and Exchange Commission, the Company's aggregate investment in McDonalds represents 1.2% of its outstanding common shares.

Dispositions:

Temperature Controlled Logistics

Prior to November 18, 2004, the Company owned a 60% interest in Vornado Crescent Portland Partnership ("VCPP") which owned Americold Realty Trust ("Americold"). Americold owned 88 temperature controlled warehouses, all of which were leased to AmeriCold Logistics. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. On November 18, 2004, the Company and its 40% partner, Crescent Real Estate Equities Company ("CEI") collectively sold 20.7% of Americold's common shares to The Yucaipa Companies ("Yucaipa") for $145,000,000, which resulted in a gain, of which the Company's share was $18,789,000. The sale price was based on a $1.450 billion valuation for Americold before debt and other obligations. Yucaipa is a private equity firm with significant expertise in the food distribution, logistics and retail industries. Upon closing of the sale to Yucaipa on November 18, 2004, Americold is owned 47.6% by the Company, 31.7% by CEI and 20.7% by Yucaipa.

Pursuant to the sales agreement: (i) Yucaipa may be entitled to received up to 20% of the increase in the value of Americold, realized through the sale of a portion of the Company's and CEI's interests in Americold subject to limitations, provided that Americold's Threshold EBITDA, as defined, exceeds $133,500,000 at December 31, 2007; (ii) the annual asset management fee payable by CEI to the Company has been reduced from approximately $5,500,000 to $4,548,000, payable quarterly through October 30, 2027. CEI, at its option, may terminate the payment of this fee at any time after November 2009, by paying the Company a termination fee equal to the present value of the remaining payments through October 30, 2027, discounted at 10%. In addition, CEI is obligated to pay a pro rata portion of the termination fee to the extent it sells a portion of its equity interest in Americold; and (iii) VCPP was dissolved. The Company has the right to appoint three of the five members to Americold's Board of Trustees. Consequently, the Company is deemed to exercise control over Americold and, on November 18, 2004, the Company began to consolidate the operations and financial position of Americold into its accounts and no longer accounts for its investment on the equity method.

3. Acquisitions and Dispositions - continued

Net Gains on Sales of Real Estate:

On January 9, 2003, the Company sold its Baltimore, Maryland shopping center for $4,752,000, which resulted in a net gain on sale of $2,644,000.

On October 10, 2003, the Company sold Two Park Avenue, a 965,000 square foot office building, for $292,000,000, which resulted in a net gain on sale of $156,433,000. Substantially all of the proceeds from the sale have been reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031 of the Internal Revenue Code ("Section 1031").

On November 3, 2003, the Company sold its Hagerstown, Maryland shopping center property for $3,100,000, which resulted in a net gain on sale of $1,945,000.

On June 29, 2004, the Company sold its Palisades Residential Complex for $222,500,000, which resulted in a net gain on sale of $65,905,000. Substantially all of the proceeds from the sale were reinvested in tax-free "like kind" exchange investments pursuant to Section 1031. On February 27, 2004, the Company had acquired the remaining 25% interest in the Palisades venture it did not previously own for approximately $17,000,000 in cash.

On August 12, 2004, the Company sold its Dundalk, Maryland shopping center for $12,900,000, which resulted in a net gain on sale of $9,850,000. Substantially all of the proceeds from the sale have been reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031.

On April 21, 2005, the Company, through its 85% owned joint venture, sold 400 North LaSalle, a 452-unit high-rise residential tower in Chicago, Illinois, for $126,000,000, which resulted in a net gain on sale of $31,614,000. All of the proceeds from the sale were reinvested in tax-free "like-kind" exchange investments pursuant to Section 1031.

Net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate:

(Amounts in thousands)	For the Years Ended December 31, 2005	2004	2003
Wholly-owned:			
Net gain (loss) on sales of marketable securities (including Prime Group Realty Trust)	$ 25,346	$ (159)	$ 2,950
Net gain on disposition of senior preferred investment in 3700 Las Vegas Boulevard	12,110	—	—
Net gain (loss) on sales of land parcels, condominiums and other	1,586	776	(607)
Partially-owned:			
Net gain on sale of a portion of investment in Americold to Yucaipa	—	18,789	—
Other	—	369	—
	$ 39,042	$ 19,775	$ 2,343

3700 Las Vegas Boulevard

On December 30, 2005, the Company sold its $3,050,000 senior preferred equity in 3700 Associates LLC, which owns 3700 Las Vegas Boulevard, a development land parcel, and recognized a net gain of $12,110,000. In addition, the purchaser repaid the Company's $5,000,000 senior mezzanine loan to the venture.

Prime Group Realty Trust

On June 11, 2003, the Company exercised its right to exchange the 3,972,447 units it owned in Prime Group Realty L.P. for 3,972,447 common shares in Prime Group Realty Trust (NYSE:PGE). Prior to the exchange, the Company accounted for its investment in the partnership on the equity method. Subsequent to the exchange, the Company accounted for its investment in PGE as a marketable equity security-available for sale, as the Company's shares represent less than a 20% ownership interest in PGE (which is not a partnership), the Company did not have significant influence and the common shares had a readily determinable fair value. On July 1, 2005, a third party acquired all of Prime's outstanding common shares and limited partnership units for $7.25 per share or unit. In connection therewith, the Company recognized a gain of $9,017,000, representing the difference between the purchase price and the Company's carrying amount.

4. Discontinued Operations

During 2004, the Company classified Arlington Plaza, an office property located in Arlington, Virginia as a discontinued operation in accordance with the provisions of SFAS No. 144 and reported revenues and expenses related to the property as discontinued operations and classified the related assets and liabilities as assets and liabilities held for sale for all periods presented in the accompanying consolidated financial statements. On June 30, 2005, the Company made a decision not to sell Arlington Plaza and, accordingly, reclassified the related assets and liabilities and revenues and expenses as continuing operations for all periods presented in the accompanying consolidated financial statements.

Assets related to discontinued operations consist primarily of real estate, net of accumulated depreciation. The following table sets forth the balances of the assets related to discontinued operations as of December 31, 2005 and 2004:

(Amounts in thousands)	December 31, 2005	2004
400 North LaSalle	$ —	$ 82,624
Vineland	908	908
	$ 908	$ 83,532

Liabilities related to discontinued operations as of December 31, 2004 represent the 400 North LaSalle mortgage payable of $5,187,000.

The combined results of operations of the assets related to discontinued operations for the years ended December 31, 2005, 2004 and 2003 are as follows:

(Amounts in thousands)	December 31, 2005	2004	2003
Total revenues	$ 2,443	$ 14,345	$ 42,899
Total expenses	1,617	13,087	29,513
Net income	826	1,258	13,386
Net gains on sale of real estate	31,614	75,755	161,789
Income from discontinued operations	$ 32,440	$ 77,013	$ 175,175

See Note 3. – Acquisition and Dispositions for details of net gains on sale of real estate related to discontinued operations in the years ended December 31, 2005, 2004 and 2003.

5. Investments and advances to Partially-Owned Entities

The Company's investments and advances to partially-owned entities as of December 31, 2005 and 2004 and income recognized from such investments for the years ended December 31, 2005, 2004 and 2003 are as follows:

Balance Sheet Data:

	Percentage Ownership As of December 31, 2005	Company's Investment As of December 31,		100% of These Entities Total Assets		Total Liabilities		Total Equity	
(Amounts in thousands)		2005	2004	2005	2004	2005	2004	2005	2004
Investments:									
Toys "R" Us (1)	32.95%	$ 425,830	$ —	$ 12,050,000		$ 10,885,000		$ 1,165,000	
H Street non-consolidated subsidiaries (1)	50%	$ 196,563	$ —	$ N/A(2)		$ N/A(2)		$ N/A(2)	
Newkirk Master Limited Partnership and affiliates ("Newkirk MLP")	15.8%	172,488	158,656	$ 1,306,049	$ 1,240,129	$ 822,879	$ 1,030,755	$ 483,170	$ 209,374
Alexander's	33%	105,241	204,762	$ 1,401,199	$ 1,244,801	$ 1,299,575	$ 1,226,433	$ 101,624	$ 18,368
Beverly Connection (1)	50%	103,251	—						
GMH Communities L.P.	11.3%	90,103	84,782						
Rosslyn Plaza (1)	46.9%	63,414	—						
Dune Capital L.P. (1)	5.4%	51,351	—						
Partially – Owned Office Buildings (3)	0.1% - 50%	36,691	48,682						
478-486 Broadway	50%	36,084	29,170						
Monmouth Mall	50%	4,463	29,351						
Starwood Ceruzzi Joint Venture (4)		—	19,106						
Other		84,374	30,791						
		$ 944,023	$ 605,300						

(1) See Note 3 – Acquisitions and Dispositions for detail of these investments.
(2) No information is presented because the Company has been denied access to the financial information of these entities due to on-going litigation.
(3) Represents the Company's interests in 330 Madison Avenue (24.8%), 825 Seventh Avenue (50%), Fairfax Square (20%), Kaempfer equity interests in four office buildings (2.5% to 7.5%), H Street partially-owned entities (3.8%) and Rosslyn Plaza (46%).
(4) On August 8, 2005, the Company acquired the remaining 20% of Starwood Ceruzzi Joint Venture that it did not already own for $940 in cash. As of that date the Company consolidates this investment and no longer accounts for it on the equity method.

5. Investments in Partially-Owned Entities - continued

Below is a summary of the debt of partially owned entities as of December 31, 2005 and 2004, none of which is guaranteed by the Company.

	100% of Partially-Owned Entities Debt December 31, 2005	December 31, 2004
(Amounts in thousands)		
Toys (32.95% interest):		
$ 1.9 billion bridge loan, due 2012, LIBOR plus 5.25% (9.43% at December 31, 2005)	$ 1,900,000	$ —
$ 1.0 billion senior facility, due 2006-2011, LIBOR plus 1.50% (5.46% at December 31, 2005)	1,035,000	—
$ 2.0 billion credit facility, due 2010, LIBOR plus 1.75%-3.75% (5.95% at December 31, 2005)	1,160,000	—
Mortgage loan, due 2007, LIBOR plus 1.30%, (5.27% at December 31, 2005)	800,000	—
7.625% bonds, due 2011 (Face value – $500,000)	475,000	—
7.875% senior notes, due 2013 (Face value – $400,000)	366,000	—
7.375% senior notes, due 2018 (Face value – $400,000)	324,000	—
6.875% bonds, due 2006 (Face value – $250,000)	253,000	—
8.750% debentures, due 2021 (Face value – $200,000)	193,000	—
Note at an effective cost of 2.23% due in semi-annual installments through 2008	82,000	—
Other	32,000	—
Alexander's (33% interest in 2005 and 2004):		
731 Lexington Avenue mortgage note payable collateralized by the office space, due in February 2014, with interest at 5.33%	400,000	400,000

731 Lexington Avenue mortgage note payable, collateralized by the retail space, due in July 2015, with interest at 4.93%	320,000	—
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	210,539	213,699
Loans to Vornado (repaid in July 2005)	—	124,000
Rego Park mortgage note payable, due in June 2009, with interest at 7.25%	80,926	81,661
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
731 Lexington Avenue construction loan payable	—	65,168
Newkirk MLP (15.8% interest in 2005 and 22.4% in 2004):		
Portion of first mortgages collateralized by the partnership's real estate, due from 2006 to 2024, with a weighted average interest rate of 6.20% at December 31, 2005 (various prepayment terms)	742,879	859,674
GMH Communities L.P. (11.3% interest in 2005 and 12.25% in 2004):		
Mortgage notes payable, collateralized by 47 properties, due from 2007 to 2015, with a weighted average interest rate of 5.01% at December 31, 2005 (various prepayment terms)	688,412	359,276

5. Investments in Partially-Owned Entities - continued

(Amounts in thousands)	100% of Partially-Owned Entities Debt December 31, 2005	December 31, 2004
Partially-Owned Office Buildings:		
Kaempfer Properties (2.5% to 7.5% interests in four partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due from 2007 to 2031, with a weighted average interest rate of 7.00% at December 31, 2005 (various prepayment terms)	166,460	491,867
Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	66,235	67,215
330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52% (prepayable with yield maintenance)	60,000	60,000
825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	22,484	23,104
Rosslyn Plaza (46% interest):		
Mortgage notes payable, due in November 2007, with a weighted average interest rate of 7.28%	58,120	—
Verde LLC & Verde Realty Master Limited Partnership (6.4% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2029, with a weighted average interest rate of 5.50% at December 31, 2005 (various prepayment terms)	176,345	—
Monmouth Mall (50% interest):		
Mortgage note payable, due in September 2015, with interest at 5.44%	165,000	135,000
Green Courte Real Estate Partners, LLC (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2006 to 2015, with a weighted average interest rate of 5.08% at December 31, 2005 (various prepayment terms)	159,573	—
Beverly Connection (50% interest):		
Mezzanine loans payable, due in April 2006 and February 2008, with a weighted average interest rate of 12.9%, $59,503 of which is due to Vornado (prepayable with yield maintenance)	69,003	—
TCG Urban Infrastructure Holdings (25% interest):		
Mortgage notes payable, collateralized by the partnerships' real estate, due from 2008 to 2012, with a weighted average interest rate of 8.39% at December 31, 2005 (various prepayment terms)	40,239	—
478-486 Broadway (50% interest):		
Mortgage note payable, due October 2007, with interest at 7.38% (LIBOR plus 3.15%) (prepayable with yield maintenance)	20,000	24,000
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,067	15,334
Orleans Hubbard Garage (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,455	9,626
Other	24,426	—

Based on the Company's ownership interest in the partially-owned entities above, the Company's pro rata share of the debt of these partially-owned entities was $3,002,346 and $669,942 as of December 31, 2005 and 2004, respectively. Due to ongoing litigation, access to the amounts of outstanding debt of H Street is not available and is not included above.

5. Investments in Partially-Owned Entities - continued

Income Statement Data:

Company's Equity in Income (Loss)	100% of These Entities

(Amounts in thousands)	from Partially Owned Entities For the Years Ended December 31, 2005	2004	2003	Total Revenues 2005	2004	2003	Net Income (loss) 2005	2004	2003
Alexander's:									
33% share of:									
Equity in net income before net gain on sale of condominiums and stock appreciation rights compensation expense	$ 15,668	$ 13,701	$ 8,614						
Net gain on sale of condominiums	30,895	—	—						
Stock appreciation rights compensation expense	(9,104)	(25,340)	(14,868)	$ 187,121	$ 148,895	$ 87,162	$ 82,650	$ (33,469)	$ (17,742)
Equity in net (loss) income	37,459	(11,639)	(6,254)						
Interest income	6,122	8,642	10,554						
Development and guarantee fees	6,242	3,777	6,935						
Management and leasing fee income	9,199	7,800	4,339						
	$ 59,022	$ 8,580	$ 15,574						
Toys:									
32.95% share of equity in net loss (1)	$ (46,789)	$ —	$ —	$ 2,395,000			$ (132,000)		
Interest and other income	6,293	—	—						
	$ (40,496)	$ —	$ —						
Newkirk MLP:									
Equity in net income	$ 10,196(2)	$ 24,041(2)	$ 33,243	$ 233,430	$ 239,496	$ 273,500	$ 48,782	$ 136,037	$ 151,505
Interest and other income	9,154(2)	11,396(2)	7,002						
	19,350	35,437	40,245						
Monmouth Mall:									
Equity in net income	5,246(3)	3,741	4,433						
Beverly Connection:									
50% share of equity in net loss	(4,790)	—	—						
Interest and other income	8,303	—	—						
	3,513	—	—						
GMH Communities L.P.:									
11.3% share of equity in net income	1,528	—	—						
Partially-Owned Office Buildings:									
Equity in net income	3,639	2,728	2,426						
Temperature Controlled Logistics (4):									
60% share of equity in net income	—	606	12,869						
Management fees	—	5,035	5,547						
	—	5,641	18,416						
Other	2,889(5)	(4,166)(6)	2,381						
	$ 36,165	$ 43,381	$ 67,901						

See notes on following page.

5. Investments in Partially-Owned Entities - continued

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(1) Represents the Company's share of Toys' net loss for the period from July 21, 2005 (the date of the Toys acquisition by the Company) through Toys' third quarter ended October 29, 2005, as the Company records its share of Toys net income or loss on a one-quarter lag basis.

(2) Includes the following items of income (expense):

(Amounts in thousands)	For the Years Ended December 31, 2005	2004
Included in equity in net income:		
Net losses on early extinguishment of debt and related write-off of deferred financing costs	$ (9,455)	$ —
Impairment losses	(6,602)	(2,901)
Net gains on sale of real estate	4,236	2,705
	$ (11,821)	$ (196)
Included in interest and other income:		
Net gain on disposition of T-2 assets	$ 16,053	$ —
Expense from payment of promoted obligation to partner	(8,470)	—
Net gain on exercise of an option by the Company's partner to acquire certain Newkirk MLP units held by the Company	—	7,494
	$ 7,583	$ 7,494

(3) On August 11, 2005, in connection with the repayment of the Company's preferred equity investment, the Monmouth Mall joint venture paid the Company a prepayment penalty of $4,346, of which $2,173 was recognized as income from partially-owned entities in the year ended December 31, 2005.

(4) Beginning on November 18, 2004, the Company consolidates its investment in Americold and no longer accounts for it on the equity method.

(5) Equity in net income for the year ended December 31, 2005 includes $1,351 of income recognized for the period from May 31, 2005 (date of investment) through October 1, 2005, from the Company's investment in Dune Capital L.P. The recognition of income retroactive to May 31, 2005 resulted from a change in accounting for this investment from the cost method to the equity method on October 1, 2005, because Dune Capital L.P. made a return of capital to one of its investors, effectively increasing the Company's ownership interest to 5.4% from 3.5%.

(6) Includes the Company's $3,833 share of an impairment loss on one of the Starwood Ceruzzi Joint Venture's properties.

5. Investments in Partially-Owned Entities - continued

Alexander's

The Company owns 33% of the outstanding common stock of Alexander's at December 31, 2005 and 2004. The Company manages, leases and develops Alexander's properties pursuant to agreements (see below) which expire in March of each year and are automatically renewable, except for the 731 Lexington Avenue development agreement which provides for a term lasting until substantial completion of the development of the property.

Management and Leasing Agreements

The Company receives an annual fee for managing Alexander's and all of its properties equal to the sum of (i) $3,000,000, (ii) 3% of the gross income from the Kings Plaza Mall, and (iii) 6% of development costs with minimum guaranteed fees of $750,000 per annum.

In addition, the Company generally receives a fee of (i) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the 11th through the 20th years of a lease term and 1% of lease rent for the 21st through 30th years of a lease term, subject to the payment of rents by Alexander's tenants and (ii) 3% of asset sales proceeds. Such amounts are payable to the Company annually in an amount not to exceed an aggregate of $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 at the time the transactions which gave rise to the commissions occurred.

The Company recognized $15,255,000, $11,577,000 and $11,274,000 of fee income under these agreements during the years ended December 31, 2005, 2004 and 2003, respectively. At December 31, 2005, and 2004, $33,451,000 and $48,633,000 was due to the Company under these agreements.

731 Lexington Avenue and Other Fees

The Company received a development fee for the construction of Alexander's 731 Lexington Avenue property of $26,300,000, based on 6% of construction costs, as defined, and a fee of $6,300,000 for guaranteeing the lien-free, timely completion of the construction of the project and funding of project costs in excess of a stated budget. The Company recognized $6,242,000, $3,777,000 and $6,935,000 as development and guarantee fee income during the years ended December 31, 2005, 2004 and 2003, respectively. At December 31, 2005 and 2004, $0 and $24,086,000 was due under the development and guarantee agreements.

On May 27, 2004, the Company entered into an agreement with Alexander's under which it provides property management services at 731 Lexington Avenue for an annual fee of $0.50 per square foot of the tenant-occupied office and retail space. Further, Building Maintenance Services ("BMS"), a wholly-owned subsidiary of the Company, entered into an agreement with Alexander's to supervise the cleaning, engineering and security at Alexander's 731 Lexington Avenue property for an annual fee of the costs for such services plus 6%. In October 2004, BMS also contracted with Alexander's to provide the same services at the Kings Plaza Regional Shopping Center on the same terms. These agreements were negotiated and approved by a special committee of directors of Alexander's that were not affiliated with the Company. The Company recognized $4,047,000 and $1,817,000 of income under these agreements during the year ended December 31, 2005 and 2004, respectively.

The residential space at Alexander's 731 Lexington Avenue property is comprised of 105 condominium units. At December 31, 2005, 100 of the condominium units have been sold and closed. In connection therewith, the Company recognized income of $30,895,000 in the year ended December 31, 2005, comprised of (i) the Company's $20,111,000 share of Alexander's after-tax net gain, using the percentage-of-completion method and (ii) $10,784,000 of income the Company had previously deferred.

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5. Investments in Partially-Owned Entities - continued

Debt Agreements

On February 13, 2004, Alexander's completed a $400,000,000 mortgage financing on the office space of its Lexington Avenue development project. The loan bears interest at 5.33%, matures in February 2014 and beginning in the third year, provides for principal payments based on a 25-year amortization schedule such that over the remaining eight years of the loan, ten years of amortization will be paid. Of the loan proceeds, $253,529,000 was used to repay the entire amount outstanding under the construction loan. The construction loan was modified so that the remaining availability was $237,000,000, the estimated amount required to complete the Lexington Avenue development project.

On July 6, 2005, Alexander's completed a $320,000,000 mortgage financing on the retail space at the Company's 731 Lexington Avenue property. The loan is interest only at a fixed rate of 4.93% and matures in July 2015. Of the net proceeds of approximately $312,000,000 (net of mortgage recording tax and closing costs), $90,000,000 was used to pay off the construction loan and $124,000,000 was used to repay the Company's loan to Alexander's. In addition, Alexander's paid the Company the remaining $20,624,000, of the $26,300,000 731 Lexington Avenue development fee and the $6,300,000 completion guarantee fee, representing 1% of construction costs, as defined.

Newkirk MLP

On August 11, 2005 Newkirk MLP completed a $750,000,000 mortgage financing comprised of two separate loans. One loan, in the initial principal amount of $272,200,000 (the "T-2 loan") is collateralized by contract right notes encumbering certain of Newkirk MLP's properties. The other loan, in the initial principal amount of $477,800,000 is collateralized by Newkirk MLP's properties, subject to the existing first and certain second mortgage loans on those properties. The new loans bear interest at LIBOR plus 1.75% (5.87% as of December 31, 2005) and mature in August 2008, with two one-year extension options. The loans are prepayable without penalty after August 2006. The proceeds of the new loans were used to repay approximately $708,737,000 of existing debt and accrued interest and $34,500,000 of prepayment penalties and closing costs. The Company's $7,992,000 share of the losses on the early extinguishment of debt and write-off of the related deferred financing costs are included in the equity in net loss of Newkirk MLP in the year ended December 31, 2005.

On November 2, 2005, Newkirk Realty Trust, Inc. (NYSE: NKT) ("Newkirk REIT") completed an initial public offering and in conjunction therewith acquired a controlling interest in Newkirk MLP and became its sole general partner. Prior to the public offering, the Company owned a 22.4% interest in Newkirk MLP. Subsequent to the offering, the Company owns approximately 15.8% of Newkirk MLP. The Company's 10,186,991 partnership units in

Newkirk MLP are exchangeable on a one-for-one basis into common shares of Newkirk REIT after an IPO blackout that expires on November 7, 2006.

Upon completion of the initial public offering on November 2, 2005, Newkirk MLP acquired the contract right notes and assumed the obligations under the T-2 loan, which resulted in a net gain of $16,053,000 to the Company. In addition, on November 7, 2005, the Company transferred Newkirk MLP units to its partner to satisfy a promoted obligation, which resulted in an expense of $8,470,000 representing the book value of the units transferred.

5. Investments in Partially-Owned Entities - continued

GMH Communities L.P.

On July 20, 2004, the Company committed to make up to a $159,000,000 convertible preferred investment in GMH Communities L.P. ("GMH"), a partnership focused on the student and military housing sectors. Distributions accrued on the full committed balance of the investment, whether or not drawn, from July 20, 2004, at a rate of 16.27%. In connection with this commitment, the Company received a placement fee of $3,200,000. The Company also purchased for $1,000,000, warrants to acquire GMH common equity. The warrants entitled the Company to acquire (i) 6,666,667 limited partnership units in GMH at an exercise price of $7.50 per unit and (ii) 5,496,724 limited partnership units at an exercise price of $9.10 per unit, through May 6, 2006 and are adjusted for dividends declared by GCT. The Company funded a total of $113,777,000 of the commitment as of November 3, 2004.

On November 3, 2004, GMH Communities Trust (NYSE: GCT) ("GCT") closed its initial public offering ("IPO") at a price of $12.00 per share. GCT is a real estate investment trust that conducts its business through GMH, of which it is the sole general partner. In connection with the IPO, (i) the $113,777,000 previously funded by the Company under the $159,000,000 commitment was repaid, together with accrued distributions of $13,381,000, (ii) the Company contributed its 90% interest in Campus Club Gainesville, which it acquired in 2000, in exchange for an additional 671,190 GMH limited partnership units and (iii) the Company exercised its first tranche of warrants to acquire 6,666,667 limited partnership units at a price of $7.50 per unit, or an aggregate of $50,000,000, which resulted in a gain of $29,500,000.

As of December 31, 2005, the Company owns 7,337,857 GMH partnership units (which are exchangeable on a one-for-one basis into common shares of GCT) and 700,000 common shares of GCT which were acquired from GCT in October 2005 for $14.25 per share, and holds warrants to purchase 5,884,727 GMH limited partnership units or GCT common shares at a price of $8.50 per unit or share. The Company's aggregate investment represents 11.3% of the limited partnership interest in GMH.

The Company accounts for its investment in the GMH partnership units and GCT common shares on the equity-method based on its percentage ownership interest and because Michael D. Fascitelli, the Company's President, is a member of the Board of Trustees of GCT, effective August 10, 2005. The Company records its pro-rata share of GMH's net income or loss on a one-quarter lag basis as the Company files its financial statements on Form 10-K and 10-Q prior to the time GMH files its financial statements.

The Company accounts for the warrants as derivative instruments that do not qualify for hedge accounting treatment. Accordingly, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period are recognized as an increase or decrease in "interest and other investment income" on the Company's consolidated statements of income. In the years ended December 31, 2005 and 2004, the Company recognized income of $14,079,000 and $24,190,000, respectively, from the mark-to-market of these warrants which were valued using a trinomial option pricing model based on GCT's closing stock price on the NYSE of $15.51 and $14.10 per share on December 31, 2005 and 2004, respectively.

For Mr. Fascitelli's service as a Director, on August 10, 2005 he received 4,034 restricted common shares of GCT at a price of $14.33 per share. These shares vest in equal installments over three years and are held by Mr. Fascitelli for the Company's benefit.

6. Notes and Mortgage Loans Receivable

On May 12, 2004, the Company made an $83,000,000 mezzanine loan secured by ownership interests in a subsidiary of Extended Stay America, Inc. The loan, which bore interest at LIBOR plus 5.50, was repaid on May 11, 2005. In connection therewith, the Company received an $830,000 prepayment premium, which is included in "interest and other investment income" on the Company's consolidated statement of income for the year ended December 31, 2005.

On June 1, 2004 and September 24, 2004, the Company acquired Verde Group LLC ("Verde") convertible subordinated debentures for $14,350,000 and $8,150,000, in cash, for an aggregate investment of $25,000,000. Verde invests, operates and develops residential communities, among others, primarily on the Texas-Mexico border. The debentures yield a fixed rate of 4.75% per annum and mature on December 31, 2018.

On November 4, 2004, in connection with the sale of AmeriCold Logistics to Americold Realty Trust, Vornado Operating Company repaid the outstanding balance of its loan to the Company of $21,989,000, together with all unpaid interest totaling $4,771,000. Because the Company had fully reserved for the interest income due under this facility, it recognized the $4,771,000 of interest income upon payment in 2004.

On November 17, 2004, the Company made a $43,500,000 mezzanine loan secured by Charles Square in Harvard Square in Cambridge, Massachusetts. The property consists of a 293—room hotel, 140,000 square feet of office and retail space and a 568-car parking facility. This loan is subordinate to $82,500,000 of other debt, bears interest at 7.56% and matures in September 2009.

On December 10, 2004, the Company acquired a $6,776,000 mezzanine loan which is subordinate to $61,200,000 of other loans, and secured by The Gallery at Military Circle, a 943,000 square foot mall in Norfolk, Virginia. The loan bears interest at 8.4% per annum and matures in August 2014.

On January 7, 2005, all of the outstanding General Motors Building loans made by the Company aggregating $275,000,000 were repaid. In connection therewith, the Company received a $4,500,000 prepayment premium and $1,996,000 of accrued interest and fees through January 14, 2005, which was recognized in the first quarter of 2005.

On February 3, 2005, the Company made a $135,000,000 mezzanine loan to Riley Holdco Corp., an entity formed to complete the acquisition of LNR Property Corporation (NYSE: LNR). The terms of the financings are as follows: (i) $60,000,000 of a $325,000,000 mezzanine tranche of a $2,400,000,000 credit facility secured by certain equity interests and which is junior to $1,900,000,000 of the credit facility, bears interest at LIBOR plus

5.25% (9.64% as of December 31, 2005), and matures in February 2008 with two one-year extensions; and (ii) $75,000,000 of $400,000,000 of unsecured notes which are subordinate to the $2,400,000,000 credit facility and senior to over $700,000,000 of equity contributed to finance the acquisition. These notes mature in February 2015, provide for a 1.5% placement fee, and bear interest at 10% for the first five years and 11% for years six through ten.

On April 7, 2005, the Company made a $108,000,000 mezzanine loan secured by The Sheffield, a 684,500 square foot mixed-use residential property in Manhattan, containing 845 apartments, 109,000 square feet of office space and 6,900 square feet of retail space. The loan is subordinate to $378,500,000 of other debt, matures in April 2007 with a one-year extension, provides for a 1% placement fee, and bears interest at LIBOR plus 7.75% (12.14% as of December 31, 2005).

On December 7, 2005, the Company made a $42,000,000 mezzanine loan secured by The Manhattan House, a 780,000 square foot mixed-use residential property in Manhattan containing 583 apartments, 45,000 square feet of retail space and an underground parking garage. The loan is subordinate to $630,000,000 of other debt, matures in November 2007 with two-one year extensions, and bears interest at LIBOR plus 6.25% (10.64% at December 31, 2005).

7. Identified Intangible Assets and Goodwill

The following summarizes the Company's identified intangible assets, intangible liabilities (deferred credit) and goodwill as of December 31, 2005 and December 31, 2004.

(Amounts in thousands)	December 31, 2005	December 31, 2004
Identified intangible assets (included in other assets):		
Gross amount	$ 280,561	$ 238,064
Accumulated amortization	(83,547)	(61,942)
Net	$ 197,014	$ 176,122
Goodwill (included in other assets):		
Gross amount	$ 11,122	$ 10,425
Identified intangible liabilities (included in deferred credit):		
Gross amount	$ 204,211	$ 121,202
Accumulated amortization	(57,886)	(50,938)
Net	$ 146,325	$ 70,264

Amortization of acquired below market leases net of acquired above market leases resulted in an increase to rental income of $13,797,000 for the year ended December 31, 2005, and $14,949,000 for the year ended December 31, 2004. The estimated annual amortization of acquired below market leases net of acquired above market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2006	$ 13,349
2007	11,831
2008	11,085
2009	9,597
2010	7,166

The estimated annual amortization of all other identified intangible assets (a component of depreciation and amortization expense) including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years is as follows:

(Amounts in thousands)	
2006	$ 18,477
2007	16,641
2008	15,657
2009	15,094
2010	14,535

8. Debt

The following is a summary of the Company's debt:

		Interest Rate as of	Balance as of	
(Amounts in thousands)	Maturity	December 31, 2005	December 31, 2005	December 31, 2004
Notes and Mortgages Payable:				
Fixed Interest:				
Office:				
NYC Office:				
888 Seventh Avenue (1)	01/16	5.71%	$ 318,554	$ 105,000
Two Penn Plaza (2)	02/11	4.97%	300,000	300,000
909 Third Avenue (3)	04/15	5.64%	223,193	—

Eleven Penn Plaza (2)	12/14	5.20%	216,795	219,777
866 UN Plaza	05/07	8.39%	46,854	48,130
Washington DC Office:				
Crystal Park 1-5	07/06-08/13	6.66%-7.08%	249,212	253,802
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75%-7.09%	210,849	212,643
Crystal Square 2, 3 and 4	10/10-11/14	6.82%-7.08%	138,990	141,502
Warner Building	05/10	5.08%	137,236	—
Skyline Place	08/06-12/09	6.60%-6.87%	128,732	132,427
Reston Executive I, II and III (4)	01/13	5.57%	93,000	71,645
1101 17th , 1140 Connecticut, 1730 M and 1150 17th	08/10	6.74%	92,862	94,409
Courthouse Plaza 1 and 2	01/08	7.05%	75,970	77,427
Crystal Gateway N., Arlington Plaza and 1919 S. Eads	11/07	6.77%	68,835	70,214
One Skyline Tower	06/08	7.12%	62,724	63,814
Crystal Malls 1-4	12/11	6.91%	49,214	55,228
1750 Pennsylvania Avenue	06/12	7.26%	48,358	48,876
One Democracy Plaza (5)	N/A	N/A	—	26,121
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	469,842	476,063
Green Acres Mall	02/08	6.75%	143,250	145,920
Broadway Mall	06/13	6.42%	94,783	—
Westbury Retail Condominium	06/18	5.29%	80,000	—
Las Catalinas Mall	11/13	6.97%	64,589	65,696
Montehiedra Town Center	05/07	8.23%	57,095	57,941
Forest Plaza	05/09	4.00%	20,094	20,924
Rockville Town Center	12/10	5.52%	15,207	—
Lodi Shopping Center	06/14	5.12%	11,890	12,228
386 West Broadway	05/13	5.09%	4,951	5,083
Merchandise Mart:				
Boston Design Center	09/15	5.02%	72,000	—
Washington Design Center	11/11	6.95%	46,932	47,496
Market Square	07/11	7.95%	43,781	45,287
Furniture Plaza	02/13	5.23%	43,027	44,497
Other	10/10-06/13	7.52%-7.71%	17,831	18,156
Temperature Controlled Logistics:				
Cross collateralized mortgages payable on 57 properties (6)	05/08	6.89%	469,903	483,533
Other:				
Industrial Warehouses	10/11	6.95%	47,803	48,385
Total Fixed Interest Notes and Mortgages Payable		6.47%	4,164,356	3,392,224

See notes on page 155.

8. Debt - - continued

(Amounts in thousands)	Maturity	Spread over LIBOR	Interest Rate as of December 31, 2005	Balance as of December 31, 2005	Balance as of December 31, 2004
Notes and Mortgages Payable:					
Variable Interest:					
Office:					
NYC Office:					
770 Broadway (7)	06/06	L+105	5.18%	$ 170,000	$ 170,000
909 Third Avenue (3)	(3)	(3)	(3)	—	125,000
Washington DC Office:					
Bowen Building	03/07	L+150	5.66%	62,099	—
Commerce Executive III, IV and V (8)	07/06	L+150	5.79%	32,690	41,796
Commerce Executive III, IV and V B (8)	07/06	L+85	5.14%	18,433	10,000
Warner Building $32 million Line of Credit	05/10	L+75	5.04%	12,717	—
Temperature Controlled Logistics:					
Cross collateralized mortgages payable on 27 properties (6)	04/09	L+295	7.32%	245,208	250,207
Other:					
220 Central Park South	08/06	L+350	8.04%	90,732	—
Other		L+190	6.72%	9,933	—
Total Variable Interest Notes and Mortgages Payable			6.50%	641,812	597,003
Total Notes and Mortgages Payable			6.47%	$ 4,806,168	$ 3,989,227
Senior Unsecured Notes:					
Senior unsecured notes due 2007 at fair value (accreted carrying amount of $499,786 and $499,643) (9)	06/07	L+77	5.30%	$ 499,445	$ 512,791
Senior unsecured notes due 2009 (10)	08/09		4.50%	249,628	249,526

Senior unsecured notes due 2010	12/10		4.75%	199,816	199,779
Total senior unsecured notes			4.90%	$ 948,889	$ 962,096
Exchangeable senior debentures due 2025 (11)	03/25		3.88%	$ 490,750	$ —
$600 million unsecured revolving credit facility ($22,311 reserved for outstanding letters of credit) (12)	07/06	L+65	N/A	$ —	$ —
Americold $30 million secured revolving credit facility ($17,000 reserved for outstanding letters of credit) (13)	10/08	Prime + 175	7.25%	$ 9,076	$ —
Mortgage Notes Payable related to discontinued operations:					
400 North LaSalle				$ —	$ 5,187

See notes on the following page.

8. Debt - - continued

(1) On December 12, 2005, the Company completed a $318,554 refinancing of 888 7th Avenue. The loan bears interest at a fixed rate of 5.71% and matures in January 2016. The Company retained net proceeds of approximately $204,448 after repaying the existing loan on the property and closing costs.

(2) On February 5, 2004, the Company completed a $300,000 refinancing of Two Penn Plaza. The loan bears interest at 4.97% and matures in February 2011. The Company retained net proceeds of $39,000 after repaying the existing $151,000 loan, $75,000 of the $275,000 mortgage loan on its One Penn Plaza property and the $33,000 mortgage loan on 866 U.N. Plaza.

On November 15, 2004, the Company completed a $220,000 refinancing of Eleven Penn Plaza. This loan bears interest at 5.20% and matures on December 1, 2014. Of the loan proceeds, $200,000 was used to repay the remainder of the loan on One Penn Plaza.

(3) On March 31, 2005, the Company completed a $225,000 refinancing of 909 Third Avenue. The loan bears interest at a fixed rate of 5.64% and matures in April 2015. The Company retained net proceeds of approximately $100,000 after repaying the existing floating rate loan on the property and closing costs.

(4) On December 21, 2005, the Company completed a $93,000 refinancing of Reston Executive I, II, III. The loan bears interest at a fixed rate of 5.57% and matures in January 2013. The Company retained the net proceeds of approximately $22,050 after repaying the existing loan and closing costs.

(5) Repaid in May 2005.

(6) Beginning on November 18, 2004, the Company's investment in Americold is consolidated into the accounts of the Company.

(7) On February 9, 2006, the Company completed a $353,000 refinancing of 770 Broadway. The loan bears interest at 5.7% and matures in March 2016. The Company retained net proceeds of $176,300 after repaying the existing floating rate on the property and closing costs.

(8) On July 29, 2005, the Company completed a one-year extension of its Commerce Executive III, IV, and V mortgage note payable. The Commerce Executive III, IV and V mortgage note payable was reduced to $33,000 and the Commerce Executive III, IV and V B mortgage note payable increased to $18,433.

(9) On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the $500,000 senior unsecured notes due 2007 from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (4.53% if set on December 30, 2005). The swaps were designated and effective as fair value hedges with a fair value of ($341) and $13,148 at December 31, 2005 and 2004, respectively, and included in "Other Assets" on the Company's consolidated balance sheet. Accounting for these swaps requires the Company to recognize the changes in the fair value of the debt during each period. At December 31, 2005 and 2004, the fair value adjustment to the principal amount of the debt was ($341) and $13,148, based on the fair value of the swap assets, and is included in the balance of the Senior Unsecured Notes. Because the hedging relationship qualifies for the "short-cut" method, no hedge ineffectiveness on these fair value hedges was recognized in 2005 and 2004.

(10) On August 16, 2004, the Company completed a public offering of $250,000 principal amount of 4.50% senior unsecured notes due August 15, 2009. Interest on the notes is payable semi-annually on February 15 and August 15 commencing, February 15, 2005. The notes were priced at 99.797% of their face amount to yield 4.546%. The notes are subject to the same financial covenants as the Company's previously issued senior unsecured notes. The net proceeds of approximately $247,700 were used for general corporate purposes.

8. Debt - - continued

(11) On March 29, 2005, the Company completed a public offering of $500,000 principal amount of 3.875% exchangeable senior debentures due 2025 pursuant to an effective registration statement. The notes were sold at 98.0% of their principal amount. The net proceeds from this offering, after the underwriters' discount, were approximately $490,000. The debentures are exchangeable, under certain circumstances, for

common shares of the Company at an initial exchange rate of 10.9589 (current exchange rate of 11.062199, as adjusted for excess dividends paid in 2005) common shares per $1,000 of principal amount of debentures. The initial exchange price of $91.25 represented a premium of 30% to the closing price for the Company's common shares on March 22, 2005 of $70.25. The Company may elect to settle any exchange right in cash. The debentures permit the Company to increase its common dividend 5% per annum, cumulatively, without an increase to the exchange rate. The debentures are redeemable at the Company's option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require the issuer to repurchase their debentures in 2012, 2015 and 2020 and in the event of a change in control.

(12) Upon maturity of the Company's $600,000 unsecured revolving credit facility in July 2006, the Company anticipates entering into a new unsecured facility.

(13) On October 13, 2005, Americold completed a $30,000 revolving credit facility which bears interest at Prime plus 1.75%, an unused facility fee of 0.25% and matures in October, 2008, with a one-year extension. Amounts drawn under the facility are collateralized by Americold's transportation and managed contracts receivables and unencumbered property, plant and equipment. The facility has a sub-limit for letters of credit of $20,000, which have a fee of 1.5%.

The Company's revolving credit facility and senior unsecured notes contain financial covenants which require the Company to maintain minimum interest coverage and maximum debt to market capitalization. The Company believes that it has complied with all of its financial covenants as of December 31, 2005.

The net carrying amount of properties collateralizing the notes and mortgages amounted to $5,965,252,000 at December 31, 2005. As at December 31, 2005, the principal repayments required for the next five years and thereafter are as follows:

(Amounts in thousands)

Year Ending December 31,	Amount
2006	$ 398,111
2007	815,732
2008	838,442
2009	600,328
2010	1,020,982
Thereafter	2,581,288

On February 16, 2006, the Company completed a public offering of $250,000,000 principal amount of 5.60% senior unsecured notes due 2011 pursuant to an effective registration statement. The net proceeds from this offering, after underwriters' discount, were $248,265,000.

9. Shareholders' Equity

Common Shares

On August 10, 2005, the Company sold 9,000,000 common shares at a price of $86.75 per share or gross proceeds of $780,750,000 in a public offering pursuant to an effective registration statement.

Preferred Shares

The following table sets forth the details of the Company's preferred shares of beneficial interest as of December 31, 2005 and 2004.

(Amounts in thousands, except share and per share amounts)	December 31, 2005	December 31, 2004
6.5% Series A: liquidation preference $50.00 per share; authorized 5,750,000 shares; issued and outstanding 269,572 and 320,604 shares	$ 13,482	$ 16,034
8.5% Series C: liquidation preference $25.00 per share; authorized 4,600,000 shares; issued and outstanding 0 and 4,600,000 shares	—	111,148
7.0% Series D-10: liquidation preference $25.00 per share; authorized 4,800,000 shares; issued and outstanding 1,600,000 shares	39,982	40,000
7.0% Series E: liquidation preference $25.00 per share; authorized 3,540,000 shares; issued and outstanding 3,000,000 shares	72,248	72,248
6.75% Series F: liquidation preference $25.00 per share; authorized 6,000,000 shares; issued and outstanding 6,000,000 shares	144,720	144,771
6.625% Series G: liquidation preference $25.00 per share; authorized 9,200,000 shares; issued and outstanding 8,000,000 shares	193,135	193,253
6.75% Series H: liquidation preference $25.00 per share; authorized 4,600,000 shares; issued and outstanding 4,500,000 and 0 shares	108,559	—
6.625% Series I: liquidation preference $25.00 per share; authorized 12,050,000 shares; issued and outstanding 10,800,000 and 0 shares	262,401	—
	$ 834,527	$ 577,454

Series A Convertible Preferred Shares of Beneficial Interest

Holders of Series A Preferred Shares of beneficial interest are entitled to receive dividends in an amount equivalent to $3.25 per annum per share. These dividends are cumulative and payable quarterly in arrears. The Series A Preferred Shares are convertible at any time at the option of their respective holders at a conversion rate of 1.38504 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions the Company, at its option, may redeem the $3.25 Series A Preferred Shares at a current conversion rate of 1.38504 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. At no time will the Series A Preferred Shares be redeemable for cash.

Series B Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series B Preferred Shares of beneficial interest were entitled to receive dividends at an annual rate of 8.5% of the liquidation preference of $25.00 per share, or $2.125 per Series B Preferred Share per annum. On March 17, 2004, the Company redeemed all of the outstanding Series B Preferred Shares at the redemption price of $25.00 per share, aggregating $85,000,000 plus accrued dividends. The redemption amount exceeded the carrying amount by $3,195,000, representing original issuance costs. These costs were recorded as a reduction to earnings in arriving at net income applicable to common shares, in accordance with the July 2003 EITF clarification of Topic D-42.

9. Shareholders' Equity - continued

Series C Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series C Preferred Shares of beneficial interest were entitled to receive dividends at an annual rate of 8.5% of the liquidation preference of $25.00 per share, or $2.125 per Series C Preferred Share per annum. On January 19, 2005, the Company redeemed all of its 8.5% Series C Cumulative Redeemable Preferred Shares at the redemption price of $25.00 per share, aggregating $115,000,000 plus accrued distributions. The redemption amount exceeded the carrying amount by $3,852,000, representing original issuance costs. These costs were recorded as a reduction to earnings in arriving at net income applicable to common shares in accordance with the July 2003 EITF clarification of Topic D-42.

Series D-10 Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series D-10 Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of $25.00 per share, or $1.75 per Series D-10 Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series D-10 Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after November 17, 2008 (or sooner under limited circumstances), the Company, at its option, may redeem Series D-10 Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series D-10 Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

Series E Cumulative Redeemable Preferred Shares of Beneficial Interest

On August 17, 2004, the Company sold $75,000,000 of Series E Cumulative Redeemable Preferred Shares in a public offering pursuant to an effective registration statement. Holders of Series E Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of $25.00 per share, or $1.75 per Series E Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series E Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after August 20, 2009 (or sooner under limited circumstances), the Company, at its option, may redeem Series E Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series E Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

Series F Cumulative Redeemable Preferred Shares of Beneficial Interest

On November 10, 2004, the Company sold $150,000,000 of Series F Cumulative Redeemable Preferred Shares in a public offering pursuant to an effective registration statement. Holders of Series F Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of $25.00 per share, or $1.6875 per Series F Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series F Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after November 17, 2009 (or sooner under limited circumstances), the Company, at its option, may redeem Series F Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series F Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

9. Shareholders' Equity - continued

Series G Cumulative Redeemable Preferred Shares of Beneficial Interest

On December 16, 2004, the Company sold $200,000,000 of Series G Cumulative Redeemable Preferred Shares in a public offering, pursuant to an effective registration statement, for net proceeds of $193,135,000. Holders of Series G Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of $25.00 per share, or $1.656 per Series G Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series G Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after December 22, 2009 (or sooner under limited circumstances), the Company, at its option, may redeem Series G Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series G Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

Series H Cumulative Redeemable Preferred Shares of Beneficial Interest

On June 17, 2005, the Company sold $112,500,000 Series H Cumulative Redeemable Preferred Shares in a public offering, pursuant to an effective registration statement, for net proceeds of $108,956,000. Holders of the Series H Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of $25.00 per share or $1.6875 per Series H Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series H Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after June 17, 2010 (or sooner under limited circumstances), the Company, at its option, may redeem Series H Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series H Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

Series I Cumulative Redeemable Preferred Shares of Beneficial Interest

On August 23, 2005, the Company sold $175,000,000 Series I Cumulative Redeemable Preferred Shares in a public offering pursuant to an effective registration statement. In addition, on August 31, 2005, the underwriters exercised their option and purchased $10,000,000 Series I Preferred Shares to cover over-allotments. On September 12, 2005, the Company sold an additional $85,000,000 Series I Preferred Shares in a public offering, pursuant to an effective registration statement. Combined with the earlier sales, the Company sold a total of 10,800,000 Series I preferred shares for net proceeds of $262,898,000. Holders of the Series I Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of $25.00 per share or $1.656 per Series I Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series I Preferred Shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. On or after August 31, 2010 (or sooner under limited circumstances), the Company, at its option, may redeem Series I Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

10. Stock-based Compensation

The Company's Share Option Plan (the "Plan") provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights and performance shares to certain employees and officers of the Company.

Restricted stock awards are granted at the market price on the date of grant and vest over a three to five year period. The Company recognizes the value of restricted stock as compensation expense based on the Company's closing stock price on the NYSE on the date of grant on a straight-line basis over the vesting period. As of December 31, 2005, there are 260,267 restricted shares outstanding (excluding 626,566 shares issued to the Company's President in connection with his employment agreement). The Company recognized $3,559,000, $4,200,000 and $3,239,000 of compensation expense in 2005, 2004 and 2003, respectively, for the portion of these shares that vested during each year. Dividends paid on unvested shares are charged directly to retained earnings and amounted to $1,038,000, $938,700 and $777,700 for 2005, 2004 and 2003, respectively. Dividends on shares that are cancelled or terminated prior to vesting are charged to compensation expense in the period of the cancellation or termination.

Stock options are granted at an exercise price equal to 100% of the market price of the Company's stock on the date of grant, generally vest pro-rata over three to five years and expire 10 years from the date of grant. As of December 31, 2005 there are 12,671,000 options outstanding. On January 1, 2003, the Company adopted SFAS 123: Accounting for Stock-Based Compensation, as amended by SFAS No. 148: Accounting for Stock-Based Compensation – Transition and Disclosure, on a prospective basis covering all grants subsequent to 2002. Under SFAS No. 123, the Company recognizes compensation expense for the fair value of options granted on a straight-line basis over the vesting period. For the year ended December 31, 2005, and 2004, the Company recognized $1,042,000 and $102,900 of compensation expense related to the options granted during 2005 and 2003. Grants prior to 2003 are accounted for under the intrinsic value method under which compensation expense is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. As the Company's policy is to grant options with an exercise price equal to 100% of the quoted market price on the grant date, no compensation expense has been recognized for options granted prior to 2003. If compensation cost for grants prior to 2003 were recognized as compensation expense based on the fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below:

	December 31,		
(Amounts in thousands, except share and per share amounts)	**2005**	**2004**	**2003**
Net income applicable to common shares:			
As reported	$ 493,103	$ 570,997	$ 439,888
Stock-based compensation cost, net of minority interest	(337)	(3,952)	(4,460)
Pro-forma	$ 492,766	$ 567,045	$ 435,428
Net income per share applicable to common shares:			
Basic:			
As reported	$ 3.69	$ 4.56	$ 3.92
Pro-forma	3.68	4.53	3.88
Diluted:			
As reported	$ 3.50	$ 4.35	$ 3.80
Pro forma	3.50	4.32	3.76

10. Stock-based Compensation - continued

The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions used for grants in the periods ending December 31, 2005, 2004 and 2003. There were no stock option grants during 2004. In 2005, 933,471 stock options and 73,411 restricted shares were granted to certain employees. The stock options were granted at an exercise price equal to 100% of the market price on the date of grant.

	December 31		
	2005	**2004**	**2003**
Expected volatility	17%	N/A	17%
Expected life	5 years	N/A	5 years
Risk-free interest rate	3.5%	N/A	2.9%
Expected dividend yield	6.0%	N/A	6.0%

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

	2005		2004		2003	
	Shares	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at January 1	12,882,014	$ 35.17	14,153,587	$ 35.85	18,796,366	$ 34.60

Granted	933,471	71.26	—	—	125,000	36.46
Exercised	(1,118,162)	40.19	(1,228,641)	40.43	(4,613,579)	30.53
Cancelled	(26,375)	66.65	(42,932)	41.39	(154,200)	42.57
Outstanding at December 31	12,670,948	37.26	12,882,014	35.17	14,153,587	35.85
Options exercisable at December 31	11,728,810	34.66	11,745,973		11,821,382	
Weighted-average fair value of options granted during the year ended December 31 (per option)	$ 5.40		$ N/A		$ 2.50	

The following table summarizes information about options outstanding under the Plan at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2005	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2005	Weighted-Average Exercise Price
$ 10- $ 20	3,797	0.0	$ 18.16	3,797	$ 18.16
$ 20- $ 30	2,169,034	0.9	$ 23.34	2,169,034	$ 23.34
$ 30- $ 35	5,127,399	3.7	$ 31.73	5,127,399	$ 31.73
$ 35- $ 40	52,578	6.9	$ 36.62	10,890	$ 37.29
$ 40- $ 45	2,120,735	5.8	$ 41.97	2,120,735	$ 41.97
$ 45- $ 50	2,296,955	2.0	$ 45.14	2,296,955	$ 45.14
$ 50- $ 72	900,450	9.1	$ 71.27	—	$ —
$ 0- $ 72	12,670,948	3.7	$ 37.26	11,728,810	$ 34.66

Shares available for future grant under the Plan at December 31, 2005 were 6,492,251, of which 200,000 are reserved for issuance to an officer of the Company.

11. Retirement Plans

The Company has two defined benefit pension plans, a Vornado Realty Trust Retirement Plan (“Vornado Plan”) and a Merchandise Mart Properties Pension Plan (“Mart Plan”). In addition, Americold Realty Trust, which is consolidated into the accounts of the Company beginning November 18, 2004, has two defined benefit pension plans (the “AmeriCold Plans” and together with the Vornado Plan and the Mart Plan “the Plans”). The benefits under the Vornado Plan and the Mart Plan were frozen in December 1997 and June 1999, respectively. In April 2005, Americold amended its Americold Retirement Income Plan to freeze benefits for non-union participants. Benefits under the Plans are or were primarily based on years of service and compensation during employment or on years of credited service and established monthly benefits. Funding policy for the Plans is based on contributions at the minimum amounts required by law. The financial results of the Plans are consolidated in the information provided below.

The Company uses a December 31 measurement date for the Plans.

Obligations and Funded Status

The following table sets forth the Plans’ funded status and amounts recognized in the Company’s balance sheets:

	Pension Benefits		
	Year Ended December 31,		
(Amounts in thousands)	2005	2004	2003
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 82,323	$ 20,244	$ 19,853
Consolidation of Americold plans	—	62,234	—
Service cost	1,665	314	—
Interest cost	4,875	1,708	1,244
Plan amendments (1)	—	(1,193)	—
Actuarial loss	6,121	1,242	229
Benefits paid	(8,684)	(2,226)	(1,082)
Settlements	(95)	—	—
Benefit obligation at end of year	86,205	82,323	20,244
Change in plan assets:			
Fair value of plan assets at beginning of year	67,514	18,527	16,909
Consolidation of Americold plans	—	48,014	—
Employer contribution	9,010	1,787	1,361
Benefit payments	(8,592)	(2,225)	(1,082)
Actual return on assets	5,999	1,411	1,339
Fair value of plan assets at end of year	73,931	67,514	18,527
Funded status	(12,274)	(14,809)	(1,717)
Unrecognized net actuarial loss	7,602	2,184	3,455
Unrecognized prior service cost (benefit)	—	—	—
Net Amount Recognized	$ (4,672)	$ (12,625)	$ 1,738
Amounts recognized in the consolidated balance sheets consist of:			
Pre-paid benefit cost	$ 741	$ 305	$ 633
Accrued benefit liability	(12,180)	(17,111)	(2,350)
Accumulated other comprehensive loss	6,844	4,138	3,861
Net amount recognized	$ (4,595)	$ (12,668)	$ 2,144

(1) Reflects an amendment to freeze benefits for non-union participants of Americold Retirement Income Plan effective April 2005.

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

11. Retirement Plan - continued

(Amounts in thousands)	Pension Benefits Year Ended December 31, 2005	2004	2003
Information for the Company's plans with an accumulated benefit obligation in excess of plans assets:			
Projected benefit obligation	$ 73,871	$ 70,943	$ 9,186
Accumulated benefit obligation	73,550	70,040	9,186
Fair value of plan assets	61,362	55,562	6,836
Components of Net Periodic Benefit Cost:			
Service cost	$ 1,665	$ 314	$ —
Interest cost	4,875	1,708	1,244
Expected return on plan assets	(5,356)	(1,515)	(1,115)
Amortization of prior service cost	—	11	—
Amortization of net (gain) loss	(206)	402	203
Recognized settlement loss	253	—	—
Net periodic benefit cost	$ 1,231	$ 920	$ 332
Assumptions:			
Weighted-average assumptions used to determine benefit obligations:			
Discount rate	5.75%-6.00%	5.75%-6.50%	6.00%-6.50%
Rate of compensation increase Americold Plan	3.50%	3.50%	N/A
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	5.75%-6.00%	5.75%-6.50%	6.25%-6.50%
Expected long-term return on plan assets	5.00%-8.50%	5.00%-8.50%	6.50%-7.00%
Rate of compensation increase Americold Plan	3.50%	3.50%	N/A

The Company periodically reviews its assumptions for the rate of return on each Plan's assets. The assumptions are based primarily on the long-term historical performance of the assets of the Plans, future expectations for returns for each asset class as well as target asset allocation of Plan assets. Differences in the rates of return in the short term are recognized as gains or losses in the periods that they occur.

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

11. Retirement Plan - continued

Plan Assets

The Company has consistently applied what it believes to be a conservative investment strategy for the Plans, investing in United States government obligations, cash and cash equivalents, fixed income funds, other diversified equities and mutual funds. Below are the weighted-average asset allocations by asset category:

	Year Ended December 31, 2005	2004	2003
Vornado Plan:			
US Government obligations	96%	97%	95%
Money Market Funds	4	3	5
Total	100%	100%	100%
Merchandise Mart Plan:			
Mutual funds	49%	50%	57%
Insurance Company Annuities	51	50	43
Total	100%	100%	100%
Americold Plan:			
Domestic equities	31%		
International equities	24		
Fixed income securities	15		
Real estate	12		
Hedge funds	18		
	100%		

Cash Flows

The Company expects to contribute $8,952,000 to the Plans in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Pension Benefits

2006	$	5,290,000
2007		5,561,000
2008		6,047,000
2009		7,449,000
2010		6,670,000
2011-2015		39,803,000

12. Leases

As lessor:

The Company leases space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Shopping center leases provide for the pass-through to tenants of real estate taxes, insurance and maintenance. Office building leases generally require the tenants to reimburse the Company for operating costs and real estate taxes above their base year costs. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2005, future base rental revenue under non-cancelable 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:

(Amounts in thousands) Year Ending December 31:		
2006	$	1,177,048
2007		1,100,191
2008		1,007,859
2009		898,969
2010		789,496
Thereafter		4,127,928

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $6,571,000, $5,563,000, and $3,662,000, for the years ended December 31, 2005, 2004, and 2003, respectively.

None of the Company's tenants represented more than 10% of total revenues for the year ended December 31, 2005.

Former Bradlees Locations

Pursuant to the Master Agreement and Guaranty, dated May 1, 1992, the Company is due $5,000,000 per annum of additional rent from Stop & Shop which was allocated to certain of Bradlees former locations. On December 31, 2002, prior to the expiration of the leases to which the additional rent was allocated, the Company reallocated this rent to other former Bradlees leases also guaranteed by Stop & Shop. Stop & Shop is contesting the Company's right to reallocate and claims the Company is no longer entitled to the additional rent. At December 31, 2005, the Company is due an aggregate of $15,300,000. The Company believes the additional rent provision of the guaranty expires at the earliest in 2012 and is vigorously contesting Stop & Shop's position.

12. Leases - - continued

As lessee:

The Company is a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2005, are as follows:

(Amounts in thousands)		
2006	$	22,893
2007		22,933
2008		22,666
2009		22,663
2010		22,699
Thereafter		940,737

Rent expense was $22,146,000, $21,334,000, and $15,593,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company is also a lessee under capital leases for equipment and real estate (primarily Americold). Lease terms generally range from 5-20 years with renewal or purchase options. Capitalized leases are recorded at the present value of future minimum lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease, whichever is shorter. Amortization expense on capital leases is included in "depreciation and amortization" on the Company's consolidated statements of income. As of December 31, 2005, future minimum lease payments under capital leases are as follows:

(Amounts in thousands)		
2006	$	10,711
2007		8,939
2008		7,783
2009		7,372
2010		6,453
Thereafter		46,646
Total minimum obligations		87,904

Interest portion		(39,575)
Present value of net minimum payments	$	48,329

At December 31, 2005 and 2004, $48,329,000 and $54,261,000 representing the present value of net minimum payments is included in "Other Liabilities" on the Company's consolidated balance sheets. At December 31, 2005 and 2004, property leased under capital leases had a total cost of $66,483,000 and $64,974,000 and related accumulated depreciation of $17,066,000 and $11,495,000, respectively.

13. Commitments and Contingencies

At December 31, 2005, the Company's $600,000,000 revolving credit facility, which expires in July 2006, had a zero outstanding balance and $22,311,000 was reserved for outstanding letters of credit. This facility contains financial covenants, which require the Company to maintain minimum interest coverage and maximum debt to market capitalization, and provides for higher interest rates in the event of a decline in the Company's ratings below Baa3/BBB. At December 31, 2005, Americold's $30,000,000 revolving credit facility had a $9,076,000 outstanding balance and $17,000,000 was reserved for outstanding letters of credit. This facility requires Americold to maintain, on a trailing four-quarter basis, a minimum of $30,000,000 of free cash flow, as defined. Both of these facilities contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

The Company has made acquisitions and investments in partially-owned entities for which it is committed to fund additional capital aggregating $40,800,000. Of this amount, $25,000,000 relates to capital expenditures to be funded over the next six years at the Springfield Mall, in which it has a 97.5% interest.

In addition to the above, on November 10, 2005, the Company committed to fund the junior portion of up to $30,530,000 of a $173,000,000 construction loan to an entity developing a mix-use building complex in Boston, Massachusetts, at the north end of the Boston Harbor. The Company will earn current-pay interest at 30-day LIBOR plus 11%. The loan will mature in November 2008, with a one-year extension option. The Company anticipates funding all or portions of the loan beginning in 2006.

The Company carries comprehensive liability and all risk property insurance ((i) fire, (ii) flood, (iii) extended coverage, (iv) "acts of terrorism" as defined in the Terrorism Risk Insurance Extension Act of 2005 which expires in 2007 and (v) rental loss insurance) with respect to its assets. Below is a summary of the current all risk property insurance and terrorism risk insurance in effect through September 2006 for each of the following business segments:

	Coverage Per Occurrence	
	All Risk (1)	Sub-Limits for Acts of Terrorism
New York City Office	$ 1,400,000,000	$ 750,000,000
Washington, D.C. Office	1,400,000,000	750,000,000
Retail	500,000,000	500,000,000
Merchandise Mart	1,400,000,000	750,000,000
Temperature Controlled Logistics	225,000,000	225,000,000

(1) Limited as to terrorism insurance by the sub-limit shown in the adjacent column.

In addition to the coverage above, the Company carries lesser amounts of coverage for terrorist acts not covered by the Terrorism Risk Insurance Extension Act of 2005.

13. Commitments and Contingencies – continued

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007, 2009 and 2010, its exchangeable senior debentures due 2025 and its revolving credit agreements, contain customary covenants requiring the Company to maintain insurance. Although the Company believes that it has adequate insurance coverage under these agreements, the Company may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than the Company is able to obtain, or if the Terrorism Risk Insurance Extension Act of 2005 is not extended past 2007, it could adversely affect the Company's ability to finance and/or refinance its properties and expand its portfolio.

Each of the Company's properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to the Company.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming the Company has no right to reallocate and therefore continue to collect $5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty. On May 17, 2005, the Company filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed the Company's motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. The Company intends to pursue its claims against Stop & Shop vigorously. There are various other legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition, results of operations or cash flow.

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. The Company had $177,650,000 and $23,110,000 of cash invested in these agreements at December 31, 2005 and 2004.

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 that cannot be quantified by the Company.

14. Related Party Transactions

Loan and Compensation Agreements

On December 22, 2005, Steven Roth, the Company's Chief Executive Officer, repaid to the Company his $13,122,500 outstanding loan which was scheduled to mature in January 2006. Pursuant to a credit agreement dated November 1999, Mr. Roth may draw up to $15,000,000 of loans from the Company on a revolving basis. Each loan bears interest, payable quarterly, at the applicable Federal rate on the date the loan is made and matures on the sixth anniversary of such loan. Loans are collateralized by assets with a value of not less than two times the amount outstanding. On December 23, 2005, Mr. Roth borrowed $13,122,500 under this facility, which bears interest at 4.45% per annum and matures on December 23, 2011.

At December 31, 2005, the balance of the loan due from Michael Fascitelli, the Company's President, in accordance with his employment agreement was $8,600,000. The loan matures in December 2006 and bears interest, payable quarterly, at a weighted average rate of 3.97% (based on the applicable Federal rate).

Effective January 1, 2002, the Company extended its employment agreement with Mr. Fascitelli for a five-year period through December 31, 2006. Pursuant to the extended employment agreement, Mr. Fascitelli is entitled to receive a deferred payment on December 31, 2006 of 626,566 Vornado common shares which are valued for compensation purposes at $27,500,000 (the value of the shares on March 8, 2002, the date the extended employment agreement was executed). The shares are held in a rabbi trust for the benefit of Mr. Fascitelli and vested 100% on December 31, 2002. The extended employment agreement does not permit diversification, allows settlement of the deferred compensation obligation by delivery of these shares only, and permits the deferred delivery of these shares. The value of these shares was amortized ratably over the one-year vesting period as compensation expense. The assets of the rabbi trust are consolidated with those of the Company and the Company's common shares held in the trust are classified in shareholders' equity and accounted for in a manner similar to treasury stock.

Pursuant to the Company's annual compensation review in February 2002 with Joseph Macnow, the Company's Chief Financial Officer, the Compensation Committee approved a $2,000,000 loan to Mr. Macnow, bearing interest at the applicable federal rate of 4.65% per annum and due in June 2007. The loan was funded on July 23, 2002 and is collateralized by assets with a value of not less than two times the loan amount.

On February 22, 2005, the Company and Sandeep Mathrani, Executive Vice President – Retail Division, entered into a new employment agreement. Pursuant to the agreement, the Company granted Mr. Mathrani (i) 16,836 restricted shares of the Company's stock, (ii) stock options to acquire 300,000 of the Company's common shares at an exercise price of $71.275 per share and (iii) the right to receive 200,000 stock options over the next two years at the then prevailing market price. In addition, Mr. Mathrani repaid the $500,000 loan the Company provided him under his prior employment agreement.

On March 11, 2004, the Company loaned $2,000,000 to Melvyn Blum, an executive officer of the Company, pursuant to the revolving credit facility contained in his January 2000 employment agreement. Melvyn Blum resigned effective July 15, 2005. In accordance with the terms of his employment agreement, his $2,000,000 outstanding loan as of June 30, 2005 was repaid on August 14, 2005.

14. Related Party Transactions -continued

Transactions with Affiliates and Officers and Trustees of the Company

Alexander's

The Company owns 33% of Alexander's. Mr. Roth and Mr. Fascitelli are officers and directors of Alexander's. The Company provides various services to Alexander's in accordance with management, development and leasing agreements. See Note – 5 Investments in Partially-Owned Entities for details of these agreements.

On December 29, 2005, Michael Fascitelli, the Company's President and President of Alexander's, exercised 350,000 of his Alexander's stock appreciation rights ("SARs") which were scheduled to expire in December 2006 and received $173.82 for each SAR exercised, representing the difference between Alexander's stock price of $247.70 (the average of the high and low market price) on the date of exercise and the exercise price of $73.88. This exercise was consistent with Alexander's tax planning.

On January 10, 2006, the Omnibus Stock Plan Committee of the Board of Directors of Alexander's granted Mr. Fascitelli a SAR covering 350,000 shares of Alexander's common stock. The exercise price of the SAR is $243.83 per share of common stock, which was the average of the high and low trading price of Alexander's common stock on date of grant and will become exercisable on July 10, 2006, provided Mr. Fascitelli is employed with Alexander's on such date, and will expire on March 14, 2007. Mr. Fascitelli's early exercise and Alexander's related tax consequences were factors in Alexander's decision to make the new grant to him.

Interstate Properties

As of December 31, 2005, Interstate Properties and its partners owned approximately 9.2% of the common shares of beneficial interest of the Company and 27.7% of Alexander's common stock. Interstate Properties is a general partnership in which Steven Roth, David Mandelbaum and Russell B. Wight, Jr. are the 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 also directors of Alexander's.

The Company manages and leases the real estate assets of Interstate Properties pursuant to a management agreement for which the Company receives an annual fee equal to 4% of annual base rent and percentage rent. 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 arm's length, the Company believes based upon comparable fees charged by other real estate companies that its terms are fair to the Company. The Company earned $791,000, $726,000 and $703,000 of management fees under the management agreement for the years ended December 31, 2005, 2004, and 2003. In addition, during the fiscal year ended 2003, as a result of a previously existing leasing arrangement with Alexander's, Alexander's paid to Interstate $587,000, for leasing and other services actually rendered by the Company. Upon receipt of these payments, Interstate promptly paid them over to the Company without retaining any interest therein. This arrangement was terminated at the end of 2003 and all payments by Alexander's thereafter for these leasing and other services are made directly to the Company.

Vornado Operating Company (" Vornado Operating")

In October 1998, Vornado Operating was spun off from the Company in order to own assets that the Company could not itself own and conduct activities that the Company could not itself conduct. Vornado Operating's primary asset was its 60% investment in AmeriCold Logistics, which leased 88 refrigerated warehouses from Americold, owned 60% by the Company. On November 4, 2004, Americold purchased its tenant, AmeriCold Logistics, for $47,700,000 in cash. As part of this transaction, Vornado Operating repaid the $21,989,000 balance of its loan to the Company as well as $4,771,000 of unpaid interest. Because the Company fully reserved for the interest income on this loan beginning in January 2002, it recognized $4,771,000 of income upon collection in the fourth quarter 2004.

In November 2004, a class action shareholder derivative lawsuit was brought in the Delaware Court of Chancery against Vornado Operating, its directors and the Company. The lawsuit sought to enjoin the dissolution of Vornado Operating, rescind the previously completed sale of AmeriCold Logistics (owned 60% by Vornado Operating) to Americold (owned 60% by the Company) and damages. In addition, the plaintiffs claimed that the Vornado Operating directors breached their fiduciary duties. On November 24, 2004, a stipulation of settlement was entered into under which the Company agreed to settle the lawsuit with a payment of approximately $4,500,000 or about $1 per Vornado Operating share or partnership unit before litigation expenses. The Company accrued the proposed settlement payment and related legal costs as part of "general and administrative expense" in the fourth quarter of 2004. On March 22, 2005, the Court approved the settlement.

14. Related Party Transactions -continued

Other

On January 1, 2003, the Company acquired BMS, a company which provides cleaning and related services principally to the Company's Manhattan office properties, for $13,000,000 in cash from the estate of Bernard Mendik and certain other individuals including David R. Greenbaum, an executive officer of the Company. The Company paid BMS $53,024,000, for the year ended December 31, 2002 for services rendered to the Company's Manhattan office properties. Although the terms and conditions of the contracts pursuant to which these services were provided were not negotiated at arms length, the Company believes based upon comparable amounts charged to other real estate companies that the terms and conditions of the contracts were fair to the Company.

On August 4, 2003, the Company completed the acquisition of 2101 L Street, a 370,000 square foot office building located in Washington D.C. The consideration for the acquisition consisted of approximately 1.1 million newly issued Operating Partnership units (valued at approximately $49,517,000) and the assumption of existing mortgage debt and transaction costs totaling approximately $32,000,000. Robert H. Smith and Robert P. Kogod, trustees of Vornado, together with family members, owned approximately 24 percent of the limited partnership that sold the building and Mr. Smith was a general partner. On August 5, 2003, the Company repaid the mortgage of $29,056,000.

On October 7, 2003, the Company acquired a 2.5% interest in the planned redevelopment of Waterfront (described in Note 3) for $2,171,000, of which the Company paid $1,545,000 in cash and issued 12,500 Operating Partnership units valued at $626,000. The partnership units were issued to Mitchell N. Schear, one of the partners in the Waterfront interest, and the President of the Company's CESCR division.

On July 1, 2004, the Company acquired the Marriott hotel located in its Crystal City office complex from a limited partnership in which Robert H. Smith and Robert P. Kogod, trustees of the Company, together with family members, own approximately 67 percent. The purchase price was $21,500,000.

On October 1, 2004, the Company increased its ownership interest in the Investment Building in Washington, D.C. to 5% by acquiring an additional 2.8% interest for $2,240,000 in cash. The Company's original interest in the property was acquired in connection with the acquisition of the Kaempfer Company in April 2003. Mitchell N. Schear, President of the Company's CESCR division and other former members of Kaempfer management were also partners in the Investment Building partnership.

On December 20, 2005, the Company acquired a 46% partnership interest in, and became co-general partner of, partnerships that own a complex in Rosslyn, Virginia, containing four office buildings with an aggregate of 714,000 square feet and two apartment buildings containing 195 rental units. The consideration for the acquisition consisted of 734,486 newly issued Vornado Realty L.P. partnership units (valued at $61,814,000) and $27,300,000 of its pro-rata share of existing debt. Of the partnership interest acquired, 19% was from Robert H. Smith and Robert P. Kogod, trustees of Vornado, and their family members, representing all of their interest in the partnership.

15. Minority Interest

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

	Outstanding Units at				
Units Series	**December 31, 2005**	**December 31, 2004**	**Per Unit Liquidation Preference**	**Preferred or Annual Distribution Rate**	**Conversion Rate Into Class A Units**
Common:					
Class A (1)	15,333,673	17,927,696	—	$ 2.72	N/A
Convertible Preferred:					

5.0% B-1 Convertible Preferred	563,263	563,263	$ 50.00	$ 2.50	.914
8.0% B-2 Convertible Preferred	304,761	304,761	$ 50.00	$ 4.00	.914
9.00% F-1 Preferred (2)	400,000	400,000	$ 25.00	$ 2.25	(3)
Perpetual Preferred: (3)					
8.25% D-3 Cumulative Redeemable (4) (5)	—	8,000,000	$ 25.00	$ 2.0625	N/A
8.25% D-4 Cumulative Redeemable (5)	—	5,000,000	$ 25.00	$ 2.0625	N/A
8.25% D-5 Cumulative Redeemable (6)	—	6,480,000	$ 25.00	$ 2.0625	N/A
8.25% D-6 Cumulative Redeemable (7)	—	840,000	$ 25.00	$ 2.0625	N/A
8.25% D-7 Cumulative Redeemable (6)	—	7,200,000	$ 25.00	$ 2.0625	N/A
8.25% D-8 Cumulative Redeemable (7)	—	360,000	$ 25.00	$ 2.0625	N/A
8.25% D-9 Cumulative Redeemable	1,800,000	1,800,000	$ 25.00	$ 2.0625	N/A
7.00% D-10 Cumulative Redeemable	3,200,000	3,200,000	$ 25.00	$ 1.75	N/A
7.20% D-11 Cumulative Redeemable	1,400,000	1,400,000	$ 25.00	$ 1.80	N/A
6.55% D-12 Cumulative Redeemable	800,000	800,000	$ 25.00	$ 1.637	N/A
3.00% D-13 Cumulative Redeemable (8)	1,867,311	1,867,311	$ 25.00	$ 0.750	N/A
6.75% D-14 Cumulative Redeemable (9)	4,000,000	—	$ 25.00	$ 1.6815	N/A

(1) The Class A units are redeemable at the option of the holder for common shares of Vornado Realty Trust on a one-for-one basis, or at the Company's option for cash.

(2) The holders of the Series F-1 preferred units have the right to require the Company to redeem the units for cash equal to the liquidation preference or, at the Company's option, by issuing a variable number of Vornado common shares with a value equal to the liquidation amount. In accordance with SFAS No. 150: Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, the liquidation amount of the F-1 preferred units are classified as a liability, and the related distributions as interest expense, because of the possible settlement of this obligation by issuing a variable number of the Company's common shares.

(3) Convertible at the option of the holder for an equivalent amount of the Company's preferred shares and redeemable at the Company's option after the 5th anniversary of the date of issuance (ranging from September 2006 to December 2011).

(4) On January 19, 2005 the Company redeemed $80.0 million of its 8.25% Series D-3 Cumulative Redeemable Preferred Units at a redemption price equal to $25.00 per unit plus accrued dividends.

(5) The Company redeemed the remaining $120.0 million 8.25% Series D-3 Cumulative Redeemable Preferred Units and the $125.0 million 8.25% Series D-4 Cumulative Redeemable Preferred Units on July 14, 2005 at a redemption price equal to $25.00 per unit plus accrued dividends.

(6) On September 19, 2005, the Company redeemed all of its 8.25% Series D-5 and D-7 Cumulative Redeemable Preferred Units at a redemption price of $25.00 per unit for an aggregate of $342.0 million plus accrued dividends.

(7) On December 30, 2005, the Company redeemed the 8.25% Series D-6 and D-8 Cumulative Redeemable Preferred Units at a redemption price of $25.00 per unit for an aggregate of $30.0 million plus accrued dividends.

(8) The Series D-13 units may be called without penalty at the option of the Company commencing in December 2011 or redeemed at the option of the holder commencing in December 2006 for cash equal to the liquidation preference of $25.00 per unit, or at the Company's option, by issuing a variable number of Vornado's common shares. In accordance with SFAS No. 150, the liquidation amount of the D-13 units are classified as a liability, and related distributions as interest expense, because of the possible settlement of this obligation by issuing a variable number of the Company's common shares.

(9) On September 12, 2005, the Company sold $100 million of 6.75% Series D-14 Cumulative Redeemable Preferred Units to an institutional investor in a private placement. The perpetual preferred units may be called without penalty at the Company's option commencing in September 2010. The proceeds were used primarily to redeem outstanding perpetual preferred units.

16. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Potential dilutive share equivalents include the Company's Series A Convertible Preferred shares as well as Vornado Realty L.P.'s convertible preferred units.

	Year Ended December 31,		
(Amounts in thousands, except per share amounts)	**2005**	**2004**	**2003**
Numerator:			
Income from continuing operations after minority interest in the Operating Partnership	$ 507,164	$ 515,904	$ 285,528
Income from discontinued operations	32,440	77,013	175,175
Net income	539,604	592,917	460,703
Preferred share dividends	(46,501)	(21,920)	(20,815)
Numerator for basic income per share – net income applicable to common shares	493,103	570,997	439,888
Impact of assumed conversions:			
Series A convertible preferred share dividends	943	1,068	3,570
Series B-1 and B-2 convertible preferred unit distributions	—	4,710	—
Series E-1 convertible preferred unit distributions	—	1,581	—
Series F-1 convertible preferred unit distributions	—	743	—
Numerator for diluted income per share – net income applicable to common shares	$ 494,046	$ 579,099	$ 443,458
Denominator:			
Denominator for basic income per share – weighted average shares	133,768	125,241	112,343
Effect of dilutive securities:			
Employee stock options and restricted share awards	6,842	5,515	2,786
Series A convertible preferred shares	402	457	1,522
Series B-1 and B-2 convertible preferred units	—	1,102	—
Series E-1 convertible preferred units	—	637	—
Series F-1 convertible preferred units	—	183	—

Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	141,012	133,135	116,651
INCOME PER COMMON SHARE – BASIC:			
Income from continuing operations	$ 3.45	$ 3.95	$ 2.36
Income from discontinued operations	.24	.61	1.56
Net income per common share	$ 3.69	$ 4.56	$ 3.92
INCOME PER COMMON SHARE – DILUTED:			
Income from continuing operations	$ 3.27	$ 3.77	$ 2.30
Income from discontinued operations	.23	.58	1.50
Net income per common share	$ 3.50	$ 4.35	$ 3.80

17. Summary of Quarterly Results (Unaudited)

The following summary represents the results of operations for each quarter in 2005, 2004 and 2003:

(Amounts in thousands, except share amounts)	Revenue	Net Income Applicable to Common Shares (1)	Income Per Common Share (2) Basic	Income Per Common Share (2) Diluted
2005				
December 31	$ 697,219	$ 105,750	$ .75	$ .71
September 30	656,955	27,223	.20	.19
June 30	594,785	172,697	1.33	1.25
March 31	598,669	187,433	1.46	1.39
2004				
December 31	$ 505,977	$ 233,603	$ 1.84	$ 1.73
September 30	415,295	104,501	0.83	0.79
June 30	398,996	158,436	1.26	1.21
March 31	392,445	74,457	0.61	0.59
2003				
December 31	$ 386,570	$ 200,259	$ 1.73	$ 1.66
September 30	380,204	70,981	0.63	0.60
June 30	371,118	82,331	0.74	0.71
March 31	364,958	86,317	0.79	0.77

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(1) Fluctuations among quarters results primarily from the mark-to-market of derivative instruments (Sears and McDonalds option shares, and GMH warrants), net gains on sale of real estate and from seasonality of operations.
(2) The total for the year may differ from the sum of the quarters as a result of weighting.

18. Costs of Acquisitions and Development Not Consummated

In the third quarter of 2004, the Company wrote-off $1,475,000 of costs associated with the Mervyn's Department Stores acquisition not consummated.

19. Segment Information

The Company has five business segments: Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics and Toys "R" Us. EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." Management considers EBITDA a supplemental measure for making decisions and assessing the un-levered performance of its segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

	For the Year Ended December 31, 2005						
(Amounts in thousands)	Total	Office (2)	Retail (2)	Merchandise Mart (2)	Temperature Controlled Logistics (3)	Toys	Other (4)
Property rentals	$ 1,332,915	$ 838,270	$ 200,618	$ 221,924	$ —	$ —	$ 72,103
Straight-line rents:							
Contractual rent increases	22,779	13,122	6,019	3,578	—	—	60
Amortization of free rent	27,285	16,586	4,030	6,669	—	—	—
Amortization of acquired below-market leases, net	13,797	7,388	5,596	—	—	—	813
Total rentals	1,396,776	875,366	216,263	232,171	—	—	72,976
Temperature Controlled Logistics	846,881	—	—	—	846,881	—	—
Tenant expense reimbursements	209,036	115,895	73,454	16,953	—	—	2,734
Fee and other income:							
Tenant cleaning fees	30,350	30,350	—	—	—	—	—

Management and leasing fees	15,433	14,432	941	60	—	—	—
Lease termination fees	30,117	10,746	2,399	16,972	—	—	—
Other	19,035	13,823	271	4,940	—	—	1
Total revenues	2,547,628	1,060,612	293,328	271,096	846,881	—	75,711
Operating expenses	1,305,027	404,281	88,952	100,733	662,703	—	48,358
Depreciation and amortization	334,961	171,610	33,168	41,100	73,776	—	15,307
General and administrative	183,001	40,051	15,823	24,784	40,925	—	61,418
Total expenses	1,822,989	615,942	137,943	166,617	777,404	—	125,083
Operating income (loss)	724,639	444,670	155,385	104,479	69,477	—	(49,372)
Income applicable to Alexander's	59,022	694	695	—	—	—	57,633
Loss applicable to Toys 'R' Us	(40,496)	—	—	—	—	(40,496)	—
Income from partially-owned entities	36,165	3,639	9,094	588	1,248	—	21,596
Interest and other investment income	167,225	1,824	583	187	2,273	—	162,358
Interest and debt expense	(340,751)	(141,292)	(60,018)	(10,769)	(56,272)	—	(72,400)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	39,042	690	896	—	—	—	37,456
Minority interest of partially-owned entities	(3,808)	—	—	120	(4,221)	—	293
Income (loss) from continuing operations	641,038	310,225	106,635	94,605	12,505	(40,496)	157,564
Income (loss) from discontinued operations	32,440	—	(163)	—	—	—	32,603
Income (loss) before allocation to limited partners	673,478	310,225	106,472	94,605	12,505	(40,496)	190,167
Minority limited partners' interest in the Operating Partnership	(66,755)	—	—	—	—	—	(66,755)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	—	—	—	—	—	(67,119)
Net income (loss)	539,604	310,225	106,472	94,605	12,505	(40,496)	56,293
Interest and debt expense (1)	415,826	145,734	68,274	11,592	26,775	46,789	116,662
Depreciation and amortization(1)	367,260	175,220	37,954	41,757	35,211	33,939	43,179
Income tax (benefit) expense (1)	(21,062)	1,199	—	1,138	1,275	(25,372)	698
EBITDA	$ 1,301,628	$ 632,378	$ 212,700	$ 149,092	$ 75,766	$ 14,860	$ 216,832
Percent of EBITDA by Segment	100%	48.6%	16.3%	11.5%	5.8%	1.1%	16.7%
Balance sheet data:							
Real estate, net	$ 9,776,018	$ 5,356,918	$ 1,632,258	$ 1,183,959	$ 1,121,510	$ —	$ 481,373
Investments and advances to partially-owned entities	944,023	296,668	149,870	6,046	12,706	—	478,733
Investment in Toys "R" Us	425,830	—	—	—	—	425,830	—
Capital expenditures:							
Acquisitions	1,353,218	490,123	466,967	93,915	—	—	302,213
Other	316,754	158,085	59,091	64,403	14,953	—	20,222

See notes on page 178.

19. Segment Information - continued

	For the Year Ended December 31, 2004					
(Amounts in thousands)	Total	Office (2)	Retail (2)	Merchandise Mart (2)	Temperature Controlled Logistics (3)	Other (4)
Property rentals	$ 1,273,133	$ 829,015	$ 164,273	$ 217,034	$ —	$ 62,811
Straight-line rents:						
Contractual rent increases	35,217	26,675	5,044	3,333	—	165
Amortization of free rent	26,264	9,665	11,290	5,315	—	(6)
Amortization of acquired below market leases, net	14,949	10,076	4,873	—	—	—
Total rentals	1,349,563	875,431	185,480	225,682	—	62,970
Temperature Controlled Logistics	87,428	—	—	—	87,428	—
Expense reimbursements	191,245	104,446	64,610	18,904	—	3,285
Fee and other income:						
Tenant cleaning fees	31,293	31,293	—	—	—	—
Management and leasing fees	16,754	15,501	1,084	155	—	14
Lease termination fees	16,989	12,696	709	3,584	—	—
Other	19,441	13,390	908	5,079	—	64
Total revenues	1,712,713	1,052,757	252,791	253,404	87,428	66,333
Operating expenses	681,556	391,336	78,208	98,833	67,989	45,190
Depreciation and amortization	244,020	159,970	26,825	36,044	7,968	13,213
General and administrative	145,229	38,356	13,187	22,588	4,264	66,834
Costs of acquisitions not consummated	1,475	—	—	—	—	1,475
Total expenses	1,072,280	589,662	118,220	157,465	80,221	126,712
Operating income (loss)	640,433	463,095	134,571	95,939	7,207	(60,379)
Income applicable to Alexander's	8,580	433	668	—	—	7,479
Income (loss) from partially-owned entities	43,381	2,728	(1,678)	545	5,641	36,145
Interest and other investment income	203,998	997	397	105	220	202,279
Interest and debt expense	(242,955)	(129,716)	(58,625)	(11,255)	(6,379)	(36,980)
Net gain on disposition of wholly-owned and partially-owned assets other than real estate	19,775	369	—	—	—	19,406
Minority interest of partially-owned entities	(109)	—	—	—	(158)	49
Income from continuing operations	673,103	337,906	75,333	85,334	6,531	167,999
Income from discontinued operations	77,013	—	10,054	—	—	66,959
Income before allocation to minority limited partners	750,116	337,906	85,387	85,334	6,531	234,958
Minority limited partners' interest in the operating partnership	(88,091)	—	—	—	—	(88,091)
Perpetual preferred unit distributions of the operating partnership	(69,108)	—	—	—	—	(69,108)
Net income	592,917	337,906	85,387	85,334	6,531	77,759
Interest and debt expense(1)	313,289	133,602	61,820	12,166	30,337	75,364
Depreciation and amortization(1)	296,980	162,975	30,619	36,578	34,567	32,241

Income taxes	1,664	406	—	852	79	327
EBITDA	$ 1,204,850	$ 634,889	$ 177,826	$ 134,930	$ 71,514	$ 185,691
Percentage of EBITDA by segment	100%	52.7%	14.8%	11.2%	5.9%	15.4%
Balance sheet data:						
Real estate, net	$ 8,348,597	$ 4,934,137	$ 1,109,049	$ 963,053	$ 1,177,190	$ 165,168
Investments and advances to partially-owned entities	605,300	48,682	82,294	6,207	12,933	455,184
Capital expenditures:						
Acquisitions	288,379	55,191	233,188	—	—	—
Other	290,000	160,086	67,508	60,365	—	2,041

See notes on page 178.

19. Segment Information - continued

(Amounts in thousands)	For the Year Ended December 31, 2003 Total	Office (2)	Retail (2)	Merchandise Mart (2)	Temperature Controlled Logistics (3)	Other (4)
Property rentals	$ 1,210,185	$ 809,506	$ 140,249	$ 207,929	$ —	$ 52,501
Straight-line rents:						
Contractual rent increases	34,538	27,363	3,087	4,079	—	9
Amortization of free rent	7,071	(562)	5,552	2,090	—	(9)
Amortization of acquired below market leases, net	9,047	8,007	1,040	—	—	—
Total rentals	1,260,841	844,314	149,928	214,098	—	52,501
Expense reimbursements	179,214	98,184	56,995	20,949	—	3,086
Fee and other income:						
Tenant cleaning fees	29,062	29,062	—	—	—	—
Management and leasing fees	12,812	11,427	1,290	—	—	95
Lease termination fees	8,581	2,866	2,056	3,659	—	—
Other	12,340	5,986	2,638	3,685	—	31
Total revenues	1,502,850	991,839	212,907	242,391	—	55,713
Operating expenses	583,038	370,545	71,377	97,073	—	44,043
Depreciation and amortization	214,623	149,524	19,343	32,087	—	13,669
General and administrative	121,879	37,143	9,783	20,323	—	54,630
Total expenses	919,540	557,212	100,503	149,483	—	112,342
Operating income (loss)	583,310	434,627	112,404	92,908	—	(56,629)
Income applicable to Alexander's	15,574	—	640	—	—	14,934
Income (loss) from partially-owned entities	67,901	2,426	3,752	(108)	18,416	43,415
Interest and other investment income	25,401	2,960	359	93	—	21,989
Interest and debt expense	(230,064)	(134,715)	(59,674)	(14,788)	—	(20,887)
Net gain on disposition of wholly-owned and partially-owned assets other than depreciable real estate	2,343	180	—	188	—	1,975
Minority interest of partially-owned entities	(1,089)	(1,119)	—	—	—	30
Income from continuing operations	463,376	304,359	57,481	78,293	18,416	4,827
Income (loss) from discontinued operations	175,175	172,736	4,850	—	—	(2,411)
Income before allocation to minority limited partners	638,551	477,095	62,331	78,293	18,416	2,416
Minority limited partners' interest in the operating partnership	(105,132)	—	—	—	—	(105,132)
Perpetual preferred unit distributions of the operating partnership	(72,716)	—	—	—	—	(72,716)
Net income (loss)	460,703	477,095	62,331	78,293	18,416	(175,432)
Interest and debt expense (1)	296,059	138,379	62,718	15,700	24,670	54,592
Depreciation and amortization (1)	279,507	153,273	22,150	32,711	34,879	36,494
Income taxes	1,627	45	—	—	—	1,582
EBITDA	$ 1,037,896	$ 768,792	$ 147,199	$ 126,704	$ 77,965	$ (82,764)
Percentage of EBITDA by segment	100%	74.1%	14.2%	12.2%	7.5%	(8.0)%
Balance sheet data:						
Real estate, net	$ 6,797,918	$ 4,966,074	$ 730,443	$ 904,546	$ —	$ 196,855
Investments and advances to partially-owned entities	900,600	44,645	57,317	6,063	426,773	365,802
Capital expenditures:						
Acquisitions	249,954	95,420	154,534	—	—	—
Other	239,222	108,230	45,707	36,341	5,700	43,244

See notes on following page.

19. Segment Information - continued

Notes to preceding tabular information:

(1) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA includes the Company's share of the interest and debt expense and depreciation and amortization of its partially-owned entities.

(2) At December 31, 2004, 7 West 34th Street, a 440,000 square foot New York office building, was 100% occupied by four tenants, of which Health Insurance Plan of New York ("HIP") and Fairchild Publications occupied 255,000 and 146,000 square feet, respectively. Effective January 4, 2005, the Company entered into a lease termination agreement with HIP under which HIP made an initial payment of $13,362 and is anticipated to make annual payments ranging from $1,000 to $2,000 over the remaining six years of the HIP lease contingent upon the level of operating expenses of the building in each year. In connection with the termination of the HIP lease, the Company wrote off the $2,462 balance of the HIP receivable arising from the straight-lining of rent. In the first quarter of 2005, the Company began redevelopment of a portion of this property into a permanent showroom building for the giftware industry. As of January 1, 2005, the Company transferred the operations and financial results related to the office component of this asset from the New York City Office division to the Merchandise Mart division for both the current and prior periods presented. The operations and financial results related to the retail component of this asset were transferred to the Retail division for both current and prior periods presented.

(3) Operating results for the year ended December 31, 2004 reflect the consolidation of the Company's investment in Americold Realty Trust beginning on November 18, 2004. Previously, this investment was accounted for on the equity method.

(4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Year Ended December 31, 2005	2004	2003
Alexander's	$ 84,874	$ 25,909	$ 22,361
Newkirk Master Limited Partnership	55,126	70,517	76,873
Hotel Pennsylvania	22,522	15,643	4,573
GMH Communities L.P in 2005 and Student Housing in 2004 and 2003.	7,955	1,440	2,000
Industrial warehouses	5,666	5,309	6,208
Other investments	5,319	—	—
	181,462	118,818	112,015
Minority limited partners' interest in the Operating Partnership	(66,755)	(88,091)	(105,132)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(72,716)
Corporate general and administrative expenses	(57,221)	(62,854)	(51,461)
Investment income and other	156,331	215,688	27,254
Net gain on sales of marketable equity securities (including $9,017 for Prime Group in 2005)	25,346	—	2,950
Net gain on disposition of investment in 3700 Las Vegas Boulevard	12,110	—	—
Discontinued operations:			
Palisades (including $65,905 net gain on sale in 2004)	—	69,697	5,006
400 North LaSalle (including $31,614 net gain on sale in 2005)	32,678	1,541	(680)
	$ 216,832	$ 185,691	$ (82,764)

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15 (e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 10-K. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Vornado Realty Trust, together with its consolidated subsidiaries (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2005, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2005 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the trustees of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 180, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust
New York, New York

We have audited management's assessment, included within this December 31, 2005 Form 10-K of Vornado Realty Trust at Item 9A in the accompanying "Management's Report on Internal Control Over Financial Reporting," that Vornado Realty Trust, together with its consolidated subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2005 of the Company and our report dated February 28, 2006 expressed an unqualified opinion on those financial statements and financial statement schedules.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 28, 2006

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information relating to trustees of the Registrant, including its audit committee and audit committee financial expert, will be contained in a definitive Proxy Statement involving the election of trustees under the caption "Election of Trustees" which the Registrant will file 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, 2005, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant, appears at page 52 of this Annual Report on Form 10-K. Also incorporated herein by reference is the information under the caption "16(a) Beneficial Ownership Reporting Compliance" of the Proxy Statement.

The Registrant has adopted a Code of Business Conduct and Ethics that applies to, among others, Steven Roth, its principal executive officer, and Joseph Macnow, its principal financial and accounting officer. This Code is available on the Company's website at www.vno.com.

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," under the caption "Executive Compensation" and such information is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

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," under the caption "Principal Security Holders" and such information is incorporated herein by reference.

Equity compensation plan information

The following table provides information as of December 31, 2005, regarding the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by security holders	12,931,215(1)	$ 37.38	6,492,251(2)
Equity compensation awards not approved by security holders (3)	—	—	—
Total	12,931,215	$ 37.38	6,492,251

(1) Includes 260,267 restricted shares which do not have an option exercise price.
(2) All of the shares available for future issuance under plans approved by the security holders may be issued as restricted stock units or performance shares.
(3) Does not include common shares issuable in exchange for deferred stock units pursuant to the compensation agreements described below under the heading "Material Features of Equity Compensation Arrangements Not Approved by Shareholders".

Material Features of Equity Compensation Arrangements Not Approved by Shareholders

We have awarded deferred stock units under an individual arrangement with an officer of the Company. Shareholder approval was not required for this award under the current or then-existing rules of the New York Stock Exchange because the award was made as part of an employment contract with us.

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," under the caption "Certain Relationships and Related Transactions" and such information is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information relating to Principal Accountant fees and services will be contained in the Proxy Statement referred to in Item 10, "Directors and Executive Officers of the Registrant" under the caption "Ratification of Selection of Independent Auditors" and such information is incorporated herein by reference.

PART IV

Item 15. ***Exhibit and Financial Statement Schedules***

(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.

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.

	Pages in this Annual Report on Form 10-K
II—Valuation and Qualifying Accounts—years ended December 31, 2005, 2004 and 2003	184
III—Real Estate and Accumulated Depreciation as of December 31, 2005	185

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

Exhibit No.	
10.15	Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005
10.49	Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust affiliates
12	Computation of Ratios
21	Subsidiaries of Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14 (a) Certification of Chief Executive Officer
31.2	Rule 13a-14 (a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

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, Executive Vice President-
Finance and Administration and
Chief Financial Officer

Date:February 28, 2006

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)	February 28, 2006
By: /s/ Michael Fascitelli (Michael D. Fascitelli)	President and Trustee	February 28, 2006
By: /s/ Anthony W. Deering (Anthony W. Deering)	Trustee	February 28, 2006
By: /s/ Robert P. Kogod (Robert P. Kogod)	Trustee	February 28, 2006
By: /s/ Michael Lynne (Michael Lynne)	Trustee	February 28, 2006
By: /s/ David Mandelbaum (David Mandelbaum)	Trustee	February 28, 2006
By: /s/ Robert H. Smith (Robert H. Smith)	Trustee	February 28, 2006
By: /s/ Ronald G. Targan (Ronald G. Targan)	Trustee	February 28, 2006
By: /s/ Richard R. West (Richard R. West)	Trustee	February 28, 2006
By: /s/ Russell B. Wight (Russell B. Wight, Jr.)	Trustee	February 28, 2006
By: /s/ Joseph Macnow (Joseph Macnow)	Executive Vice President - Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2006

**VORNADO REALTY TRUST
AND SUBSIDIARIES**

**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
December 31, 2005
(Amounts in Thousands)**

Description	Column A Balance at Beginning of Year	Column B Additions Charged Against Operations	Column C Uncollectible Accounts Written-off	Column E Balance at End of Year
Year Ended December 31, 2005:				
Allowance for doubtful accounts	$ 24,126	$ 5,072	$ (6,240)	$ 22,958
Year Ended December 31, 2004				
Allowance for doubtful accounts	$ 18,076	$ 16,771(1)	$ (10,721)	$ 24,126
Year Ended December 31, 2003:				
Allowance for doubtful accounts	$ 17,958	$ 12,248	$ (12,130)	$ 18,076

(1) Beginning on November 18, 2004, the Company consolidates its investment in Americold Realty Trust. Accordingly, additions charged against operations includes $3,106, which represents Americold's allowance for doubtful accounts on such date.

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005

(Amounts in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial cost to company (1)		Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Office Buildings											
New York											
Manhattan											
One Penn Plaza	$ —	$ —	$ 412,169	$ 109,639	$ —	$ 521,808	$ 521,808	$ 98,703	1972	1998	7 - 39 Years
Two Penn Plaza	300,000	53,615	164,903	63,142	52,689	228,971	281,660	55,394	1968	1997	7 - 39 Years
909 Third Avenue	223,193	—	120,723	21,397	—	142,120	142,120	23,446	1969	1999	7 - 39 Years
770 Broadway	170,000	52,898	95,686	75,999	52,898	171,685	224,583	36,929	1907	1998	7 - 39 Years
Eleven Penn Plaza	216,795	40,333	85,259	28,519	40,333	113,778	154,111	27,766	1923	1997	7 - 39 Years
90 Park Avenue	—	8,000	175,890	25,835	8,000	201,725	209,725	42,620	1964	1997	7 - 39 Years
888 Seventh Avenue	318,554	—	117,269	54,559	—	171,828	171,828	32,609	1980	1998	7 - 39 Years
330 West 34th Street	—	—	8,599	8,839	—	17,438	17,438	3,460	1925	1998	7 - 39 Years
1740 Broadway	—	26,971	102,890	10,838	26,971	113,728	140,699	26,765	1950	1997	7 - 39 Years
150 East 58th Street	—	39,303	80,216	18,836	39,303	99,052	138,355	19,470	1969	1998	7 - 39 Years
866 United Nations Plaza	46,854	32,196	37,534	9,728	32,196	47,262	79,458	12,402	1966	1997	7 - 39 Years
595 Madison (Fuller Building)	—	62,731	62,888	13,951	62,731	76,839	139,570	11,493	1968	1999	7 - 39 Years
640 Fifth Avenue	—	38,224	25,992	102,801	38,224	128,793	167,017	19,554	1950	1997	7 - 39 Years
40 Fulton Street	—	15,732	26,388	3,553	15,732	29,941	45,673	6,615	1987	1998	7 - 39 Years
689 Fifth Avenue	—	19,721	13,446	9,601	19,721	23,047	42,768	3,669	1925	1998	39 Years
20 Broad Street	—	—	28,760	18,709	—	47,469	47,469	7,678	1956	1998	7 - 39 Years
40 Thompson		6,530	10,057	19	6,503	10,103	16,606	81	1928	2005	7 - 39 Years
Other	—	—	5,548	17,942	—	23,490	23,490	771			
Total New York	1,275,396	396,254	1,574,217	593,907	395,301	2,169,077	2,564,378	429,425			
Washington, DC											
Crystal Mall (4 buildings)	$ 49,214	$ 49,664	$ 156,654	$ 13,357	$ 49,545	$ 170,130	$ 219,675	$ 20,364	1968	2002	10 - 40 Years
Crystal Plaza (6 buildings)	—	57,213	131,206	68,428	57,070	199,777	256,847	9,184	1964-1969	2002	10 - 40 Years
Crystal Square (4 buildings)	188,633	64,817	218,330	26,946	64,652	245,441	310,093	30,703	1974 - 1980	2002	10 - 40 Years
Crystal City Hotel	—	8,000	47,191	496	8,000	47,687	55,687	1,741	1968	2004	10 - 40 Years
Crystal City Shops	—	—	20,465	4,638	—	25,103	25,103	1,405	2004	2004	10 - 40 Years
Crystal Gateway (4 buildings)	147,473	47,594	177,373	12,549	47,465	190,051	237,516	23,879	1983 - 1987	2002	10 - 40 Years
Crystal Park (5 buildings)	249,213	100,935	409,920	27,725	100,228	438,352	538,580	55,509	1984 - 1989	2002	10 - 40 Years
Arlington Plaza	14,393	6,227	28,590	2,620	6,210	31,227	37,437	4,707	1985	2002	10 - 40 Years
1919 S. Eads Street	11,757	3,979	18,610	439	3,967	19,061	23,028	2,722	1990	2002	10 - 40 Years
Skyline Place (6 buildings)	128,732	41,986	221,869	12,942	41,862	234,935	276,797	29,360	1973 - 1984	2002	10 - 40 Years
Seven Skyline Place	—	10,292	58,351	(4,309)	10,262	54,072	64,334	6,966	2001	2002	10 - 40 Years
One Skyline Tower	62,725	12,266	75,343	11,091	12,231	86,469	98,700	10,057	1988	2002	10 - 40 Years
Courthouse Plaza (2 buildings)	75,970	—	105,475	11,815	—	117,290	117,290	14,485	1988 - 1989	2002	10 - 40 Years
1101 17th Street	26,001	20,666	20,112	3,304	20,609	23,473	44,082	3,681	1963	2002	10 - 40 Years

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial cost to company (1)		Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
1730 M. Street	16,233	10,095	17,541	3,812	10,066	21,382	31,448	3,491	1963	2002	10 - 40 Years
1140 Connecticut Avenue	19,231	19,017	13,184	4,536	18,968	17,769	36,737	3,072	1966	2002	10 -40 Years
1150 17th Street	31,397	23,359	24,876	6,974	23,296	31,913	55,209	4,414	1970	2002	10 - 40 Years
1750 Penn Avenue	48,359	20,020	30,032	(456)	19,948	29,648	49,596	3,856	1964	2002	10 - 40 Years
2101 L Street	—	32,815	51,642	539	32,815	52,181	84,996	3,146	1975	2003	10 - 40 Years
Democracy Plaza I	—	—	33,628	(1,439)	—	32,189	32,189	5,855	1987	2002	10 - 40 Years
Tysons Dulles (3 buildings)	—	19,146	79,095	2,842	19,096	81,987	101,083	10,202	1986 - 1990	2002	10 - 40 Years
Commerce Executive (3 buildings)	51,122	13,401	58,705	6,901	13,363	65,644	79,007	8,326	1985 - 1989	2002	10 - 40 Years
Reston Executive (3 buildings)	93,000	15,424	85,722	1,360	15,380	87,126	102,506	10,439	1987 - 1989	2002	10 - 40 Years
Crystal Gateway 1	56,416	15,826	53,894	4,615	15,826	58,509	74,335	5,150	1981	2002	10 - 40 Years
South Capitol	—	4,009	6,273	67	4,009	6,340	10,349	1,216		2005	10 - 40 Years
Bowen Building	62,099	30,077	98,962	601	30,077	99,563	129,640	1,162	2004	2005	10 - 40 Years
H Street	—	57,451	641	—	57,451	641	58,092	8		2005	10 - 40 Years
Warner Building	149,953	70,853	246,169	(1)	70,852	246,169	317,021	1,654	1992	2005	10 - 40 Years
Other	—	—	51,767	(45,725)	—	6,042	6,042	—			
Total Washington, DC Office Buildings	1,481,921	755,132	2,541,620	176,667	753,248	2,720,171	3,473,419	276,754			
New Jersey											
Bergen	—	—	8,345	13,150	1,034	20,461	21,495	8,600	1967	1987	26 - 40 Years
Total New Jersey	—	—	8,345	13,150	1,034	20,461	21,495	8,600			
Total Office Buildings	2,757,317	1,151,386	4,124,182	783,724	1,149,583	4,909,709	6,059,292	714,779			
Shopping Centers											
New Jersey											
Bordentown	7,790*	498	3,176	1,030	713	3,991	4,704	3,973	1958	1958	7 - 40 Years
Bricktown I	15,743*	929	2,175	10,858	952	13,010	13,962	7,216	1968	1968	22 -40 Years
Bricktown II	—	440	—	—	440	—	440	—	N/A	2005	N/A
Cherry Hill (4)	14,479*	915	3,926	5,135	5,864	4,112	9,976	3,139	1964	1964	12 - 40 Years
Delran	6,206*	756	3,184	2,012	756	5,196	5,952	4,047	1972	1972	16 - 40 Years
Dover	7,096*	224	2,330	6,863	559	8,858	9,417	3,906	1964	1964	16 - 40 Years
East Brunswick I	21,982*	319	3,236	7,922	319	11,158	11,477	8,081	1957	1957	8 - 33 Years
East Brunswick II (former Whse)	8,031	—	4,772	10,753	48	15,477	15,525	5,688	1972	1972	18 -40 Years
East Hanover I	26,354*	376	3,063	9,999	476	12,962	13,438	6,977	1962	1962	9 -40 Years
East Hanover II (4)	—*	1,756	8,706	428	2,195	8,695	10,890	1,629	1979	1998	40 Years
Eatontown	—	4,653	3,659	—	4,653	3,659	8,312	30	N/A	2005	40 Years
Hackensack	24,150*	536	3,293	7,688	536	10,981	11,517	7,070	1963	1963	15 - 40 Years
Jersey City (4)	18,488*	652	2,962	4,857	652	7,819	8,471	1,254	1965	1965	11 - 40 Years
Kearny (4)	3,609*	279	4,429	(59)	309	4,340	4,649	2,083	1938	1959	23 - 29 Years

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial cost to company (1)		Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Lawnside	10,230*	851	2,222	1,821	851	4,043	4,894	2,956	1969	1969	17 - 40 Years
Lodi I	9,066*	245	9,339	100	238	9,446	9,684	1,474	1999	1975	40 Years
Lodi II	11,890	7,606	13,124	1	7,606	13,125	20,731	369	N/A	2004	40 Years
Manalapan	12,099*	725	2,447	8,663	725	11,110	11,835	6,144	1971	1971	14 - 40 Years
Marlton	11,765*	1,514	4,671	1,098	1,611	5,672	7,283	4,400	1973	1973	16 - 40 Years
Middletown	15,882*	283	1,508	4,489	283	5,997	6,280	3,861	1963	1963	19 - 40 Years
Montclair	1,858*	66	470	330	66	800	866	604	1972	1972	4 - 15 Years
Morris Plains	11,626*	1,254	3,140	3,483	1,104	6,773	7,877	6,566	1961	1985	7 - 19 Years
North Bergen (4)	3,827*	510	3,390	(922)	2,308	670	2,978	255	1993	1959	30 Years
North Plainfield	10,509*	500	13,340	641	500	13,981	14,481	7,632	1955	1989	21 - 30 Years
Paramus (Bergen Mall)	—	28,312	125,130	15,956	28,692	140,706	169,398	6,335	1957	2003	5 —40 Years
Totowa	28,520*	1,097	5,359	11,132	1,099	16,489	17,588	8,853	1957/1999	1957	19 - 40 Years
Turnersville	3,946*	900	2,132	129	900	2,261	3,161	1,916	1974	1974	23 - 40 Years
Union (4)	32,389*	1,014	4,527	5,355	1,329	9,567	10,896	3,205	1962	1962	6 - 40 Years
Watchung (4)	13,068*	451	2,347	6,866	4,178	5,486	9,664	2,037	1994	1959	27 - 30 Years
Woodbridge (4)	21,349*	190	3,047	2,922	220	5,939	6,159	1,642	1959	1959	11 - 40 Years
Total New Jersey	351,952	57,851	245,104	129,550	70,182	362,323	432,505	113,342			
New York											
Albany (Menands)	6,004*	460	1,677	2,507	461	4,183	4,644	2,820	1965	1965	22 - 40 Years
Buffalo (Amherst)	6,766*	402	2,019	2,230	636	4,015	4,651	3,498	1968	1968	13 - 40 Years
Freeport	14,291*	1,231	3,273	2,846	1,231	6,119	7,350	3,942	1981	1981	15 - 40 Years
Inwood	—	12,415	19,096	97	12,419	19,189	31,608	517	N/A	2004	40 Years
New Hyde Park	7,213*	—	—	4	—	4	4	3	1970	1976	6 - 10 Years
North Syracuse	—	—	—	—	—	—	—	—	1967	1976	11 - 12 Years
Rochester (Henrietta)	—	—	2,124	1,158	—	3,282	3,282	2,704	1971	1971	15 - 40 Years
Rochester (4)	—	443	2,870	(928)	2,172	213	2,385	213	1966	1966	10 - 40 Years
Valley Stream (Green Acres Mall)	143,249	140,069	99,586	17,735	139,910	117,480	257,390	22,787	1956	1997	39 - 40 Years
715 Lexington Avenue	—	—	11,574	14,759	—	26,333	26,333	825	1923	2001	40 Years
14th Street and Union Square, Manhattan	—	12,566	4,044	62,805	24,080	55,335	79,415	2,067	1965/2004	1993	40 Years
424 6th Avenue	—	5,900	5,675	301	5,900	5,976	11,876	565	1983	2002	40 Years
Riese	—	19,135	7,294	19,390	25,232	20,587	45,819	1,922	1923-1987	1997	39 Years
Staten Island	20,096	11,446	21,261	1	11,446	21,262	32,708	1,023	N/A	2004	40 Years
25W. 14th Street	—	29,169	17,878	—	29,169	17,878	47,047	782	N/A	2004	40 Years
99-01 Queens Blvd	—	7,839	20,047	53	7,839	20,100	27,939	669	N/A	2004	40 Years
386 West Broadway	4,951	2,453	5,349	982	2,624	6,160	8,784	158	N/A	2004	40 Years
387 West Broadway	—	5,843	7,642	288	5,858	7,915	13,773	225	N/A	2004	40 Years
1135 Third Avenue	—	7,844	7,844	—	7,844	7,844	15,688	1,569	N/A	1997	39 Years
211-17 Columbus Avenue	—	18,907	7,262	—	18,907	7,262	26,169	56	N/A	2005	40 Years
692 Broadway	—	6,053	22,896	—	6,053	22,896	28,949	238	N/A	2005	40 Years
40 East 66th Street	—	30,942	17,309	—	30,942	17,309	48,251	180	N/A	2005	40 Years

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial cost to company (1)		Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Bronx (Gun Hill Road)	—	6,428	11,885	366	6,427	12,252	18,679	149	N/A	2005	40 Years
828-850 Madison Avenue	80,000	107,923	28,257	(1)	107,922	28,257	136,179	412	N/A	2005	40 Years
Hicksville (Broadway Mall)	94,783	109,687	42,466	—	109,687	42,466	152,153	—	N/A	2005	40 Years
Poughkeepsie (South Hills Mall)	—	12,755	12,047	685	12,754	12,733	25,487	100	N/A	2005	40 Years
Total New York	377,353	549,910	381,375	125,278	569,513	487,050	1,056,563	47,424			
Pennsylvania											
Allentown	22,443*	70	3,446	11,880	334	15,062	15,396	8,279	1957	1957	20 - 42 Years
Bensalem (4)	6,202*	1,198	3,717	5,553	2,727	7,741	10,468	1,514	1972/1999	1972	40 Years
Bethlehem	3,925*	278	1,806	3,999	278	5,805	6,083	5,366	1966	1966	9 - 40 Years
Broomall	9,438*	734	1,675	1,338	850	2,897	3,747	2,689	1966	1966	9 - 40 Years
Glenolden	7,079*	850	1,295	997	850	2,292	3,142	1,452	1975	1975	18 - 40 Years
Lancaster (4)	—	606	2,312	649	3,043	524	3,567	373	1966	1966	12 - 40 Years
Levittown	3,171*	193	1,231	131	183	1,372	1,555	1,364	1964	1964	7 - 40 Years
10th and Market Streets, Philadelphia	8,645*	933	3,230	23,941	933	27,171	28,104	3,050	1977	1994	27 - 30 Years
Upper Moreland	6,710*	683	2,497	271	683	2,768	3,451	2,328	1974	1974	15 - 40 Years
York	3,968*	421	1,700	2,082	409	3,794	4,203	2,386	1970	1970	15 - 40 Years
Wyomissing	—	—	3,066	—	—	3,066	3,066	734	N/A	2005	10 - 20 Years
Wilkes Barre	—	—	301	—	—	301	301	50	N/A	2005	5 Years
Total Pennsylvania	71,581	5,966	26,276	50,841	10,290	72,793	83,083	29,585			
Maryland											
Baltimore (Towson)	10,998*	581	2,756	679	581	3,435	4,016	2,916	1968	1968	13 - 40 Years
Glen Burnie	5,660*	462	1,741	1,392	462	3,133	3,595	2,266	1958	1958	16 - 33 Years
Rockville	15,207	3,374	20,026	—	3,374	20,026	23,400	417	N/A	2005	40 Years
Annapolis	—	—-	9,652	—	—	9,652	9,652	810	N/A	2005	40 Years
Total Maryland	31,865	4,417	34,175	2,071	4,417	36,246	40,663	6,409			
California											
Anaheim	—	1,093	1,093	—	1,093	1,093	2,186	39	N/A	2004	40 Years
Barstow	—	849	1,356	18	856	1,367	2,223	48	N/A	2004	40 Years
Beaumont	—	206	1,321	—	206	1,321	1,527	47	N/A	2004	40 Years
Calimesa	—	504	1,463	—	504	1,463	1,967	52	N/A	2004	40 Years
Colton	—	1,239	954	—	1,239	954	2,193	34	N/A	2004	40 Years
Colton	—	1,158	332	—	1,158	332	1,490	12	N/A	2004	40 Years
Corona	—	—	3,073	—	—	3,073	3,073	109	N/A	2004	40 Years
Costa Mesa	—	1,399	635	—	1,399	635	2,034	22	N/A	2004	40 Years
Costa Mesa	—	2,239	308	—	2,239	308	2,547	11	N/A	2004	40 Years
Desert Hot Springs	—	197	1,355	—	197	1,355	1,552	48	N/A	2004	40 Years
Fontana	—	518	1,100	—	518	1,100	1,618	39	N/A	2004	40 Years
Garden Grove	—	795	1,254	—	795	1,254	2,049	44	N/A	2004	40 Years

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		Initial cost to company (1)		Costs capitalized subsequent to	Gross amount at which carried at close of period			Accumulated depreciation and	Date of construction	Date	Life on which depreciation in latest income statement
			Buildings and			Buildings and					

Description	Encumbrances	Land	improvements	acquisition	Land	improvements	Total (2)	amortization	(3)	acquired	is computed
Mojave	—	—	2,250	—	—	2,250	2,250	80	N/A	2004	40 Years
Moreno Valley	—	639	1,156	—	639	1,156	1,795	41	N/A	2004	40 Years
Ontario	—	713	1,522	—	713	1,522	2,235	54	N/A	2004	40 Years
Orange	—	1,487	1,746	—	1,487	1,746	3,233	62	N/A	2004	40 Years
Rancho Cucamonga	—	1,052	1,051	—	1,052	1,051	2,103	37	N/A	2004	40 Years
Rialto	—	434	1,173	—	434	1,173	1,607	42	N/A	2004	40 Years
Riverside	—	209	704	—	209	704	913	25	N/A	2004	40 Years
Riverside	—	251	783	—	251	783	1,034	28	N/A	2004	40 Years
San Bernadino	—	1,598	1,119	—	1,598	1,119	2,717	40	N/A	2004	40 Years
San Bernadino	—	1,651	1,810	—	1,651	1,810	3,461	64	N/A	2004	40 Years
Santa Ana	—	1,565	377	—	1,565	377	1,942	13	N/A	2004	40 Years
Westminister	—	1,673	1,192	—	1,673	1,192	2,865	42	N/A	2004	40 Years
Yucaipa	—	663	426	—	663	426	1,089	15	N/A	2004	40 Years
Total California	—	22,132	29,553	18	22,139	29,564	51,703	1,048			
Connecticut											
Newington (4)	6,321*	502	1,581	2,046	2,421	1,708	4,129	366	1965	1965	9 - 40 Years
Waterbury	5,959*	—	2,103	8,004	667	9,440	10,107	3,123	1969	1969	21 - 40 Years
Total Connecticut	12,280	502	3,684	10,050	3,088	11,148	14,236	3,489			
Massachusetts											
Chicopee (4)	—	510	2,031	(936)	895	710	1,605	710	1969	1969	13 - 40 Years
Springfield (4)	3,017*	505	1,657	3,379	2,586	2,955	5,541	153	1993	1966	28 - 30 Years
Total Massachusetts	3,017	1,015	3,688	2,443	3,481	3,665	7,146	863			
Virginia											
Norfolk	—	—	3,942	—	—	3,942	3,942	1,015	N/A	2005	14 - 19 Years
Total Virginia	—	—	3,942	—	—	3,942	3,942	1,015			
Michigan											
Roseville	—	30	6,370	—	30	6,370	6,400	614	N/A	2005	20 - 39 Years
Total Michigan	—	30	6,370	—	30	6,370	6,400	614			
Puerto Rico (San Juan)											
Las Catalinas	64,589	15,280	71,754	(203)	15,280	71,551	86,831	11,967	1996	2002	15 - 39 Years
Montehiedra	57,095	9,182	66,701	2,983	9,182	69,684	78,866	15,025	1996	1997	40 Years
Total Puerto Rico	121,684	24,462	138,455	2,780	24,462	141,235	165,697	26,992			
Other	—	—	—	240	—	240	240	—	N/A		
Total Other	—	—	—	240	—	240	240	—			
Total Retail Properties	969,732	666,285	872,622	323,271	707,602	1,154,576	1,862,178	230,781			

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Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Merchandise Mart Properties											
Illinois											
Merchandise Mart, Chicago	—	64,528	319,146	108,685	64,535	427,824	492,359	75,619	1930	1998	40 Years
350 West Mart Center, Chicago	—	14,238	67,008	70,954	14,246	137,954	152,200	25,130	1977	1998	40 Years
33 North Dearborn, Chicago	—	6,624	30,680	8,539	6,624	39,219	45,843	5,484	1967	2000	40 Years
527 W. Kinzie, Chicago	—	5,166	—	—	5,166	—	5,166	—			
Washington D.C.											
Washington Office Center	—	10,719	69,658	5,732	10,719	75,390	86,109	15,086	1990	1998	40 Years
Washington Design Center	46,932	12,274	40,662	11,267	12,274	51,929	64,203	11,625	1919	1998	40 Years
North Carolina											
Market Square Complex, High Point	104,639	13,038	102,239	76,089	15,047	176,319	191,366	28,395	1902 - 1989	1998	40 Years
New York											
7 West 34th Street	—	34,614	94,167	23,754	34,614	117,921	152,535	12,660	1901	2000	7-40 Years
Massachusetts											
Boston Design Center	72,000	—	93,915	144	—	94,059	94,059	19	1918	2005	40 Years
California											
L.A. Mart, Los Angeles	—	10,141	43,422	20,608	10,141	64,030	74,171	9,180	1958	2000	40 Years
Total Merchandise Mart	223,571	171,342	860,897	325,772	173,366	1,184,645	1,358,011	183,198			
Temperature Controlled Logistics:											
Alabama											
Birmingham	2,632	861	4,376	294	874	4,657	5,531	1,194		1997	
Montgomery	3,322	13	5,814	6,321	31	12,117	12,148	3,712		1997	
Gadsden	9,967	11	306	63	11	369	380	106		1997	
Albertville	5,010	540	6,106	199	540	6,305	6,845	1,385		1997	
Total Alabama	20,931	1,425	16,602	6,877	1,456	23,448	24,904	6,397			

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Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Arizona											
Phoenix	3,663	590	12,087	287	601	12,363	12,964	4,752		1998	
Total Arizona	3,663	590	12,087	287	601	12,363	12,964	4,752			
Arkansas											
Fort Smith	1,738	255	3,957	252	255	4,209	4,464	905		1997	
West Memphis	9,763	1,278	13,434	695	1,278	14,129	15,407	3,395		1997	
Texarkana	9,350	537	7,922	201	568	8,092	8,660	3,810		1998	

Russellville	7,953	906	13,754	72	907	13,825	14,732	3,992		1998	
Russellville	13,688	1,522	14,552	24	1,522	14,576	16,098	4,710		1998	
Springdale	8,627	864	16,312	356	891	16,641	17,532	4,320		1998	
Total Arkansas	51,119	5,362	69,931	1,600	5,421	71,472	76,893	21,132			
California											
Ontario	6,941	1,006	20,683	5,359	1,006	26,042	27,048	5,523		1997	
Fullerton	—	94	565	581	144	1,096	1,240	117		1997	
Pajaro	—	—	—	—	—	—	—	—		1997	
Turlock	5,980	353	9,906	440	364	10,335	10,699	2,419		1997	
Turlock	8,884	662	16,496	74	662	16,570	17,232	4,429		1997	
Watsonville	4,442	1,097	7,415	124	1,097	7,539	8,636	2,051		1997	
Ontario	3,563	—	—	—	—	—	—	—			
Total California	29,810	3,212	55,065	6,578	3,273	61,582	64,855	14,539			
Colorado											
Denver	2,319	541	6,164	1,544	541	7,708	8,249	2,913		1997	
Total Colorado	2,319	541	6,164	1,544	541	7,708	8,249	2,913			
Florida											
Tampa	220	423	369	17	423	386	809	462		1997	
Tampa	1,171	283	2,212	1,353	283	3,565	3,848	998		1997	
Tampa	—	32	5,612	361	32	5,973	6,005	1,831		1997	
Plant City	6,627	108	7,332	792	108	8,124	8,232	2,244		1997	
Bartow	—	9	267	122	9	389	398	131		1997	
Total Florida	8,018	855	15,792	2,645	855	18,437	19,292	5,666			
Georgia											
Atlanta	17,378	4,442	18,373	1,831	4,506	20,140	24,646	4,920		1997	
Atlanta	28,232	3,490	38,488	1,353	3,500	39,831	43,331	8,771		1997	
Augusta	2,300	260	3,307	1,136	260	4,443	4,703	1,350		1997	
Atlanta	16,628	—	—	10,195	1,227	8,968	10,195	1,136	2001		
Atlanta	3,169	700	3,754	114	711	3,857	4,568	923		1997	
Montezuma	5,469	66	6,079	688	66	6,767	6,833	1,465		1997	
Atlanta	5,223	2,201	6,767	7,777	2,201	14,544	16,745	4,108		1997	

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Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Atlanta – Corporate Office	—	—	—	847	—	847	847	258		1997	
Thomasville	1,929	763	21,504	47	810	21,504	22,314	4,596		1998	
Total Georgia	80,328	11,922	98,272	23,988	13,281	120,901	134,182	27,527			
Idaho											
Burley	17,133	409	36,098	640	472	36,675	37,147	9,687		1997	
Nampa	9,957	1,986	15,675	105	2,016	15,750	17,766	3,575		1997	
Total Idaho	27,090	2,395	51,773	745	2,488	52,425	54,913	13,262			
Illinois											
Rochelle	12,008	2,449	19,315	2,234	2,449	21,549	23,998	6,417		1997	
East Dubuque	10,700	506	8,792	8	506	8,800	9,306	3,864		1998	
Total Illinois	22,708	2,955	28,107	2,242	2,955	30,349	33,304	10,281			
Indiana											
Indianapolis	19,677	2,021	26,569	2,942	2,254	29,278	31,532	6,241		1997	
Total Indiana	19,677	2,021	26,569	2,942	2,254	29,278	31,532	6,241			
Iowa											
Fort Dodge	2,319	1,488	3,205	543	1,674	3,562	5,236	2,225		1997	
Bettendorf	7,028	1,275	12,203	1,557	1,405	13,630	15,035	3,401		1997	
Total Iowa	9,347	2,763	15,408	2,100	3,079	17,192	20,271	5,626			
Kansas											
Wichita	4,242	423	5,216	894	802	5,731	6,533	1,295		1997	
Garden City	5,109	159	15,740	154	227	15,826	16,053	3,380		1998	
Total Kansas	9,351	582	20,956	1,048	1,029	21,557	22,586	4,675			
Kentucky											
Sebree	4,868	42	10,401	109	42	10,510	10,552	1,706		1998	
Total Kentucky	4,868	42	10,401	109	42	10,510	10,552	1,706			
Maine											
Portland	2,862	1	4,812	360	2	5,171	5,173	1,410		1997	
Total Maine	2,862	1	4,812	360	2	5,171	5,173	1,410			
Massachusetts											
Gloucester	1,123	765	1,821	(2,586)	—	—	—	—		1997	
Gloucester	4,051	2,274	8,327	594	2,274	8,921	11,195	4,155		1997	
Gloucester	5,955	1,629	10,541	1,601	1,629	12,142	13,771	2,906		1997	
Gloucester	6,980	1,826	12,271	518	1,826	12,789	14,615	3,790		1997	
Boston	3,612	1,464	7,770	390	1,476	8,148	9,624	3,245		1997	
Total Massachusetts	21,721	7,958	40,730	517	7,205	42,000	49,205	14,096			

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Description	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Missouri											
Marshall	7,769	580	9,839	308	611	10,116	10,727	2,336		1997	
Cathage	59,429	1,417	68,698	18,500	1,677	86,938	88,615	23,158		1998	
Total Missouri	67,198	1,997	78,537	18,808	2,288	97,054	99,342	25,494			
Mississippi											
West Point	11,471	69	11,495	386	69	11,881	11,950	4,559		1998	
Total Mississippi	11,471	69	11,495	386	69	11,881	11,950	4,559			
Nebraska											

Description	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Fremont	8,555	13	12,817	538	13	13,355	13,368	2,759		1998	
Grand Island	—	31	582	5,391	76	5,928	6,004	1,163		1997	
Total Nebraska	8,555	44	13,399	5,929	89	19,283	19,372	3,922			
New York											
Syracuse	19,677	1,930	31,749	1,006	1,999	32,686	34,685	7,915		1997	
Total New York	19,677	1,930	31,749	1,006	1,999	32,686	34,685	7,915			
North Carolina											
Charlotte	1,533	80	—	(80)	—	—	—	—		1997	
Charlotte	8,536	1,068	12,296	1,006	1,223	13,147	14,370	3,100		1997	
Tarboro	4,943	—	2,160	18,736	—	20,896	20,896	3,071		1997	
Total North Carolina	15,012	1,148	14,456	19,662	1,223	34,043	35,266	6,171			
Ohio											
Massillon	15,954	—	—	11,772	—	11,772	11,772	1,599	2000		
Total Ohio	15,954	—	—	11,772	—	11,772	11,772	1,599			
Oklahoma											
Oklahoma City	1,441	280	2,173	162	280	2,335	2,615	634		1997	
Oklahoma City	1,892	244	2,450	279	263	2,710	2,973	639		1997	
Total Oklahoma	3,333	524	4,623	441	543	5,045	5,588	1,273			
Oregon											
Hermiston	11,471	1,063	23,105	77	1,084	23,161	24,245	6,055		1997	
Milwaukee	9,225	1,776	16,546	439	1,799	16,962	18,761	4,531		1997	
Salem	15,913	2,721	27,089	524	2,854	27,480	30,334	6,023		1997	
Woodburn	12,007	1,084	28,130	429	1,084	28,559	29,643	10,118		1997	
Brooks	—	4	1,280	(1,284)	—	—	—	1,670		1997	
Ontario	—	1,031	21,896	1,596	1,064	23,459	24,523	5,867		1997	
Total Oregon	48,616	7,679	118,046	1,781	7,885	119,621	127,506	34,264			

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Description	Encumbrances	Land	Buildings and improvements	subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)	Date acquired	income statement is computed
Pennsylvania											
Leesport	14,976	2,823	20,698	1,080	3,213	21,388	24,601	5,163		1997	
Fogelsville	28,116	9,757	43,633	2,860	9,926	46,324	56,250	14,104		1997	
Total Pennsylvania	43,092	12,580	64,331	3,940	13,139	67,712	80,851	19,267			
South Carolina											
Columbia	2,862	360	4,518	35	360	4,553	4,913	1,095		1997	
Total South Carolina	2,862	360	4,518	35	360	4,553	4,913	1,095			
South Dakota											
Sioux Falls	10,507	59	14,132	947	59	15,079	15,138	3,080		1998	
Total South Dakota	10,507	59	14,132	947	59	15,079	15,138	3,080			
Tennessee											
Memphis	2,198	80	—	—	80	—	80	—		1997	
Memphis	7,309	699	11,484	854	1,111	11,926	13,037	2,848		1997	
Murfreesboro	7,871	937	12,568	4,726	947	17,284	18,231	3,818		1997	
Total Tennessee	17,378	1,716	24,052	5,580	2,138	29,210	31,348	6,666			
Texas											
Amarillo	13,929	106	18,549	548	127	19,076	19,203	5,141		1998	
Ft. Worth	9,229	—	208	9,458	2,239	7,427	9,666	1,202		1998	
Total Texas	23,158	106	18,757	10,006	2,366	26,503	28,869	6,343			
Utah											
Clearfield	13,570	1,348	24,605	616	1,348	25,221	26,569	5,420		1997	
Total Utah	13,570	1,348	24,605	616	1,348	25,221	26,569	5,420			
Virginia											
Norfolk	4,140	1,033	5,731	446	1,033	6,177	7,210	1,363		1997	
Strasburg	9,110	—	—	16,949	1,204	15,745	16,949	2,560		1999	
Total Virginia	13,250	1,033	5,731	17,395	2,237	21,922	24,159	3,923			
Washington											
Burlington	7,712	756	13,092	248	756	13,340	14,096	1,765		1997	
Moses Lake	16,694	659	32,910	256	659	33,166	33,825	6,049		1997	
Walla Walla	4,881	954	10,992	(220)	712	11,014	11,726	3,958		1997	
Connell	11,178	357	20,825	191	357	21,016	21,373	3,831		1997	
Wallula	3,319	125	7,705	129	125	7,834	7,959	2,403		1997	
Pasco	—	9	690	9,263	9	9,953	9,962	1,695		1997	
Total Washington	43,784	2,860	86,214	9,867	2,618	96,323	98,941	19,701			

VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2005

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E			COLUMN F	COLUMN G	COLUMN H	COLUMN I
		Initial cost to company (1)		Costs capitalized	Gross amount at which carried at close of period						Life on which depreciation in latest
Description	Encumbrances	Land	Buildings and improvements	subsequent to acquisition	Land	Buildings and improvements	Total (2)	Accumulated depreciation and amortization	Date of construction (3)	Date acquired	income statement is computed
Wisconsin											
Tomah	9,558	219	16,990	104	220	17,093	17,313	3,861		1997	
Babcock	10,941	—	—	5,875	341	5,534	5,875	973		1999	
Plover	23,333	865	44,544	794	919	45,284	46,203	9,184		1997	
Total Wisconsin	43,832	1,084	61,534	6,773	1,480	67,911	69,391	14,018			
Total Temperature Controlled Logistics	715,061	77,161	1,048,848	168,526	84,323	1,210,212	1,294,535	304,933			
Warehouse/Industrial											
New Jersey											
East Hanover	26,340	576	7,752	7,645	691	15,282	15,973	13,781	1963 - 1967	1963	7 - 40 Years
Edison	5,258	705	2,839	1,610	704	4,450	5,154	3,490	1954	1982	12 - 25 Years
Garfield	8,174	96	8,068	8,200	45	16,319	16,364	13,366	1942	1959	11 - 33 Years
Total Warehouse/Industrial	39,772	1,377	18,659	17,455	1,440	36,051	37,491	30,637			

Other Properties											
Hotel Pennsylvania	—	29,904	121,712	21,294	29,904	143,006	172,910	33,298	1919	1997	39 Years
40 East 66th Residential	—	73,312	41,685	23,831	88,221	50,607	138,828	518		2005	
220 Central Park South	90,732	78,900	53,240	6,057	78,900	59,297	138,197	500		2005	
Other	9,933	28,052	—	15,256	28,052	15,256	43,308	—			
Total Other Properties	100,665	210,168	216,637	66,438	225,077	268,166	493,243	34,316			
Leasehold Improvements											
Equipment and Other	50	12,978	2,414	328,424	12,978	330,838	343,816	173,904			3 - 20 Years
TOTAL											
DECEMBER 31, 2005	$ 4,806,168	$ 2,290,697	$ 7,144,259	$ 2,013,610	$ 2,354,369	$ 9,094,197	$ 11,448,566	$ 1,672,548			

* These encumbrances are cross-collateralized under a blanket mortgage in the amount of $469,842 as of December 31, 2005.

Notes:

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

(2) The net basis of the company's assets and liabilities for tax purposes is approximately $3,139,148,000 lower than the amount reported for financial statement purposes.

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

(4) Buildings on these properties were demolished. As a result, the cost of the buildings and improvements, net of accumulated depreciation, were either transferred to land or written-off.

VORNADO REALTY TRUST
AND SUBSIDIARIES

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,		
	2005	**2004**	**2003**
Real Estate			
Balance at beginning of period	$ 9,756,241	$ 7,667,358	$ 7,255,051
Consolidation of investment in Americold	—	1,535,344	—
Additions during the period:			
Land	589,148	100,558	69,819
Buildings & improvements	1,103,363	510,548	419,746
	11,448,752	9,813,808	7,744,616
Less: Assets sold and written-off	186	57,567	77,258
Balance at end of period	$ 11,448,566	$ 9,756,241	$ 7,667,358
Accumulated Depreciation			
Balance at beginning of period	$ 1,407,644	$ 869,440	$ 702,686
Consolidation of investment in Americold	—	353,119	—
Additions charged to operating expenses	296,633	207,086	183,893
Additions due to acquisitions	—	—	855
	1,704,277	1,429,645	887,434
Less: Accumulated depreciation on assets sold and written-off	31,729	22,001	17,994
Balance at end of period	$ 1,672,548	$ 1,407,644	$ 869,440

EXHIBIT INDEX

Exhibit No.			
3.1	-	Amended and Restated Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) to Vornado Realty Trust's Registration Statement on Form S-4/A (File No. 33-60286), filed on April 15, 1993	*
3.2	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 – Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002	*
3.3	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 – Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002	*
3.4	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.5	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*

3.6	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.7	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000	*
3.8	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.9	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated May 31, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.9 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*
3.10	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated June 6, 2002, as filed with the State Department of Assessments and Taxation of Maryland on June 13, 2002 - Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*

* Incorporated by reference.

3.11	-	Articles of Amendment of Declaration of Trust of Vornado Realty Trust, dated December 16, 2004, as filed with the State Department of Assessments and Taxation of Maryland on December 16, 2004 – Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004	*
3.12	-	Articles Supplementary Classifying Vornado Realty Trust's $3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share - Incorporated by reference to Exhibit 3.11 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.13	-	Articles Supplementary Classifying Vornado Realty Trust's $3.25 Series A Convertible Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on December 15, 1997- Incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002	*
3.14	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-6 8.25% Cumulative Redeemable Preferred Shares, liquidation preference $25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed May 19, 2000	*
3.15	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-8 8.25% Cumulative Redeemable Preferred Shares, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000	*
3.16	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-9 8.75% Preferred Shares, liquidation preference $25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 – Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.17	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-10 7.00% Cumulative Redeemable Preferred Shares, liquidation preference $25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on November 17, 2003 – Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 18, 2003	*
3.18	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-11 7.20% Cumulative Redeemable Preferred Shares, liquidation preference $25.00 per share, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 2004 - Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004	*
3.19	-	Articles Supplementary Classifying Vornado Realty Trust's 7.00% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 20, 2004	*
3.20	-	Articles Supplementary Classifying Vornado Realty Trust's 6.75% Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.28 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on November 17, 2004	*

* Incorporated by reference.

3.21	-	Articles Supplementary Classifying Vornado Realty Trust's 6.55% Series D-12 Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004	*

3.22	-	Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 21, 2004	*
3.23	-	Articles Supplementary Classifying Vornado Realty Trust's 6.750% Series H Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value – Incorporated by reference to Exhibit 3.32 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on June 16, 2005	*
3.24	-	Articles Supplementary Classifying Vornado Realty Trust's 6.625% Series I Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value – Incorporated by reference to Exhibit 3.33 to Vornado Realty Trust's Registration Statement on Form 8-A (File No. 001-11954), filed on August 30, 2005	*
3.25	-	Articles Supplementary Classifying Vornado Realty Trust's Series D-14 6.75% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on September 14, 2005	*
3.26	-	Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
3.27	-	Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.28	-	Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.29	-	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998	*
3.30	-	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998	*
3.31	-	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999	*
3.32	-	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999	*

* Incorporated by reference.

3.33	-	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.34	-	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.35	-	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999	*
3.36	-	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.37	-	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.38	-	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999	*
3.39	-	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000	*
3.40	-	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000	*
3.41	-	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000	*
3.42	-	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.43	-	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.44	-	Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.45	-	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002	*

3.46	-	Nineteenth Amendment to the Partnership Agreement, dated as of July 1, 2002 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954), filed on August 7, 2002	*

* Incorporated by reference.

3.47	-	Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.48	-	Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003	*
3.49	-	Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 – Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*
3.50	-	Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 – Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004	*
3.51	-	Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 – Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.’s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.52	-	Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 – Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.’s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005	*
3.53	-	Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.54	-	Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004	*
3.55	-	Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005	*
3.56	-	Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005	*
3.57	-	Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005	*
3.58	-	Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005	*
4.1	-	Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado Finance LLC, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*

* Incorporated by reference.

4.2	-	Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 24, 2002	*
4.3	-	Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005	*
		Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.	
10.1**	-	Vornado Realty Trust’s 1993 Omnibus Share Plan - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996	*
10.2**	-	Vornado Realty Trust’s 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997	*

10.3	-	Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992	*
10.4**	-	Employment Agreement between Vornado Realty Trust and Joseph Macnow dated January 1, 2001, as Amended — Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 001-11954), filed on November 1, 2005	*
10.5**	-	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 10(C)(3) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997	*
10.6	-	Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.7	-	Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.8	-	Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*
10.9	-	Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's, Inc., dated as of July 20, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993	*

* Incorporated by reference.
** Management contract or compensatory agreement.

10.10	-	Amendment to Real Estate Retention Agreement between Vornado, Inc., Keen Realty Consultants, Inc. and Alexander's Inc., dated February 6, 1995 - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995	*
10.11	-	Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Exhibit 10(F)(2) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994	*
10.12	-	Management and Development Agreement among Alexander's Inc. and Vornado Realty Trust, dated as of February 6, 1995 - Incorporated by reference to Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed February 21, 1995	*
10.13**	-	Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997	*
10.14	-	Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.15**	-	Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005	
10.16**	-	Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000	*
10.17	-	Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002	*
10.18	-	Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002	*
10.19	-	Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002	*
10.20**	-	Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002	*

* Incorporated by reference.
** Management contract or compensatory agreement.

10.21**	-	First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.22**	-	Convertible Units Agreement, dated December 2, 1996, between Vornado Realty Trust and Michael D. Fascitelli – Incorporated by reference to Exhibit E of the Employment Agreement, dated December 2, 1996, between Vornado Realty Trust and Michael D. Fascitelli, filed as Exhibit 10(C)(3) to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed on March 13, 1997	*
10.23**	-	First Amendment, dated June 7, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.3 to Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.24**	-	Second Amendment, dated October 31, 2002, to the Convertible Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.4 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.25**	-	2002 Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.7 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.26**	-	First Amendment, dated October 31, 2002, to the 2002 Units Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.8 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.27**	-	First Amendment, dated October 31, 2002, to the Registration Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Exhibit 99.9 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.28**	-	Trust Agreement between Vornado Realty Trust and Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.10 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.29**	-	First Amendment, dated September 17, 2002, to the Trust Agreement between Vornado Realty Trust and The Chase Manhattan Bank, dated December 2, 1996 - Incorporated by reference to Exhibit 99.11 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002	*
10.30	-	Registration Rights Agreement, dated as of July 21, 1999, by and between Vornado Realty Trust and the holders of Units listed on Schedule A thereto – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002	*
10.31	-	Form of Registration Rights Agreement between Vornado Realty Trust and the holders of Units listed on Schedule A thereto – Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002	*
10.32	-	Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*

* Incorporated by reference.
** Management contract or compensatory agreement.

10.33	-	59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.34	-	Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.35	-	59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002	*
10.36	-	Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002	*
10.37**	-	Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002	*
10.38**	-	First Amended and Restated Promissory Note from Michael D. Fascitelli to Vornado Realty Trust, dated December 17, 2001 – Incorporated by reference to Exhibit 10.59 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*
10.39**	-	Promissory Note from Joseph Macnow to Vornado Realty Trust, dated July 23, 2002– Incorporated by reference to Exhibit 10.60 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-11954), filed on March 7, 2003	*

10.40**	-	Employment Agreement between Vornado Realty Trust and Mitchell Schear, dated April 9, 2003 – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.41	-	Revolving Credit Agreement, dated as of July 2, 2003 among Vornado Realty L.P., as Borrower, Vornado Realty Trust, as General Partner, JPMorgan Chase Bank, as Administrative Agent, and Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas and Fleet National Bank, as Documentation Agents, and JPMorgan Securities Inc. and Bank of America Securities, L.L.C., as Lead Arrangers and Bookrunners - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.42	-	Guaranty of Payment, made as of July 2, 2003, by Vornado Realty Trust, for the benefit of JPMorgan Chase Bank - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*

* Incorporated by reference.
** Management contract or compensatory agreement.

10.43	-	Registration Rights Agreement by and between Vornado Realty Trust and Bel Holdings LLC dated as of November 17, 2003 – Incorporated by reference to Exhibit 10.68 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004	*
10.44	-	Registration Rights Agreement, dated as of May 27, 2004, by and between Vornado Realty Trust and 2004 Realty Corp. – Incorporated by reference to Exhibit 10.75 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.45	-	Registration Rights Agreement, dated as of December 17, 2004, by and between Vornado Realty Trust and Montebello Realty Corp. 2002 – Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.46**	-	Form of Stock Option Agreement between the Company and certain employees dated as of February 8, 2005 – Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.47**	-	Form of Restricted Stock Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005	*
10.48**	-	Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005 – Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005	*
10.49	-	Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust affiliates.	
12	-	Computation of Ratios	
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32.2	-	Section 1350 Certification of the Chief Financial Officer	

* Incorporated by reference.
** Management contract or compensatory agreement.

Exhibit 10.15

PROMISSORY NOTE

$13,122,500.00

December 23, 2005

Paramus, New Jersey

WHEREAS, pursuant to the Letter Agreement dated November 16, 1999 (the "Letter Agreement") between Steven Roth (the "Executive") and Vornado Realty Trust (the "Company"), the Company agreed to make up to $15,000,000 in the aggregate of revolving credit loans to the Executive;

WHEREAS, the Executive desires to borrow $13,122,500 pursuant to the Letter Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms used but not defined in this Note shall have the respective meanings assigned to such terms in the Stock Pledge Agreement and the Loan Documents, as such terms are define d below.

2. PROMISE TO PAY, INTEREST, MATURITY, PAYMENTS

FOR VALUE RECEIVED, Executive promises to pay to the order of the Company, at its office located at 210 Route 4 East, Paramus, New Jersey 07652, or such other place as designated in writing by the holder hereof, the aggregate principal sum of THIRTEEN MILLION, ONE HUNDRED TWENTY-TWO THOUSAND, FIVE HUNDRED DOLLARS ($13,122,500.00) on December 23, 2011 ("Maturity"), with interest on the unpaid principal amount hereof from the date hereof until Maturity, payable quarterly in arrears on the 10th day following payment of the Company's regular quarterly dividend (or if no dividend is paid, at the end of the applicable calendar quarter), at a rate per annum equal to 4.45%. If the interest required to be paid under the terms of this Note shall at any time exceed the rate of interest which the Company is permitted by law to charge in the State of New Jersey, then the interest rate to be paid hereunder shall be the maximum rate permitted by law.

3. PREPAYMENT

This Note may prepaid in whole or in part at any time without pen alty or premium.

4. COLLATERAL

This Note is secured by the Executive's Stock Pledge Agreement, dated December 29, 1992, as amended on May 29, 2002 (the "Stock Pledge Agreement"), and such other security or supporting documents as are executed in conjunction with therewith, including without limitation the Letter Agreement (the "Loan Documents"). The Company or any subsequent holder of this Note is entitled to all the benefits provided for in the Loan Documents or referred to therein.

5. ENFORCEMENT EXPENSES

In the event Executive fails to pay any amounts due hereunder when due, and this Note is collected by legal proceedings (including proceedings in the probate or bankruptcy courts) Executive shall pay to the holder thereof, in addition to such amounts due, all costs of collection or enforcement, including reasonable

attorneys fees and court costs which shall be added to the principal of, and be collectible as part of, this Note.

6. WAIVER OF PRESENTMENT, OFFSET, COUNTERCLAIMS, DEFENSES

Executive, on behalf of himself and his successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Note, and expressly agrees that this Note, or any payment hereunder, may be extended from time to time and that the holder hereof may accept security for this Note or release security for this Note, all without in any way affecting the liability of Executive hereunder. In addition, Executive, on behalf of himself and his successors and assigns, hereby expressly acknowledges and agrees that he and they shall be unconditionally liable for the repayment of all amounts due hereunder and, without limiting the foregoing, Executive, on behalf of himself and his successors and assigns, hereby forever expressly waives any claim or right of offset and any similar claim or right, whether now existing or later acquired and whether granted by contract or by law, against any amounts otherwise due him or them.

7. EVENT OF DEFAULT

Failure by Executive to pay any sum due hereunder when due and payable which has not been cured by Executive within 30 days following actual receipt of written notice given by the Company, or the occurrence of an event of default under any of the Loan Documents, shall constitute an event of default under this Note and the Company may, at its sole option exercised by notice to Executive, declare the entire outstanding principal balance hereof, together with all unpaid interest accrued hereon, to be immediately due and payable in full. Upon the occurrence of an event of default, the Company may exercise all rights and remedies available to it under the Stock Pledge Agreement or otherwise.

8. HEADINGS

The Section headings in this Note are included herein for convenience of reference only and shall not constitute a part of this Note for any other purpose.

9. ENTIRE AGREEMENT

This Note, the Stock Pledge Agreement and the other Loan Documents constitute the entire agreement between the Company and Executive with respect to the subject matter hereof and all understandings, oral representations and agreements heretofore or simultaneously had among the parties with respect to the transaction governed by the Loan Documents are merged in, and are contained in, such documents and instruments.

10. GOVERNING LAW AND CONSENT TO JURISDICTION

THIS NOTE AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH,

THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO THAT STATE'S RULES GOVERNING CONFLICTS OF LAWS. THE PARTIES HERETO HEREBY SUBMIT TO JURISDICTION AND TO LAYING VENUE IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY.

11. WAIVER OF JURY TRIAL

The parties hereby agree not to elec t a trial by jury of any issue triable of right by jury, and waive any right to trial by jury fully to the extent that any such right shall now or hereinafter exist with regard to this Note, or any claim, counterclaim or other action arising in connection herewith or therewith. This waiver of right to trial by jury is given knowingly and voluntarily by each of the Company and Executive, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. Each party is hereby authorized to file a copy of this paragraph in any proceeding as conclusive evidence of this waiver by the other party.

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12. SEPARABILITY

In any case any provision herein shall be deemed to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Note to be duly executed as of the date written above.

STEVEN ROTH	VORNADO REALTY TRUST
/s/ Steven Roth Steven Roth	By: /s/ Joseph Macnow Name: Joseph Macnow Title: Executive Vice President, Chief Financial Officer

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Exhibit 10.49

CONTRIBUTION AGREEMENT

by and among

VORNADO REALTY TRUST,

VORNADO REALTY L.P.,

CESC ROSSLYN L.L.C.,

and

ROBERT H. SMITH and ROBERT P. KOGOD

Dated as of May 12, 2005

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CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") is made and entered into as of May 12, 2005, by and among VORNADO REALTY TRUST (the "Company"), a Maryland real estate investment trust and the sole general partner of Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), the OPERATING PARTNERSHIP, CESC ROSSLYN L.L.C., a Delaware limited liability company and wholly-owned subsidiary of the Operating Partnership (the "VNO Transaction Sub" and, together with the Company and the Operating Partnership, "Vornado"), and ROBERT H. SMITH and ROBERT P. KOGOD, as members, general partners and limited partners of the Subject Entities (each, a "General Partner" and, collectively, the "General Partners"), as Representatives (as defined herein), and, for purposes of **ARTICLE VIII** only, each of Mr. Smith and Mr. Kogod, individually.

RECITALS

WHEREAS, Paris Associates Limited Partnership, a Virginia limited partnership ("Paris LP") is the owner of certain real property and improvements located in Arlington County, Virginia at 1601 North Kent Street, 1611 North Kent Street, 1621 North Kent Street, 1701 North Kent Street and 100 Wilson Boulevard, as more particularly described on Annex I, as well as a limited partner interest in Geneva LP;

WHEREAS, Geneva Associates Limited Partnership, a Virginia limited partnership ("Geneva LP") is the owner of certain real property and improvements located in Arlington County, Virginia at 1777 North Kent Street, as more particularly described on Annex II;

WHEREAS, Rome Associates Limited Partnership, a Virginia limited partnership ("Rome LP") is the owner of a limited partner interest in Geneva LP;

WHEREAS, Paris LLC, a Virginia limited liability company ("Paris LLC," and together with Paris LP, Geneva LP and Rome LP, the "Subject Entities"), is the owner of the general partner interest in Paris LP;

WHEREAS, the Operating Partnership desires to cause the VNO Transaction Sub (which is a disregarded entity for federal tax purposes) to acquire (i) from the General Partners, all member, general partner and limited partner interests of the General Partners in the Subject Entities, and (ii) from the Other Partners, all member, general partner and limited partner interests of the Other Partners in the Subject Entities to the extent that such Other Partners elect to contribute such interests to the VNO Transaction Sub in accordance with this Agreement, all in exchange for Class A Units of limited partnership interest of the Operating Partnership (each, a "Unit" and, collectively, the "Units"; such exchange, the "Transaction");

WHEREAS; the parties hereto wish to set forth the terms and conditions on and subject to which they shall carry out the Transaction.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants set forth herein, the parties hereto do hereby agree as follows:

ARTICLE I

THE TRANSACTION

1.1 Contribution and Conveyance of Interests. On the Closing Date, on the terms and subject to the satisfaction or waiver of the applicable conditions set forth herein, the General Partners and all other members, general partners and limited partners of the Subject Entities who are listed on **Schedule 1.1** and who elect to participate in the Transaction in accordance with the terms of this Agreement (the "Other Partners," and collectively with the General Partners, the "Contributing Partners") shall contribute and convey to the VNO Transaction Sub, and the VNO Transaction Sub shall accept from the Contributing Partners, all of the Contributing Partners' right, title and interest in and to the member, general partner and limited partner interests in the Subject Entities (collectively, "Contributed Interests").

1.2 Liabilities to be Assumed by the VNO Transaction Sub. On the terms and subject to the conditions set forth herein, the VNO Transaction Sub shall assume only the following liabilities of the Contributing Partners relating to the Contributed Interests that they convey to the VNO Transaction Sub on the Closing Date (collectively, the "Assumed Liabilities"), such assumption to be effective as of the Effective Date, except as noted below: all liabilities in respect of the Contributed Interests arising under the Governing Documents on or after the Closing Date.

1.3 Closing. The consummation of the Transaction described in **Section 1.1** ("Closing") shall take place on such date and time as the Company and the Operating Partnership may select by at least five (5) days' prior notice to the General Partners but not more than thirty (30) days following expiration of the later of (i) the Study Period, and (ii) the solicitation period specified in the Information Statement (as defined herein) and the satisfaction or waiver of the applicable conditions to the Closing set forth in **ARTICLE VII**; provided, however, that (subject to the satisfaction or waiver of such conditions to the Closing) the Closing Date shall be no later than July 29, 2005, unless the Operating Partnership and the General Partners shall otherwise agree (the "Closing Date"); <u>provided</u>, <u>however</u>, that, subject to **Section 1.5(b)(iii)**, such date may be extended by Vornado by such additional period, not to exceed 60 days in the aggregate, as may reasonably be necessary to allow the satisfaction of the conditions set forth in Sections 7.1 and 7.2. The Closing shall be effective as of 12:01 A.M. on the Closing Date unless the parties otherwise agree ("Effective Date"). The Closing shall be held at the offices of Arnold & Porter LLP, 555 12th Street, N.W., Washington, D.C. 20004, or at such other location as the parties may agree.

1.4 Title. On the Closing Date, the VNO Transaction Sub shall acquire good and indefeasible title to the Contributed Interests, free of any Lien, mortgage, deed of trust, reservation, assignment, agreement, condition, restriction, or title defect (each, an "Exception"), other than Permitted Exceptions. For purposes of this Agreement, a "Lien" shall mean any lien, charge, encumbrance, security interest, assignment (whether absolute, present, future, conditional, collateral or otherwise), pledge, option, transfer restriction, agreement, covenant, adverse claim, order, decree or judgment. For purposes of this Agreement, "Permitted Exceptions" shall mean, as to the Contributed Interests, the terms and conditions of the Governing Documents.

1.5 Consideration.

(a) **Issuance of Units - General.** The Units to be issued by the Operating Partnership at Closing shall be calculated separately with respect to the Geneva Property (as set forth in **Section 1.5(b)**) and the Paris Property (as set forth in **Section 1.5(c)**). The gross aggregate value of the Geneva Property and Paris Property, not including the adjustment for cash held by the Subject Entities or other prorations and adjustments, all as provided in this **Section 1.5** and **Section 9.2**, is $170,200,000 ("Exchange Value"). For purposes of this Agreement:

(i) the term "Paris Interest" means a Contributed Interest that is a limited partnership interest in Paris LP or a membership interest in Paris LLC;

(ii) the term “Paris Percentage” means, with respect to a given Paris Interest:

(A) if such Paris Interest is a limited partnership interest in Paris LP, the percentage ownership in Paris LP represented by such interest; and

(B) if such Paris Interest is a membership interest in Paris LLC, the product of (x) the percentage ownership in Paris LLC represented by such interest and (y) the percentage ownership in Paris LP held by Paris LLC.

(iii) the term “Geneva Percentage” means, with respect to a given Contributed Interest:

(A) if such Contributed Interest is a limited partnership interest in Geneva LP, the percentage ownership in Geneva LP represented by such interest;

(B) if such Contributed Interest is a Paris Interest, the product of (x) the Paris Percentage of such interest and (y) the percentage ownership in Geneva LP held by Paris LP; and

(C) if such Paris Interest is a membership interest in Rome LP, the product of (x) the percentage ownership in Rome LP represented by such interest and (y) the percentage ownership in Geneva LP held by Rome LP;

(iv) the term “Paris Allocation” means 58.871915%, unless such percentage is modified pursuant to **Section 5.2(b)**; and

(v) the term “Geneva Allocation” means 41.128085%, unless such percentage is modified pursuant to **Section 5.2(b)**.

(b) **Issuance of Units – Geneva Property.**

(i) At Closing, subject to **Section 1.5(d)**, the Contributing Partners shall receive from the Operating Partnership on behalf of the VNO Transaction Sub, as consideration for the contribution to the VNO Transaction Sub of the Contributed Interests, subject to the Assumed Liabilities, at Closing, a number of Units, equal to (with the following operations being performed in the order set forth):

(v) an amount equal to the Geneva Allocation <u>multiplied</u> <u>by</u> the Exchange Value (the “Geneva Exchange Value”) <u>less</u> (a) the outstanding principal under the Permitted Mortgage Debt allocable to the Geneva Property as of the Closing Date, <u>less</u> (b) the net aggregate credit to Vornado, if any, as a result of the prorations and adjustments made on the Closing Date pursuant to **Section 9.2** allocable to the Geneva Property (the “Geneva Closing Date Prorations”), <u>plus</u> (c) the net aggregate debit, if any, to Vornado as a result of the Geneva Closing Date Prorations,

<u>multiplied by</u>

(w) the sum of the Geneva Percentages represented by the Contributed Interests,

<u>less</u>

(x) the Specified Vornado Transaction Costs <u>multiplied</u> <u>by</u> the Geneva Allocation,

<u>plus</u>

(y) the Specified General Partner Transaction Costs <u>multiplied</u> <u>by</u> the Geneva Allocation,

<u>divided by</u>

(z) the Deemed Value per Unit.

For purposes of this Agreement, the “Deemed Value” per Unit shall be $74.00, subject to **Section 1.5(b)(iii)**.

(ii) Notwithstanding the foregoing, a number of Units otherwise entitled to be received by the Contributing Partners pursuant to this **Section 1.5(b)** in exchange for the contribution of the Contributed Interests (collectively, the “Geneva Escrow Units”) shall be retained and held pursuant to the Escrow Agreement in accordance with the terms of this Agreement and the Escrow Agreement. The number of Geneva Escrow Units shall be calculated as follows: $1,000,000.00 divided by the Deemed Value per Unit, multiplied by the Geneva Allocation, and rounded in accordance with **Section 1.5(d)**.

(iii) Notwithstanding any other provision of this Agreement, if the Closing Date is extended by Vornado pursuant to **Section 1.3** to a date after July 29, 2005, then:

(w) if the VNO Stock Price (as defined below), calculated as of the Closing Date, is greater than or equal to $70.30 and less than or equal to $77.70, then this **Section 1.5(b)(iii)** shall have no effect.;

(x) if the VNO Stock Price, calculated as of the Closing Date, is less than $70.30, then the Deemed Value per Unit shall equal $70.30;

(y) if the VNO Stock Price, calculated as of the Closing Date, is greater than $77.70, then the Deemed Value per Unit shall equal $77.70; and

(z) for purposes of this Agreement, the term “VNO Stock Price” as a of a given date shall mean the average closing price on the New York Stock Exchange of common shares of Vornado Realty Trust (Ticker Symbol VNO) for the ten (10) consecutive trading days ending on and including the trading day preceding such date.

(c) **Issuance of Units – Paris Specific Property.**

(i) At Closing, subject to **Section 1.5(d)**, and in addition to the Units to be transferred in accordance with **Section 1.5(b)**, the Contributing Partners who are contributing Paris

Interests shall receive from the Operating Partnership on behalf of the VNO Transaction Sub, as consideration for the contribution to the VNO Transaction Sub of the Paris Interests, subject to the Assumed Liabilities, at Closing, a number of Units, equal to (with the following operations being performed in the order set forth):

(v) an amount equal to the Paris Allocation multiplied by the Exchange Value (the "Paris Exchange Value") less (a) the outstanding principal under the Permitted Mortgage Debt allocable to the Paris Property (other than Paris LP's interest in Geneva LP) (the "Paris Specific Property") as of the Closing Date, less (b) the net aggregate credit to Vornado, if any, as a result of the prorations and adjustments made on the Closing Date pursuant to **Section 9.2** allocable to the Paris Specific Property (the "Paris Closing Date Prorations"), plus (c) the net aggregate debit, if any, to Vornado as a result of the Paris Closing Date Prorations,

multiplied by

(w) the sum of the Paris Percentages represented by the Contributed Interests that are Paris Interests,

less

(x) the Specified Vornado Transaction Costs multiplied by the Paris Allocation,

plus

(y) the Specified General Partner Transaction Costs multiplied by the Paris Allocation,

divided by

(z) the Deemed Value per Unit.

(ii) Notwithstanding the foregoing, a number of Units otherwise entitled to be received by the Contributing Partners pursuant to this **Section 1.5(c)** in exchange for the contribution of the Contributed Interests that are Paris Interests (collectively, the "Paris Escrow Units") shall be retained and held pursuant to the Escrow Agreement in accordance with the terms of this Agreement and the Escrow Agreement. The number of Paris Escrow Units shall be calculated as follows: $1,000,000.00 divided by

the Deemed Value per Unit, multiplied by the Paris Allocation, and rounded in accordance with **Section 1.5(d)**.

(d) **No Registration.** Notwithstanding any other provision of this Agreement or any other agreement, if the issuance of Units pursuant to this **Section 1.5** would constitute an offering or issuance of securities which is required to be registered with appropriate governmental authorities under the laws of any applicable federal, state or other jurisdiction (other than the filing of a notice Form D with the Securities and Exchange Commission (the "Commission"), if applicable), the Operating Partnership shall not be obligated to deliver the Units (and such Units shall not be considered to have been offered), this Agreement shall terminate and no party hereto shall have any further liability under or in respect of this Agreement to any other party hereto.

(e) **No Fractional Units.** The Operating Partnership shall not issue or deliver any fractional Units in the Transaction or upon the distribution of Units by the Escrow Agent (as defined herein). Prior to any rounding of Units at Closing pursuant to this **Section 1.5(e)**, Units to be received by each Contributing Partner pursuant to **Section 1.5(b)** and, if applicable, **Section 1.5(c)**, shall be aggregated, and the aggregate amount of Geneva Escrow Units and, if applicable, Paris Escrow Units, shall be calculated. The aggregate Units so calculated to be issued to a given Contributing Partner or to be withheld from a given Contributing Partner pursuant to the Escrow Agreement shall be rounded such that (i) fractions of a Unit otherwise issuable that are greater than or equal to one-half of a Unit shall be rounded to the next largest integral number of Units, and (ii) fractions of a Unit otherwise issuable that are less than one-half of a Unit shall be rounded down to the next smallest integral number of Units.

(f) **Admission to the Operating Partnership.** Notwithstanding any other provision contained in this Agreement, upon the Closing, each Contributing Partner acquiring Units shall be automatically admitted to the Operating Partnership as a limited partner of the Operating Partnership, without any further act, approval or vote of any Person. Each Contributing Partner shall, upon such admission, be subject to, and bound by, the Vornado Partnership Agreement, including all of the terms and conditions of such agreement, the power of attorney granted in Section 15.11 thereof and the terms agreed to in the Limited Partner Acceptance Agreement executed by each such Contributing Partner. The name of each such Contributing Partner and the number of Units issued to each such Contributing Partner at the Closing shall be recorded by the Company, as general partner of the Operating Partnership, in the books and records of the Operating Partnership.

For purposes of this Agreement, "Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or other form of business or legal entity.

1.6 Federal Income Tax Characterization. The General Partners and Vornado each intends that (i) the Transaction shall be treated as a contribution of the Contributed Interests by the Contributing Partners to the Operating Partnership solely in exchange for Units and within the scope of Section 721 of the Internal Revenue Code of

1986, as amended (the "Code"), and (ii) the VNO Transaction Sub and any other wholly-owned subsidiary of the Operating Partnership that is involved in the Transaction shall be disregarded for federal income tax purposes. Each Contributing Partner and Vornado shall treat the Transaction as set forth in this Section 1.6 for all federal income tax purposes.

1.7 Escrow; Appointment of Representatives.

(a) At the Closing, the Operating Partnership shall deposit or cause to be deposited in escrow with the escrow agent named in the Escrow Agreement (as defined herein) (the “Escrow Agent”) the Geneva Escrow Units and the Paris Escrow Units (collectively, the “Escrow Units”). Such Units shall be deposited by the Contributing Partners, and shall be held and released in accordance with the terms of this Agreement and that certain Escrow Agreement dated as of the Closing Date, among the Company, the Operating Partnership, Messrs. Smith and Kogod, each in his capacity as an individual and a Representative, and the Escrow Agent in substantially the form attached hereto as Exhibit C-1 (the “Escrow Agreement”). The voting, distribution and other rights with respect to the Escrow Units shall be as set forth in the Escrow Agreement.

(b) The General Partners are hereby authorized and appointed to act for, and on behalf of, the representatives of any and all of the Contributing Partners (the “Representatives”), (with full power of substitution) in connection with the Transaction or this Agreement, including any assertion of any and all claims for satisfaction of a loss by the Company, the Operating Partnership or certain affiliates pursuant to the terms of this Agreement, the provisions of the Escrow Agreement and the Deposit Escrow Agreement pertaining thereto and all actions and determinations in connection therewith. The General Partners hereby agree that the Company and the Operating Partnership may rely upon the authority of the Representatives to act without any inquiry. Each Other Partner electing to become a Contributing Partner hereby designates and appoints the General Partners (either of whom may act) as its true and lawful attorney-in-fact to execute and deliver, in its name, place and stead, the Tax Reporting and Protection Agreement. Each Other Partner electing to become a Contributing Partner shall be bound by this **Section 1.7(b)** and all other provisions in this Agreement.

1.8 Transfer Restrictions; Redemption Rights.

(a) The Contributing Partners shall not have the right, during the period commencing on the Closing Date and ending on the first anniversary thereof, to sell, pledge, hypothecate, transfer or otherwise dispose of, in whole or in part, directly, indirectly or beneficially, any of the Units issued in connection with the Transaction. Notwithstanding the foregoing, pursuant to Sections 11.3(A) of the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as heretofore amended and as further amended pursuant to **Section 5.3** hereof (the “Vornado Partnership Agreement”), the Company, as general partner of the Operating Partnership, hereby agrees that a Contributing Partner may transfer all or a portion of its Units issued in connection with the Transaction (i) in the case of a Contributing Partner who is an

individual, to his or her Immediate Family, any trust formed solely for the benefit of such Contributing Partner and/or any member of his or her Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity in which such Contributing Partner and/or any member of his or her Immediate Family, directly or indirectly, own at least seventy-five percent (75%) of the equity interests, (ii) in the case of a Contributing Partner which is a trust, to the beneficiaries of such trust who are accredited investors (each, an “Accredited Investor”), as such term is defined pursuant to Rule 501 of Regulation D, (iii) in the case of a Contributing Partner which is a partnership, limited liability company, joint venture, corporation, or other business entity, to any of its partners, members, joint venturers, stockholders, or other owners, as the case may be, who directly or indirectly owned interests in the Contributing Partner at the time of the proposed transfer and who are Accredited Investors, (iv) pursuant to a gift or other transfer without consideration, (v) pursuant to applicable laws of descent or distribution, and (vi) to a charitable foundation established and maintained by or on behalf of such Contributing Partner or a member of such Contributing Partner’s Immediate Family. In the case of any transfer described in clauses (i) through (vi) of the preceding sentence, any transfer must also comply with Sections 11.3(C), 11.3(D), 11.3(E), 11.4 and 11.6 of the Vornado Partnership Agreement and then only if the transferee agrees in a writing satisfactory to the Company, as general partner of the Operating Partnership, acting reasonably, to be bound by the transfer restrictions contained in this **Section 1.8(a)**. A trust or other entity may be considered formed “for the benefit” of a Contributing Partner’s Immediate Family member even though some other Person has a remainder interest under or with respect to such trust or other entity. For purposes of this Agreement “Immediate Family” means, in the case of a Partner or a Contributing Partner who is an individual, his or her spouse, parents, descendants (natural, adoptive or by re-marriage), nephews, nieces, brothers, sisters and their respective spouses.

Notwithstanding this **Section 1.8(a)**, without the prior written consent of the Operating Partnership, no Contributing Partner may transfer or redeem Escrow Units (which will continue to be subject to the limitations on transfers and redemptions in the Vornado Partnership Agreement) prior to any release of such units pursuant to the terms of the Escrow Agreement.

(b) All Units issued pursuant to this Agreement shall contain an appropriate restrictive legend describing the restrictions on transfer that are applicable to such Units.

(c) The Units issued pursuant to this Agreement shall have the redemption rights set forth in the Vornado Partnership Agreement, as amended by the Amendment to the Vornado Partnership Agreement attached as **Exhibit F** hereto.

ARTICLE II

THE STUDY PERIOD AND DEPOSIT ESCROW

2.1 Study Period. The General Partners shall, from the Execution Date until forty-five (45) days after the Execution Date (the “Study Period”), and if Vornado elects to proceed to Closing under the terms of this Agreement then through the Closing Date, provide to Vornado and its representatives access to (x) all documents, contracts, books and records in the possession of the General Partners or the Subject Entities regarding the Property, (y) the employees, consultants and contractors with responsibility for or material information regarding the Property, and (z) such other information as Vornado reasonably deems necessary (the “Due Diligence”). Notwithstanding the foregoing, the General Partners shall be entitled to withhold documents relating solely to the marketing for sale of the Property. Vornado may conduct physical inspections and testing of the Property; provided that, Vornado shall promptly restore any damage caused by such testing to its condition prior to such Due Diligence and shall indemnify and defend the Subject Entities and the General Partners from any and all liability which may arise as a result of the performance of the review of the Due Diligence. The General Partners shall cooperate and shall use commercially reasonable efforts to cause the Subject Entities’ representatives to cooperate fully with Vornado and its representatives in permitting reasonable access to the Property to conduct the Due Diligence. Such access may be either during normal business hours or after normal business hours after the giving of reasonable advance notice to either of the General Partners or any of their designated representatives.

2.2 Operating Information. The parties to this Agreement hereby acknowledge that the General Partners delivered the following to Vornado on or prior to the Execution Date, or shall deliver the same to Vornado within one (1) week after the Execution Date: (i) an initial Rent Roll (as defined herein) dated as of the Execution Date, (ii) a copy of every Space Lease in effect as of the Execution Date, (iii) a list of all Equipment Leases and Operating Agreements and all employees engaged in the management and operation of the Property, including their salaries, and (iv) all surveys, title policies, evidence of zoning and subdivision, development plans, structural plans and specifications, operation and maintenance plans, ADA audits, environmental and engineering reports and studies related to the Property available to the Subject Entities and/or the General Partners (the “Preliminary Diligence Materials”). At Closing, the General Partners shall represent and warrant that each Rent Roll is true, correct and complete in all material respects. Prior to the termination of the Study Period, the General Partners will give the Operating Partnership five (5) days' prior notice of any proposed lease, renewal, option or other modification with a tenant or any letter of intent with a prospective tenant for space at the Property, other than leases of individual residential units in the ordinary course of business. In addition, notwithstanding any other provision of this Agreement, the parties acknowledge and agree that the Schedules to this Agreement have not been attached hereto on the Execution Date; the General Partners shall use commercially reasonable efforts to cause such Schedules to be prepared and delivered to Vornado within one (1) week after the Execution Date.

2.3 Termination. If, in its sole and absolute discretion, Vornado is not satisfied with any of the results of its review of the Due Diligence or the Preliminary Diligence Materials, or if Vornado chooses, for any reason or for no reason, not to proceed with the Transaction, then Vornado shall have the right to terminate this Agreement by giving written notice ("Termination Notice") to the General Partners in the manner set forth in **Section 12.1**, on or before the expiration of the Study Period. Following such notice, Vornado shall be entitled to recover any cash or letter of credit deposited, pursuant to the Deposit Escrow Agreement and any earnings thereon. In the event that this Agreement is terminated pursuant to this **Section 2.3**, the parties hereto (except with respect to the indemnification obligation set forth in Section 2.1 and any other continuing obligations specifically provided for in this Agreement) shall be relieved from all further obligation or liability hereunder except that Vornado shall return all materials provided to it pursuant to this **ARTICLE II**. In the event that Vornado fails to deliver the Termination Notice as and when required by **ARTICLE X**, Vornado shall be deemed to have waived its termination right hereunder.

2.4 Confidentiality. The parties hereto each agree to, and to cause each of its respective subsidiaries or affiliates that is an entity and any employees, agents, officers, directors, shareholders, partners and advisors of itself or any of its subsidiaries or affiliates that are entities to, hold, any nonpublic information now or hereafter acquired from any of the parties in strict confidence and not to use such information for any purpose except in connection with the Transaction or the other transactions contemplated by this Agreement and shall not disclose any such information to any Person other than its own subsidiaries and directors, trustees, officers, employees, accountants, counsel, financial advisors and other representatives and affiliates without the prior written consent of the party whose nonpublic information would be disclosed.

2.5 Deposit. Concurrently with the execution of this Agreement, the Operating Partnership shall deposit or cause to be deposited in escrow with the escrow agent named in the Deposit Escrow Agreement the amount of $1,250,000.00 in cash or an irrevocable letter of credit in a form reasonably acceptable to the General Partners and expiring not less than six months after issuance. Any funds deposited pursuant to the Deposit Escrow Agreement and all earnings thereon shall be held and released in accordance with the terms of this Agreement and that certain Deposit Escrow Agreement of even date herewith among the Company, the Operating Partnership, the General Partners and Walker Title & Escrow Company, Inc. , the escrow agent, in substantially the form attached hereto as **Exhibit C-2** (the "Deposit Escrow Agreement"). If the Operating Partnership elects to terminate this Agreement pursuant to **Sections 2.3** and **10.1(g)**, the deposit and all earnings thereon shall be returned to the Operating Partnership. If this Agreement is not terminated at or prior to the expiration of the Study Period, the amount of the deposit under the Deposit Escrow Agreement shall be increased to $2,500,000.00. Thereafter, if this Agreement is terminated pursuant to (i) **Section 10.1(c)** as a result of a failure of the condition set forth in **Section 7.3** (other than as a result of a failure of the condition set forth in **Section 7.3(f)**), or (ii) **Section 10.1(e)**, such deposit and all earnings thereon shall be released to the General Partners. If this Agreement is terminated other than as set forth in the immediately preceding sentence, including as a result of the failure of a condition to Closing

(including the failure to obtain all necessary consents of the Vornado Board), the deposit and all earnings thereon shall be released to the Operating Partnership in accordance with the terms of the Deposit Escrow Agreement. At Closing the deposit and all earnings thereon shall be released to the Operating Partnership in accordance with the terms of the Deposit Escrow Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF VORNADO

The Company, the Operating Partnership and the VNO Transaction Sub, jointly and severally, represent and warrant to the Contributing Partners as follows, which representations and warranties will be true and will be given as of the date of this Agreement (the "Execution Date") and the Closing Date will survive the Closing Date as set forth in **Section 8.1**:

3.1 Organization, Good Standing and Power of the Company and the Operating Partnership. The Company is a real estate investment trust ("REIT") duly formed and existing under the laws of Maryland in good standing with the State Department of Assessments and Taxation of Maryland, with the trust power to own, lease and operate its properties and to conduct its business as it is currently being conducted and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign organization to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the business, properties, assets, financial condition or results of operations of the Company, the Operating Partnership and the entities in which the Company or the Operating Partnership, directly or indirectly, owns or controls 50% or more of the voting or economic interest (each, a "Vornado Subsidiary" and collectively, the "Vornado Subsidiaries"), taken as a whole (a "Vornado Material Adverse Effect"). The Company has provided or made available to the General Partners complete and correct copies of its Amended and Restated Declaration of Trust (the "Declaration of Trust") and Amended and Restated Bylaws (the "Bylaws"), as amended or supplemented to the date of this Agreement (which includes all resolutions of the Board of Trustees of the Company (the "Vornado Board") taken pursuant to the Declaration of Trust or Bylaws that have the effect of changing or waiving provisions of those documents or designating the terms of equity securities issued pursuant to the Declaration of Trust). The Operating Partnership has furnished to the General Partners true, correct and complete copies of its Certificate of Limited Partnership and the Vornado Partnership Agreement, both as amended or supplemented to the date of this Agreement.

(a) The Company is organized in conformity with the requirements for qualification as a REIT under the Code and currently intends to operate in a manner which allows the Company to continue to meet the requirements for taxation as a REIT under the Code.

(b) The Operating Partnership has been duly formed and is validly existing as a limited partnership in good standing under the laws of the State of Delaware and has the partnership power and authority to own, lease and operate its properties and to conduct its business as it is currently being conducted and is duly qualified as a foreign organization to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a Vornado Material Adverse Effect. The Company is the sole general partner of, and owned an approximately eighty-seven percent (87%) common limited partner interest in, the Operating Partnership as of December 31, 2004.

(c) Each Vornado Subsidiary, other than the Operating Partnership, which is covered in paragraph above, has been duly formed and is validly existing in good standing under the laws of the jurisdiction of its organization and has the power and authority to own, lease and operate its properties and to conduct its business as it is currently being conducted and is duly qualified as a foreign organization to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a Vornado Material Adverse Effect.

3.2 Capitalization. Each of the Company and the Operating Partnership has the capitalization disclosed in the respective Annual Reports on Form 10-K of the Company and the Operating Partnership for the year ended December 31, 2004 (including all documents incorporated therein by reference) and any reports, schedules, forms, statements and other documents filed with the Commission since January 1, 2005 (collectively, the "Vornado SEC Documents"). All of the issued and outstanding shares of beneficial interest, par value $.04 per share of the Company ("Vornado Common Shares") and the issued and outstanding units of beneficial interest in the Operating Partnership have been duly and validly authorized and issued and are fully paid and nonassessable.

3.3 Authorization of this Contribution Agreement. Each of the Company, the Operating Partnership and the VNO Transaction Sub has the requisite trust, partnership or limited liability company, as the case may be, power and authority to enter into this Agreement and, subject to obtaining the necessary consent of the Vornado Board, to consummate the transactions contemplated by this Agreement to which the Company, the Operating Partnership or the VNO Transaction Sub (as the case may be) is a party. The execution and delivery of this Agreement by each of the Company, the Operating Partnership and the VNO Transaction Sub and, subject to obtaining the necessary consent of the Vornado Board, the consummation by the Company, the Operating Partnership and the VNO Transaction Sub of the transactions contemplated by this Agreement to which the Company, the Operating Partnership or the VNO Transaction Sub, as the case may be, is a party have been duly authorized by all necessary trust, partnership or limited liability company, as the case may be, action on the part of each of the Company, the Operating Partnership and the VNO Transaction Sub. This Agreement has been duly executed and delivered by each of the Company, the

Operating Partnership and the VNO Transaction Sub and constitutes a valid and binding obligation of each of the Company, the Operating Partnership, and the VNO transaction Sub, enforceable against each of the Company, the Operating Partnership and the VNO Transaction Sub in accordance with its terms, except as such enforcement may be limited by (i) applicable bankruptcy, insolvency reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) equitable principles of general applicability relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.4 Financial Statements. The consolidated financial statements of the Company and the Operating Partnership included in their respective Annual Reports on Form 10-K for the year ended December 31, 2004 (collectively, the "Vornado Financial Statements") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the period involved (except as may be indicated in the notes thereto) and fairly presented, in accordance with the applicable requirements of GAAP, the consolidated financial position of the Company and the Vornado Subsidiaries, taken as a whole, as of the dates thereof and the consolidated results of operations and cash flows for the periods then ended, except for liabilities and obligations which would not have a Vornado Material Adverse Effect. Except as set forth in the Vornado Financial Statements, to the knowledge of the Company, neither the Company nor any Vornado Subsidiary has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of the Company or which, individually or in the aggregate, would have a Vornado Material Adverse Effect.

3.5 Absence of Certain Changes or Events. Except as disclosed in the Vornado SEC Documents, since December 31, 2004, neither the Company nor any of the Vornado Subsidiaries has sustained an occurrence or circumstance that has had a Vornado Material Adverse Effect (a "Vornado Material Adverse Change"), nor has there been any occurrence or circumstance that with the passage of time would reasonably be expected to result in a Vornado Material Adverse Change.

3.6 Taxes.

(a) As used in this Agreement, "Taxes" will include all federal, state, local and foreign income, property, sales, employee withholding, excise and other taxes, tariffs or governmental charges of any nature whatsoever, together with penalties, interest or additions to Tax with respect thereto.

(b) The Company, (i) beginning with its taxable year ended December 31, 1993 and through the most recent December 31, has been subject to taxation as a REIT within the meaning of the Code and has satisfied all requirements to qualify as a REIT for such years, (ii) has operated, and intends to continue to operate, in such a manner as to qualify as a REIT for the tax year ending December 31, 2005, and (iii) has not taken or omitted to take any action which would reasonably be expected to result in a

challenge to its status as a REIT, and to the knowledge of Vornado, no such challenge is pending or threatened.

(c) The Operating Partnership (i) beginning with its taxable year ended December 31, 1997 has qualified as a partnership for federal income tax purposes (and is not classified as an association taxable as a corporation for federal income tax purposes), (ii) has operated, and intends to continue to operate, in such a manner as to qualify as a partnership and avoid classification as a corporation and (iii) has not taken or omitted to take any action which would reasonably be expected to result in a challenge to its status as a partnership, and to the knowledge of Vornado, no such challenge is pending or threatened. VNO Transaction Sub is an entity that is disregarded for federal income tax purposes with the Operating Partnership treated for federal income tax purposes as owning all assets owned by VNO Transaction Sub.

3.7 Absence of Conflicts and Defaults. The execution and delivery of this Agreement and the compliance by Vornado with all of the provisions of this Agreement, and the consummation of the transactions contemplated herein, including the issuance of the Units by the Operating Partnership, and any Common Shares issuable upon the redemption of such Units, will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of the Company, the Operating Partnership, the VNO Transaction Sub or any other Vornado Subsidiary under (i) the Declaration of Trust or Bylaws or the comparable organizational documents of any such entity, each as amended or supplemented to the date of this Agreement, (ii) any loan or credit agreement, note, bond, mortgage, indenture, reciprocal easement agreement, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Company, the Operating Partnership, the VNO Transaction Sub or any other Vornado Subsidiary or their respective properties or assets, or (iii) subject to the governmental filings and other matters referred to in the following sentence, any law, ordinance, governmental rule, permit, license, regulation, judgment, order or court decree (collectively, "Laws") applicable to the Company, the Operating Partnership, the VNO Transaction Sub or any other Vornado Subsidiary or their respective properties or assets, other than, in the case of clause (ii) or (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a Vornado Material Adverse Effect, or (y) prevent the consummation of the Transaction. No consent, approval, order or authorization of, or registration, declaration or filing with, any nation, government, state or political subdivision of or any agency or department of any thereof (collectively, "Governmental Entity") is required by or with respect to the Company, the Operating Partnership, the VNO Transaction Sub or any other Vornado Subsidiary in connection with the execution and delivery of this Agreement or the consummation by the Company, the Operating Partnership or the VNO Transaction Sub, as the case may be, of any of the transactions contemplated by this Agreement, except for (1) the filing with the Commission of such reports and filings under the Securities Act and under Sections 13(a) and 13(d) of the Exchange Act (as defined herein), as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (2) such filings as may be required in

connection with the payment of any transfer Taxes (as defined herein) and (3) such other consents, approvals, orders, authorizations, registrations, declarations and filings as (A) may be required under (x) federal, state or local environmental laws, or (y) the "blue sky" laws of various states, or (B) which, if not obtained or made, would not, in the aggregate, have a Vornado Material Adverse Effect or prevent the consummation of the Transaction.

3.8 Vornado SEC Documents. The Company and the Operating Partnership have filed all reports, schedules, forms, statements and other documents required to be filed by them with the Commission since January 1, 2004. The Vornado SEC Documents, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Securities Act or Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

3.9 No Securityholder Vote Required. No votes of the holders of any class or series of the Company's shares of beneficial interest or any of the unitholders of any class or series of partnership units of the Operating Partnership is necessary (under applicable law or any of such entity's organizational documents or otherwise) to approve this Agreement and the transactions contemplated hereby. Other than the necessary consent of the Vornado Board, no trust, partnership or limited liability company action is necessary to approve this Agreement and the transactions contemplated hereby.

3.10 Definition of "Knowledge." As used in this Agreement, "knowledge of Vornado," "knowledge of the Company," "knowledge of each of the Company and the Operating Partnership" or "knowledge of any Vornado Subsidiary" (or words of similar import) means the actual knowledge of Joseph Macnow.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE GENERAL PARTNERS

The General Partners hereby represent and warrant to Vornado as follows, which representations and warranties will be true and will be given as of the Execution Date and the Closing Date and will survive the Closing Date is set forth in **Section 8.1**.

4.1 Organization, Good Standing and Qualification. Each of Paris LP, Geneva LP and Rome LP has been duly formed and is validly existing as a limited partnership in good standing under the laws of the Commonwealth of Virginia with partnership power and authority to own, lease and operate its properties and conduct the business in which it is engaged. Paris LLC has been duly formed and is validly existing as a limited liability company in good standing under the laws of the Commonwealth of Virginia with limited liability company power and authority to own, lease and operate its properties and conduct the business in which it is engaged. Each Subject Entity is duly qualified to transact business and is in good standing under the laws of each jurisdiction

in which it owns or leases properties, or conducts any business, so as to require such qualification other than in such jurisdictions where the failure to be so qualified or licensed, individually or in the aggregate, would not have a Subject Entities Material Adverse Effect (as defined herein). The General Partners have furnished or made available to the Company and the Operating Partnership true, correct and complete copies of its Certificate of Limited Partnership and the Limited Partnership Agreement of Paris LP, Geneva LP and Rome LP, each as amended or supplemented to the date of this Agreement, and the Articles of Organization and Operating Agreement of Paris LLC, each as amended or supplemented to the date of this Agreement (collectively, the "Governing Documents"). The Subject Entities are not in violation of the Governing Documents.

4.2 Enforceability. This Agreement has been duly executed and delivered by the General Partners and constitutes the legal, valid and binding agreement of the General Partners enforceable against them in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) equitable principles of general applicability relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.3 Capital Structure. The only interests in the Subject Entities outstanding are those membership or partnership interests indicated on **Schedule 4.3** which are held by the Persons that are identified as the holders of such interests on **Schedule 4.3**. Except as set forth in **Schedule 4.3**, no interests of the Subject Entities are issued, reserved for issuance or outstanding. All outstanding interests in the Subject Entities are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no bonds, debentures, notes or indebtedness of the Subject Entities or any other entity which give the holder thereof the right to vote (or which are convertible into, or exchangeable for, securities having the right to vote) on any matters on which the holders of interests in the Subject Entities may vote. Except as set forth in **Schedule 4.3** or in the Governing Documents, there are no outstanding securities, options, warrants, calls, rights, convertible securities, commitments, agreements, arrangements or undertakings of any kind to which any of the Subject Entities is a party or by which any of the Subject Entities is bound, obligating any Subject Entity to issue, deliver or sell, or cause to be issued, delivered or sold, additional interests in the Subject Entity to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. Except as set forth in **Schedule 4.3**, there are no outstanding contractual obligations of any Subject Entity to repurchase, redeem or otherwise acquire any shares of beneficial interest or other ownership interests in any Subject Entity or to make any material investment (in the form of a loan, capital contribution or otherwise) in any Person.

4.4 No Subsidiaries. No Subject Entity owns, directly or indirectly, any capital stock or other ownership interest in any Person, other than (i) interests in Environmental Control Associates, (ii) in the case of Paris LLC, an interest in Paris LP, (iii) in the case of Rome LP, an interest in Geneva LP, and (iv) in the case of Paris LP, an interest in Geneva LP.

4.5 Property; Equipment Leases. Paris LP is the sole owner of good and marketable title to all Paris Property other than the Paris Real Property, free and clear of all Encumbrances other than the Permitted Mortgage Debt and those Encumbrances set forth on **Schedule 4.5(a)**.

(b) Geneva LP is the sole owner of good and marketable title to all Geneva Property other than the Geneva Real Property, free and clear of all Encumbrances other than the Permitted Mortgage Debt and those Encumbrances set forth on **Schedule 4.5(b)**.

(c) Paris LLC has good and marketable title to its general partner interest in Paris LP free and clear of all Exceptions.

(d) Rome LP has good and marketable title to its limited partner interest in Geneva LP free and clear of all Exceptions.

(e) **Schedule 4.5(e)** sets forth all Equipment Leases in effect on the date hereof for equipment where the remaining payments under a given lease total $10,000 or more, and the General Partners have made available to Vornado true, accurate and complete copies of such Equipment Leases. Each of the Equipment Leases is in full force and effect and neither the applicable Subject Entity nor, to the knowledge of the General Partners, any other party thereto, is in default in any material respect thereunder and no event has occurred which, with the lapse of time or the giving of notice, or both, would constitute a default in any material respect thereunder. The equipment owned by the Subject Entities, together with such equipment, if any, as the Subject Entities have the right to use under an Equipment Lease, is sufficient to permit the full operation of the Property for its intended purpose.

4.6 Operating and Other Agreements. The General Partners have made available to Vornado a true, accurate and complete copy of each maintenance, construction, service or supply contract that affect any portion of the Paris Real Property, Paris Personal Property, Geneva Real Property or Geneva Personal Property (collectively, "Operating Agreements") in effect as of the date hereof. All of the Operating Agreements are cancelable without penalty on not more than sixty (60) days' notice to the other party. At the Closing, there will be no agreement in effect relating to the provision of management or leasing services to the Property other than the contracts described on **Schedule 4.6**.

4.7 Noncontravention. Except in connection with consents set forth in **Schedule 4.7**, the execution, delivery and performance of this Agreement by the General Partners and the consummation by the Contributing Partners of the Transaction and other transactions contemplated by this Agreement will not conflict with, or result in any violation of, or conflict with, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, amendment, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon the Contributed Interests under (i) the Governing Documents, (ii) any loan or credit agreement, note, bond, mortgage, indenture, reciprocal easement

agreement, lease or other agreement, instrument, permit, concession, franchise or license applicable to any Subject Entity or by which any property or asset of any Subject Entity is bound or affected, or (iii) any Laws applicable to any Subject Entity or by which any property or asset of any Subject Entity is bound or affected. No consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Governmental Entity (as defined herein) is required by or with respect to the General Partners in connection with the execution and delivery of this Agreement or the consummation by the Contributing Partners of any of the transactions contemplated by this Agreement, except for (A) such filings as may be required in connection with the payment of any transfer Taxes and (B) such other consents, approvals, orders, authorizations, registrations, declarations and filings as are set forth in **Schedule 4.7** or which, if not obtained or made, would not, in the aggregate, have a Subject Entities Material Adverse Effect (as defined herein) or prevent the consummation of the Transaction.

4.8 Absence of Certain Changes or Events. Since December 31, 2003, each Subject Entity has conducted its business in the ordinary course consistent with its past practices and there has not been (i) any occurrence or circumstance affecting any Subject Entity that has had, or that with the passage of time would reasonably be expected to have, a material adverse effect on the results of operations, assets, business, properties, or financial condition of the Subject Entities, taken as a whole (a "Subject Entities Material Adverse Effect"), (ii) any damage, destruction or loss not covered by insurance (subject to deductibles), (iii) any change in accounting methods, principles or practices by any Subject Entity, except insofar as required by a change in GAAP, (iv) except for distributions of net cash in the ordinary course of business of the Subject Entities, or as set forth in **Schedule 4.8,** or as otherwise provided for in this Agreement, any declaration, setting aside or payment of any distribution (whether in cash, stock or property) with respect to any interests in any Subject Entity, or (v) any split, combination or reclassification of any interests in any Subject Entity or any issuance or the authorization of any issuance of any other securities in respect of, or in lieu of or in substitution for, or giving the right to acquire by exchange or exercise, its interests.

4.9 Litigation. Except as set forth in **Schedule 4.9**, and other than personal injury, routine tort litigation that has arisen from the ordinary course of operation of the Subject Entities and which are covered by adequate insurance (other than deductibles), there is no action, suit or proceeding pending or, to the knowledge of the General Partners, threatened against or affecting the General Partners or Subject Entities which, if determined adversely to the General Partners or Subject Entities, individually or in the aggregate, could reasonably be expected to (A) have a Subject Entities Material Adverse Effect, or (B) prevent the consummation of the Transaction, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against the General Partners or Subject Entities having, or which, insofar as reasonably can be foreseen, in the future would have either such effect.

4.10 Intentionally Deleted.

4.11 Space Leases.

(a) With respect to the residential portions of the Property, each of the rent roll provided by the General Partners to the Company and the Operating Partnership dated as of the Execution Date and the rent roll to be provided to the Company and the Operating Partnership at or immediately prior to the Closing pursuant to **Section 7.2(a)** (each a "Rent Roll" and collectively, the "Rent Rolls") is accurate and complete in all material respects. With respect to the non-residential portions of the Property, the General Partners have made or will make available to Vornado true, correct and complete copies of all of such leases or other agreements affecting the occupancy of the Property, including all amendments, modifications, supplements, renewals, extensions and guarantees related thereto (collectively, the "Space Leases").

(b) Except as set forth on **Schedule 4.11(b)**, there are no leasing commissions or similar payments that are payable in respect of any of the Space Leases.

4.12 Intentionally Deleted.

4.13 Intentionally Deleted.

4.14 Environmental Compliance. Except as provided in any environmental report furnished to or obtained by the Company and the Operating Partnership with respect to the Property, to the knowledge of the General Partners (i) none of the Subject Entities nor any other Person has caused or permitted (A) the unlawful presence of any Hazardous Materials on the Property, which presence or occurrence would, in the aggregate, have a Subject Entities Material Adverse Effect; or (B) any unlawful spills, releases, discharges or disposal of Hazardous Materials to have occurred or be presently occurring on or from the Property as a result of any construction on or operation and use of the Property which would, in the aggregate, have a Subject Entities Material Adverse Effect; and (ii) the Property and the Subject Entities are in compliance with all applicable Environmental Laws, except to the extent such failure to comply, in the aggregate, would not have a Subject Entities Material Adverse Effect.

4.15 Compliance with Laws and Other Instruments. Except as set forth in **Schedule 4.15**, to the knowledge of the General Partners, the Subject Entities are not (i) in violation of any Governing Documents, (ii) in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) in violation of, and the General Partners have not received any notice of any alleged violation, which has not been cured, of any Laws to which it or its property or assets may be subject or has failed to obtain any license, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or the conduct of its business, except for any such violations, defaults or failures to comply described in clauses (ii) or (iii) of this **Section 4.15** which would not, in the aggregate, have a Subject Entities Material Adverse Effect.

4.16 Intentionally Deleted.

4.17 Taxes.

(a) Except as set forth in **Schedule 4.17(a)**, the Subject Entities have (i) duly and timely filed all tax returns and information returns required to be filed by them (after giving effect to any filing extensions properly granted by a Governmental Entity having the authority to do so) and all such returns are accurate and complete in all material respects and (ii) paid or withheld, as applicable, all Taxes required to be shown on such returns and reports or otherwise required to be paid or withheld, as applicable, by them, and the Subject Entity Financial Statements reflect an adequate reserve for all material Taxes payable by the Subject Entities for all taxable periods and portions thereof through the date of such financial statements, except for such failures that do not have a Subject Entities Material Adverse Effect. Complete and correct copies of all federal, state and local tax returns and reports for the Subject Entities and all written communications relating thereto have been provided or made available to Vornado. Since the date of the Subject Entity Financial Statements, the Subject Entities have not incurred any material liability for Taxes other than Taxes incurred in the ordinary course of business. To the knowledge of the General Partners, no event has occurred, and no condition or circumstance exists, which presents a material risk that any material Taxes described in the preceding sentence with respect to the period described in the said sentence will be imposed upon the Subject Entities or the Property. Except as set forth in **Schedule 4.17(a)**, or as are reserved for in the Subject Entity Financial Statements, no deficiencies for any Taxes have been assessed or, to the knowledge of the General Partners, proposed or asserted against the Subject Entities or the Property and no requests for waivers of the time to assess such Taxes are pending, except for such deficiencies that do not have a Subject Entities Material Adverse Effect.

(b) To the knowledge of the General Partners, the Subject Entities as of the Closing Date, do not own, in the aggregate, securities of any one issuer (other than any other Subject Entity) having a value of more than 10% of the total value of the outstanding securities of such issuer.

(c) Each of the Subject Entities and the General Partners, and to the knowledge of the General Partners, the Other Partners, is a "United States person" within the meaning of Section 7701(a)(30) of the Code.

(d) To the knowledge of the General Partners, all of the liabilities of the Subject Entities expected to be outstanding as of the Closing qualify as "qualified liabilities" as defined in Treasury Regulations § 1.707-5(a)(6).

(e) To the knowledge of the General Partners, the Subject Entities do not currently and, prior to the Closing, will not and will not agree to, directly or indirectly furnish or render services to the tenants of the Real Property or Personal Property, or manage or operate, such property, other than either (i) through an "independent contractor" with respect to the Subject Entities (within the meaning of Section 856(d)(3) of the Code) from whom or which the Subject Entities do not derive or receive any income within the meaning of Section 856(d)(7) of the Code (treating each of the Subject Entities for the purposes of this representation as if it were a "real estate

investment trust" as defined in Section 856(a) of the Code) or (ii) services usually or customarily rendered in connection with the rental of space for occupancy only within the meaning of Treasury Regulations Section 1.512(b)-1(c)(5), or not rendered primarily for the convenience of the occupant of the real property, within the meaning of Treasury Regulations Section 1.512(b)-1(c)(5).

(f) To the knowledge of the General Partners, the Subject Entities do not currently and, prior to Closing, will not and will not agree to receive or accrue rent attributable to Personal Property except with respect to a lease of Real Property where the average of the fair market values of the Personal Property at Closing will not exceed 15 percent of the average of the aggregate fair market values at Closing of the Real Property and the Personal Property leased under such lease within the meaning of Section 856(d)(1) of the Code.

(g) To the knowledge of the General Partners, the Subject Entities do not currently receive or accrue or have the right to receive or accrue, and, prior to Closing, will not and will not agree to receive or accrue, directly or indirectly, any rent or interest, where the determination of the amount of rent or interest depends, in the case of rent, on the income or profits of any Person from the Property, and, in the case of interest, upon the income or profits of any Person, other than interest or rent that is based on a fixed percentage or percentages of receipts or sales within the meaning of Section 856(d)(2)(A) or Section 856(f)(l)(A) of the Code.

4.18 Vote Required; Consents. If the Transaction is consummated, other than the consents described on **Schedule 4.18**, no vote or consent of the holders of any class or series of interests of any Subject Entity is necessary or required to approve this Agreement, the Transaction and any other transaction contemplated hereby.

4.19 Subject Entity Financial Statements; Undisclosed Liabilities.

(a) The audited financial statements for each of Paris LP and Geneva LP for the year ended December 31, 2003 (the "Subject Entity Financial Statements") have been provided to Vornado, and the Subject Entity Financial Statements fairly present the financial position of Paris LP and Geneva LP, respectively, as of the respective dates, and present the results of operations and changes in financial position for the respective periods, indicated therein, on a basis consistent with prior accounting periods (except as may be stated in the notes thereto).

(b) Promptly upon completion of the audited financial statements for each of Paris LP and Geneva LP for the year ended December 31, 2004, the General Partners shall provide to Vornado copies of such financial statements and such financial statements shall be considered Subject Entity Financial Statements.

(c) There exist no liabilities (whether accrued, contingent, absolute or otherwise) of the Subject Entities except (i) liabilities reflected in the most recent balance sheets included in the Subject Entity Financial Statements, (ii) liabilities incurred in the ordinary course of business by Paris LP or Geneva LP since the date of such balance

sheet that would not be reasonably expected to have a Subject Entities Material Adverse Effect, or (iii) liabilities that are of the type that would not be required to be reflected on a combined balance sheet of the Subject Entities, or in the notes thereto, if such balance sheet were prepared in accordance with GAAP as of the date hereof.

(d) The Subject Entity Financial Statements, and any additions thereto with respect to the quarterly periods in 2005, to be included in the Information Statement will present the results of operations and changes in financial position for the respective periods, indicated therein, on a basis consistent with prior accounting periods (except as may be stated in the notes thereto). Notwithstanding anything to the contrary contained in this Agreement, this representation and warranty will be effective as of the date of this Agreement, the date of the Information Statement and the date of the Closing. The Subject Entities have, or as of the date of the distribution of the Information Statement will have, received the necessary approvals, if any, of the Subject Entities' auditors to the inclusion of such financials in the Information Statement.

4.20 Intentionally Deleted.

4.21 Intellectual Property Rights. To the knowledge of the General Partners, the Subject Entities own and possess all right, title and interest in and to the intellectual property set forth on **Schedule 4.21**. The Subject Entities own and possess all right, title and interest in or have a valid and enforceable license to use, all material intellectual property rights used in connection with their businesses, and none of such intellectual property rights is subject to any claim, judgment, injunction, order, decree, pledge, encumbrance or agreement restricting in any material respect the use or licensing thereof by the Subject Entities. Except as set forth in **Schedule 4.21**, there are no pending, or, to the knowledge of the General Partners, threatened claims or proceedings (i) alleging that the use or possession by the Subject Entities of any of such intellectual property rights, infringes, misappropriates or violates any third person's rights; or (ii) challenging the ownership, possession or use of any registration of any such intellectual property rights, and the General Partners are not aware of any grounds for such claims or proceedings. To the knowledge of the General Partners, no Person is infringing, misappropriating or violating any of such intellectual property rights, except where any such infringement, misappropriation or violation would not have a Subject Entities Material Adverse Effect.

4.22 Investment Company Act of 1940. No Subject Entity is, or will be at the Closing, an "investment company" as defined in the 1940 Act, and no Subject Entity is controlled by an investment company.

4.23 Intentionally Deleted.

4.24 Employees. The Subject Entities have no employees (other than any employees of the management companies retained by the Subject Entities that may be deemed to be employees of the Subject Entities as a matter of common law) and have not sponsored, maintained, contributed to or been required to contribute to any "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

4.25 Related Party Transactions. Except as set forth in **Schedule 4.25**, there are no arrangements, agreements or contracts entered into by the Subject Entities with any General Partner or Person who is an executive officer, director of any Subject Entity or any Person who owns more than a five percent (5%) economic or voting interest of any Subject Entity, or any member of the immediate family or affiliates of any of the foregoing.

4.26 Contracts and Debt Instruments.

(a) **Schedule 4.26(a)** sets forth a list of each loan or credit agreement, note, bond, mortgage, indenture or any other primary agreement or instrument pursuant to which any indebtedness of the Subject Entities is outstanding or may be incurred, true and correct copies of which have been made available to Vornado (collectively, "Permitted Mortgage Debt"). Except as set forth in **Schedule 4.26(a)**, the Subject Entities do not have any derivative instruments outstanding.

(b) Except as set forth in **Schedule 4.26(b)**, the Subject Entities are not a party to any agreement which would restrict any of them from prepaying any of their indebtedness without premium or penalty at any time.

(c) The Subject Entities do not have any pending claim or, to the knowledge of the General Partners, any threatened claims regarding material continuing contractual liability (A) for indemnification under any agreement relating to the sale of real estate previously owned, whether directly or indirectly, by the Subject Entities or (B) to pay any additional purchase price for any of the Property.

(d) The Subject Entities have not entered into, nor is any of them subject, directly or indirectly, to, any tax protection agreements. As used herein, a "tax protection agreement" is an agreement, oral or written, (A) that has as one of its purposes to permit a Person to take the position that such Person could defer federal taxable income that otherwise might have been recognized upon a transfer of property to the Subject Entity that is treated as a partnership for federal income tax purposes, and that (i) prohibits or restricts in any manner the disposition of any assets of any Subject Entity, (ii) requires that any Subject Entity to maintain, put in place, or replace, indebtedness, whether or not secured by any of the Property or (iii) requires that any Subject Entity offer to any Person at any time the opportunity to guarantee or otherwise assume, directly or indirectly (including through a "deficit restoration obligation," guarantee (including a "bottom" guarantee), indemnification agreement or other similar arrangement), the risk of loss for federal income tax purposes for indebtedness or other liabilities of any Subject Entity, (B) that specifies or relates to a method of taking into account book-tax disparities under Section 704(c) of the Code with respect to one or more assets of any Subject Entity, or (C) that requires a particular method for allocating one or more liabilities of any Subject Entity under Section 752 of the Code. The Subject Entities have not entered into any agreements that specify a method of taking into account book-tax disparities under Section 704(c) of the Code with respect to appreciated assets that have been contributed to the Subject Entities.

4.27 Standstill Agreements. No Subject Entity is a party to, or bound by, any confidentiality, standstill or similar agreements.

4.28 Brokers and Finders. No broker, investment banker, financial advisor or other Person, other than Stanger & Co., the fees and expenses of which have previously been disclosed to Vornado, is entitled, or would, assuming the consummation of the Transaction, be entitled, to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transaction based upon arrangements made by or on behalf of the General Partners or any Subject Entity.

4.29 Definition of "Knowledge." As used in this Agreement, knowledge of the General Partners (or words of similar import) means the actual knowledge of Robert H. Smith and Robert P. Kogod.

4.30 Securities Law Matters. The General Partners make those acknowledgments, representations, warranties, and agreements of the "Investor" set forth on **Exhibit D** which by the terms of **Exhibit D** apply to the General Partners.

4.31 Evidence of Partnership Interests. The only document that has been distributed by any Subject Entity to any member or partner of such Subject Entity evidencing such member's or partner's interest in the Subject Entity is a copy of the Governing Documents, including a then-current Schedule "A" thereto, and no certificates or other evidences of interest in any Subject Entity has ever been issued to any member or partner in any Subject Entity.

ARTICLE V

COVENANTS

5.1 Execution of Tax Reporting and Protection Agreement. On the Closing Date, the Company, the Operating Partnership and the VNO Transaction Sub shall enter into the Tax Reporting and Protection Agreement in substantially the form attached hereto as Exhibit E, with Messrs. Smith and Kogod, in their capacity as Members, General Partners and Limited Partners of the Subject Entities and in their capacity as the Representatives of and for the benefit of each Contributing Partner (the "Tax Reporting and Protection Agreement").

5.2 Information Statement.

(a) Each of the General Partners, the Company and the Operating Partnership shall use its commercially reasonable efforts to cause the timely preparation and mailing of an information statement in respect of the solicitation of the agreement of each Other Partner to contribute its interests in the Subject Entities as part of the Transaction (the "Information Statement"). Vornado shall cause the preparation of the Information Statement, subject to consent of the General Partners, not to be unreasonably withheld, delayed or conditioned. Vornado's obligation to mail the Information Statement shall be conditioned on Vornado's receiving a "comfort" letter from Hariton,

Mancuso & Jones, P.C., independent public accountants for Paris LP and Geneva LP, of the kind contemplated by the Statement of Auditing Standards with respect to Letters to Underwriters promulgated by the American Institute of Certified Public Accountants (the "AICPA Statement"), dated as of the date of the Information Statement, addressed to the Company, the Vornado Board and the Operating Partnership, in form and substance reasonably satisfactory to the Company and the Operating Partnership, concerning the procedures undertaken by Hariton, Mancuso & Jones, P.C. with respect to the financial statements and information of Paris LP and Geneva LP contained in the Information Statement and the other matters contemplated by the AICPA Statement and otherwise customary in scope and substance for letters delivered by independent public accountants in connection with transactions such as those contemplated by this Agreement.

(b) The General Partners shall recommend to each of the Other Partners that they participate in the Transaction and shall use commercially reasonable efforts to obtain in a timely manner the level of participation described in **Section 7.2(c)**. Notwithstanding the foregoing, the General Partners' obligations under this **Section 5.2(b)** shall be conditioned upon the receipt by the General Partners, on or before the Expiration of the Study Period, of the fairness opinion of Robert A. Stanger & Co., Inc. ("Stanger & Co."), the General Partners' financial advisor (the "Fairness Opinion"), to the effect that, subject to the matters and assumptions set forth in such opinion, (i) the consideration to be received by Contributing Partners pursuant to the Transaction in the aggregate is fair to such Contributing Partners from a financial point of view and (ii) the allocation of the Exchange Value pursuant to this Agreement (i.e., a percentage equal to the Paris Allocation being allocated to the Paris Specific Property and a percentage equal to the Geneva Allocation being allocated to the Geneva Property, in each case without taking into account the net Closing Date Prorations); provided, however, that Vornado shall have the right, but not the obligation, to modify the Paris Allocation and the Geneva Allocation to the extent necessary to cause the Fairness Opinion to satisfy clause (ii) of the foregoing condition, so long as the sum of the Paris Allocation and the Geneva Allocation is 100%.

(c) The General Partners shall (i) cause Paris LP and Rome LP, in their capacities as limited partners of Geneva LP, to consent to the admission of the VNO Transaction Sub as a general partner of Geneva LP and such other modifications of the Geneva LP Governing Documents as are described on **Schedule 7.2(d)**; and (ii) recommend to each of the Other Partners who are limited partners of Geneva LP that they consent to such matters and shall use commercially reasonable efforts to obtain the consents to such matters described in **Section 7.2(d)**.

(d) Without limiting the terms of Section 5.2(b), the General Partners shall cooperate with the Company and the Operating Partnership in the preparation of the Information Statement and shall provide such information regarding the Subject Entities and the Other Partners as the Company and the Operating Partnership may reasonably request for purposes of the Information Statement and for the solicitation of participation by the Other Partners with respect to the Transaction. All such information shall, to the knowledge of the General Partners, be true, accurate and complete in all material respects. The General Partners shall promptly respond to inquiries and requests for

information from the Other Partners and inform the Operating Partnership of such inquiries.

5.3 Vornado Partnership Agreement Amendment. The Company and the Operating Partnership shall cause the Vornado Partnership Agreement to be amended at or prior to the Closing by approving, executing and adopting an amendment to the Vornado Partnership Agreement substantially in the form attached hereto as Exhibit F (the "Vornado Partnership Agreement Amendment").

5.4 Assignments of Interest; Limited Partner Acceptance Agreements for the Vornado Partnership Agreement. At the Closing, each General Partner shall execute and deliver to the Operating Partnership (i) an assignment of such General Partner's Interests Contributed Interests, including warranty of title, substantially in the form attached hereto as **Exhibit A**, and (ii) a Limited Partner Acceptance Agreement, accepting the terms of such Limited Partner Acceptance Agreement, including the terms of the Vornado Partnership Agreement, substantially in the form attached hereto as **Exhibit B**. The Operating Partnership and the General Partners shall require that each Contributing Partner execute and deliver to the Operating Partnership (i) an assignment of Contributed Interests substantially in the form attached hereto as **Exhibit A** and (ii) a Limited Partner Acceptance Agreement substantially in the form attached hereto as **Exhibit B**, as conditions to the delivery of any Units issued in the Transaction (including units to be deposited pursuant to the Escrow Agreement) to such Contributing Partner.

5.5 Reservation of Vornado Common Shares. The Company shall cause to be reserved a sufficient number of Vornado Common Shares to satisfy its obligation to redeem Units (if the Company were to elect to issue Vornado Common Shares upon such redemption) pursuant to the terms of the Vornado Partnership Agreement; provided that the number of Vornado Common Shares so reserved shall be subject to reduction as Units are redeemed (in exchange for either Vornado Common Shares or cash) over time.

5.6 Registration Rights Agreements. At the Closing, the Company shall enter into (a) a Registration Rights Agreement in substantially the form attached hereto as **Exhibit G-1** between the Company and the Contributing Partners other than Messrs. Smith and Kogod, Clarice R. Smith, Arlene R. Kogod and Charles E. Smith Management, Inc., and (b) an amendment in substantially the form of **Exhibit G-2** to the Registration Rights Agreement dated as of January 1, 2002, as amended, between the Company and Messrs. Smith and Kogod, Clarice R. Smith, Arlene R. Kogod and Charles E. Smith Management, Inc., in each case for the benefit of the parties named therein with respect to the Vornado Common Shares issued upon redemption of the Units issued to such Persons (or their beneficiaries) in connection with the Transaction (collectively, the "Registration Rights Agreements").

5.7 Title Insurance. The General Partners shall cooperate with Vornado in obtaining a survey update and title insurance (including a commercially reasonable non-imputation endorsement) with respect to the Property.

5.8 Distributions. Prior to or following the Closing, the General Partners shall not permit the Subject Entities to make any distributions to the Partners other than regular monthly distributions of net cash flow in the ordinary course of business and consistent with historical practices, but specifically excluding special distributions in excess of regular monthly distributions.

5.9 Maintenance of Subject Entities. Notwithstanding anything to the contrary contained in this Agreement, from and after the Execution Date until the date on which each of the Contributing Partners has executed and delivered a Limited Partner Acceptance Agreement, the General Partners shall not dissolve the Subject Entities and shall take all necessary actions to maintain the good standing and foreign qualifications, as necessary, of the Subject Entities until such date.

ARTICLE VI

CERTAIN COVENANTS PENDING THE TRANSACTION

The parties hereto hereby covenant and agree that subsequent to the Execution Date and until the Closing:

6.1 Restrictions on Transfers of Interests in the Subject Entities. To the extent permitted under the Governing Documents, from the Execution Date until the Closing Date, the General Partners shall prohibit or prevent any transfers by (i) any Other Partner of its interest in any Subject Entity, (ii) Paris LLC, Paris LP and Rome LP of their respects interests in Paris LP and/or Geneva LP, and (iii) Paris LP or Geneva LP of any interest in the Property. Each of the General Partners hereby agrees that, from the date hereof until the earlier of the Closing Date or the termination of this Agreement, he will not consent to the substitution of a limited partner of any Subject Entity pursuant to the Governing Documents without the prior written consent of Vornado.

6.2 Consummation of Transaction. Each of the General Partners and Vornado shall in good faith use its commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions to the Closing and to obtain all required consents or approvals necessary or desirable for the consummation of the Transaction.

6.3 Conduct of Business by the Subject Entities Pending the Transaction. During the period from the Execution Date to the Closing, the General Partners shall use commercially reasonable efforts to cause the Subject Entities to (i) maintain, repair, operate and lease (subject to the express restrictions on leasing set forth in this Agreement) the Property in substantially the same manner as heretofore conducted, subject to such ordinary wear and tear as may, in the ordinary course of business remain uncorrected at the Closing and except for such changes as are expressly required or permitted by this Agreement, and, to the extent consistent therewith, use commercially reasonable efforts to preserve intact their current business organization, goodwill, and ongoing businesses, (ii) maintain insurance policies on the Property of the same kind and same amount as the insurance policies in effect with respect to the Property on the Execution Date, (iii) confer on a regular basis with representatives of the Operating

Partnership regarding material matters relating to such businesses, (iv) promptly notify the Operating Partnership of any material emergency or other material change in the condition (financial or otherwise), business, properties, assets, liabilities, prospects or the normal course of its businesses or in the operation of the Property, or of any material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), and (v) duly and timely file all reports, tax returns and other documents required to be filed with federal, state, local and other authorities, subject to extensions permitted by law, provided such extensions do not adversely affect the status of each Subject Entity as a partnership under the Code.

Without limiting the generality of the foregoing, during the period from the Execution Date to the Closing, except as set forth in Schedule 6.3, or as otherwise contemplated by this Agreement, including Section 5.10, without the written consent of the Operating Partnership, the General Partners shall not cause or permit any Subject Entity to:

(a) (i) except as expressly permitted by this Agreement or the distributions of the Subject Entities in the ordinary course of their business and consistent with historical practices, declare, set aside or pay dividends on, or make any other distributions in respect of, the beneficial interests or any ownership interests of the Subject Entities, (ii) split, combine or reclassify any beneficial interests or any other ownership interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of such beneficial interest, partnership interests or other ownership interests, or (iii) purchase, redeem or otherwise acquire any shares of beneficial interest, partnership interests, "phantom units" or other ownership or similar interests or any options, warrants or rights to acquire, or security convertible into, shares of such beneficial interest, such partnership interests or such other ownership interests;

(b) issue, deliver or sell, or grant any option or other right in respect of, any voting securities, shares of beneficial interest, partnership interests or other ownership interests of the Subject Entities or any securities convertible into, or any rights, warrants or options to acquire, any such voting securities, shares of beneficial interest, partnership interests, other ownership interests or convertible securities;

(c) amend the Governing Documents;

(d) merge or consolidate with any other Person;

(e) in any transaction or series of transactions involving capital, securities or other assets or indebtedness of any Subject Entity, without first obtaining the prior written consent of the Operating Partnership: (i) sell, lease (excluding tenant leases, letters of intent or agreements related thereto for which a notice is required pursuant to this Agreement) or otherwise dispose of the Property (or any interests therein or portions thereof) or any other material assets or businesses, or assign or encumber the right to receive income, dividends, distributions and the like from such assets or businesses; or (ii) incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any

debt securities of the Subject Entities, enter into any "keep well" or other arrangements to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing, prepay or refinance any indebtedness or make any loans, advances or capital contributions to, or investments in, any other Person;

(f) make any tax election (unless required by law or necessary to preserve the status of each Subject Entity for federal income tax purposes either as a partnership or an entity that is disregarded as a separate entity);

(g) (i) change in any material manner any of its methods, principles or practices of accounting from those upon which the Subject Entity Financial Statements were prepared or (ii) make or rescind any express or deemed election relating to taxes, settle or compromise any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, except in the case of settlements or compromises relating to certiorari proceedings with respect to real estate taxes for any years for which the applicable real estate tax returns are not closed, or change any of its methods of reporting income or deductions for federal income tax returns for the most recently completed taxable year except, in the case of clause (i), as may be required by the Commission, applicable law or GAAP;

(h) subject to **Section 6.3(i)**, pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted, contingent or otherwise), other than the payment, discharge or satisfaction of any of the foregoing in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the Subject Entity Financial Statements (or the notes thereto) or incurred in the ordinary course of business consistent with past practice;

(i) settle any litigation claims against the Subject Entities that are not covered by insurance (other than deductibles), including any class action or other claims arising out of or in connection with the Transaction, except in the ordinary course of business consistent with past practice;

(j) make any loans, advances or capital contributions to, or investments in, any other Person;

(k) distribute any casualty, condemnation or other disposition proceeds;

(l) prior to the termination of the Study Period, enter into, modify, renew or extend (pursuant to an option agreement or otherwise) a lease with a tenant or enter into a letter of intent with a prospective tenant for space at the Property without providing at least five (5) days' prior notice to the Operating Partnership, other than leases of individual residential units in the ordinary course of business;

(m) after the termination of the Study Period, enter into or modify a lease with a tenant or a letter of intent with a prospective tenant for space at the Property,

other than (i) leases for which a signed letter of intent has been entered into and disclosed to the Company and the Operating Partnership prior to the Execution Date and (ii) leases of individual residential units with individual tenants in the ordinary course of business; or

(n) enter into or modify any Operating Agreements, except for any such agreements that are cancelable by the Subject Entities without penalty on not more than sixty (60) days' notice to the other party.

6.4 Other Actions. The General Partners shall not, subject to the Governing Documents, loan agreements binding on the Subject Entities and the fiduciary duties of the General Partners, take or omit to take any action in bad faith that would result in (i) any of the representations and warranties of the General Partners (without giving effect to any "knowledge" qualifications) set forth in this Agreement that are qualified as to materiality becoming untrue, (ii) any of such representations and warranties (without giving effect to any "knowledge" qualifications) that are not so qualified becoming untrue in any material respect or (iii) except as contemplated by this Agreement, any of the conditions to the Transaction set forth in ARTICLE VII not being satisfied.

6.5 Commercially Reasonable Efforts; Notification

(a) Subject to the terms and conditions herein provided, Vornado and the General Partners shall: (i) use all commercially reasonable efforts to cooperate with one another in (A) determining which filings are required to be made prior to the Closing with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Closing from, Governmental Entities and any third parties in connection with the execution and delivery of this Agreement and the consummation of the Transaction and the other transactions contemplated hereby and (B) timely making all such filings and timely seeking all such consents, approvals, permits and authorizations; (ii) use all commercially reasonable efforts to obtain in writing any consents required from third parties to effectuate the Transaction, such consents to be in form reasonably satisfactory to Vornado and the General Partners; and (iii) use all commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the Transaction. If at any time after the Closing, any further action is necessary or desirable to carry out the purpose of this Agreement, the proper officers and trustees of the Company, and, where appropriate, the General Partners, shall take all such necessary or desirable action.

(b) The General Partners shall give prompt notice to the Company and the Operating Partnership, and the Company and the Operating Partnership shall give prompt notice to the General Partners, of the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; *provided*, *however*, that no such notification shall affect the covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

6.6 Public Announcements. The General Partners shall not issue any press release or make any written public statement with respect to the Transaction without the consent of Vornado, except as may be required, based upon advice of counsel, by applicable law or pursuant to court process (in each of which event the disclosing party shall consult with Vornado before issuing, and provide Vornado the opportunity to review and comment upon, any such press release or other public statement). The parties agree that any press release to be issued with respect to the Transaction shall be prepared and issued by Vornado.

6.7 Tax Matters. Each of the Company and the Operating Partnership and the General Partners shall use its commercially reasonable efforts before and after the Closing to cause the Transaction to be treated as described in **Section 1.6** and to obtain the opinions of counsel referred to in **Sections 7.3(f)** and **7.3(g)**.

6.8 Estoppels. The General Partners shall before the Closing obtain (a) lease status reports for all General Services Administration (the "GSA") Space Leases as of the date of the Rent Roll (the "GSA Lease Summaries"), and (b) certificates in form and substance reasonably acceptable to the Operating Partnership from each of the tenants of the Property as of the date of the Rent Roll (other than tenants of individual residential units) (the "Tenant Estoppels") certifying the term of such lease (including all renewal options) and that, as of the date of the applicable certificates, such tenant's Space Lease is in full force and effect, there are no existing defaults by any Subject Entity which are known to the tenant, that there are no defaults by the tenants and containing certifications as to such other matters as the Operating Partnership shall request. If by the time the other conditions to Closing are satisfied, the General Partners have only obtained GSA Lease Summaries or Tenant Estoppels from tenants that in the aggregate lease at least seventy-five percent (75%) of the leasable space in the Property (excluding, for this purpose, any space that consists of individual residential units), Vornado may elect to delay the Closing Date for a period of thirty (30) days to enable the General Partners to obtain the remaining summaries and/or estoppels. If the General Partners remain unable to obtain any such GSA Lease Summaries and/or Tenant Estoppels after reasonable efforts, the General Partners may elect to substitute a General Partner estoppel, in form and substance reasonably acceptable to the Operating Partnership in lieu of Tenant Estoppel certificates from tenants that individually lease less than five percent (5%) of the leasable space in the Property and in the aggregate less than ten percent (10%) of the leasable space in the Property (excluding, for these purposes, space that consists of individual residential units).

6.9 Permits. The General Partners shall cause the Subject Entities to (i) maintain all material Permits in full force and effect, (ii) make timely filings of all reports, statements, renewal applications and other required documents, and (iii) make timely payments of all fees and charges in connection therewith that are required to keep such Permits in full force and effect.

6.10 Binding Commitments. Except as otherwise expressly provided herein, the General Partners shall not permit any Subject Entity to make any material commitments or representations to any applicable government authorities, any adjoining

or surrounding property owners, any tenants, any civic association, any utility or any other similar Person that would in any manner restrict the current use of the Property and be binding upon any Subject Entity or the Property without the Company's and the Operating Partnership's prior written consent in each case.

6.11 Certain Actions of General Partners. Each General Partner hereby consents to and approves the Transaction, and the other transactions contemplated by this Agreement and agrees to grant, execute and deliver such further consents, approvals and authorizations, and to take such other actions, in his capacity as a member, general partner and/or limited partner of the Subject Entities as shall be necessary or reasonably requested by the Operating Partnership or the VNO Transaction Sub at, prior to or following the Closing in order to cause the compliance and performance with the terms of this Agreement and to consummate and evidence the consummation (if any) of the Transaction and the other transactions contemplated by this Agreement. Without limiting the foregoing, each of the General Partners shall:

(a) recommend that the Other Partners agree to participate in the Transaction in accordance with the Information Statement, subject to **Section 5.2(b)**;

(b) vote in favor of the Transaction and the other transactions contemplated by this Agreement, to the extent that any such vote is required under the Governing Documents and if and to the extent such General Partner is entitled to do so; and

(c) repay any and all outstanding promissory notes, loans or other indebtedness of such General Partner to the Subject Entities on or prior to the Closing Date.

Notwithstanding anything to the contrary contained in this Agreement, the General Partners shall not be obligated to perform any action required by the terms of this **Section 6.11** or of **Section 5.2(a)** if and to the extent that the General Partners determine in good faith, based upon the advice of outside counsel to the General Partners, that the performance of such action by them would cause them to violate their duties to the Other Partners imposed by the Governing Documents or applicable law.

6.12 No Negotiations. So long as this Agreement remains in effect, the General Partners shall not, and shall use commercial reasonable efforts to cause each Subject Entity not to, (i) consider any offer from any other Person for the purchase or other acquisition, directly or indirectly, of the beneficial ownership interests in the Subject Entities, the Property or any interest therein (an "Acquisition Proposal"); (ii) solicit any offer from any Person or enter into any negotiations with respect to any such purchase or other acquisition, directly or indirectly, of the Property or any interest therein; (iii) provide any confidential or non-public information or data to, or afford access to properties, books or records to, any Person relating to, or that may reasonably be expected to lead to, an Acquisition Proposal; or (iv) enter into any letter of intent, agreement in principle or agreement relating to an Acquisition Proposal, or propose publicly to agree to do any of the foregoing, or otherwise facilitate or cooperate in any

effort or attempt to make or implement an Acquisition Proposal. The General Partners acknowledge that they have concluded that the Transaction proposed by the Company and the Operating Partnership and as provided for herein is the most favorable to the members and partners of each of the Subject Entities, and that it is fair and reasonable in such circumstances for the Company and the Operating Partnership to require this covenant as a condition and inducement to its entering into this Agreement.

6.13 Pre-Closing Disclosure of Breaches of Representations; Obligation to Cure.

(a) Notification by General Partner of their Breach. If (i) any General Partner obtains knowledge that any matter or event shall have occurred between the date hereof and the Closing Date that is not expressly permitted under any provision of this Agreement and that makes or will make any warranty or representation of the General Partners untrue in any material respect as of the Closing Date or (ii) any General Partner discovers that any warranty or representation was inaccurate in any material respect as of the date hereof, then, in either case, the General Partners shall give Vornado notice thereof promptly after obtaining such knowledge and in any event prior to the Closing. If the General Partners do so, they shall not be liable to Vornado following the Closing for the breach of the warranty or representation in question that results from the occurrence of such matter, event or inaccuracy. Notwithstanding the delivery of such notice, in no event shall Vornado be obligated to close hereunder unless the conditions precedent to Vornado's obligation to close set forth in this Agreement (including in **Section 7.2(a)**) shall have been fulfilled.

(b) Vornado Knowledge of General Partner's Breach. If Vornado has knowledge on the date hereof that any of the General Partners' warranties or representations is untrue in any respect, then the breach by the General Partners of the warranties and representations as to which Vornado shall have such knowledge shall be deemed waived by Vornado and the General Partners shall not be deemed in default hereunder and shall have no liability to Vornado or its successors or assigns in respect thereof. If, after the date hereof and prior to the Closing, Vornado obtains knowledge that any of the representations or warranties made herein by the General Partners is untrue, inaccurate or incorrect in any material respect (other than as a result of receipt of written notice thereof from the General Partners), Vornado shall give the General Partners notice thereof promptly after obtaining such knowledge and in any event prior to the Closing and the General Partners shall not be liable to Vornado following the Closing for the breach of such warranties or representations. Notwithstanding the provisions of the preceding sentence, in no event shall Vornado be obligated to close hereunder unless the conditions precedent to Vornado's obligation to close set forth in this Agreement (including in **Section 7.2(a)**) shall have been fulfilled.

(c) General Partners' Obligation to Cure Breach. If, at or prior to the Closing, any General Partner knows or obtains knowledge, by reason of notice from Vornado or otherwise, that any of the representations or warranties made by the General Partners herein are untrue, inaccurate or incorrect in any material respect, the General Partners shall be obligated to use commercially reasonable efforts to cure or correct the

underlying circumstances as necessary to eliminate the adverse effect on Vornado of such breaches or inaccuracies, which commercially reasonable efforts shall include the expenditure of up to $575,000 in the aggregate for the cure or correction of all such breaches or inaccuracies to the extent that it is possible to effect such cure or correction through the expenditure of funds. Notwithstanding anything else in this Agreement, the scheduled Closing hereunder shall be extended, but not beyond August 31, 2005, in order to provide to the General Partners sufficient time to effect such cure or correction.

(d) Notification by Vornado of its Breach. If (i) Vornado obtains knowledge that any matter or event shall have occurred between the date hereof and the Closing Date that is not expressly permitted under any provision of this Agreement and that makes or will make any warranty or representation of Vornado untrue in any material respect as of the Closing Date or (ii) Vornado discovers that any warranty or representation was inaccurate in any material respect as of the date hereof, then, in either case, Vornado shall give the General Partners notice thereof promptly after obtaining such knowledge and in any event prior to the Closing. If Vornado does so, it shall not be liable to the General Partners following the Closing for the breach of the warranty or representation in question that results from the occurrence of such matter, event or inaccuracy. Notwithstanding the delivery of such notice, in no event shall the Contributing Partners be obligated to close hereunder unless the conditions precedent to their obligation to close set forth in this Agreement (including in **Section 7.3(a)**) shall have been fulfilled..

(e) General Partners' Knowledge of Vornado's Breach. If any General Partner has knowledge on the date hereof that any of Vornado's warranties or representations is untrue in any respect, then the breach by Vornado of the warranties and representations as to which a General Partner shall have such knowledge shall be deemed waived by the General Partners and Vornado shall not be deemed in default hereunder and shall have no liability to the Contributing Partners. If, after the date hereof and prior to the Closing, any General Partner obtains knowledge that any of the representations or warranties made herein by Vornado is untrue, inaccurate or incorrect in any material respect (other than as a result of receipt of written notice thereof from Vornado), the General Partners shall give Vornado notice thereof promptly after obtaining such knowledge and in any event prior to the Closing and Vornado shall not be liable to the Contributing Partners following the Closing for the breach of such warranties or representations. Notwithstanding the provisions of the preceding sentence, in no event shall the Contributing Partners be obligated to close hereunder unless the conditions precedent to their obligation to close set forth in this Agreement (including in **Section 7.3(a)**) shall have been fulfilled.

ARTICLE VII

CONDITIONS TO THE
CONSUMMATION OF TRANSACTION

7.1 Conditions to Each Party's Obligation to Effect the Transaction. The respective obligation of each party to effect the Transaction and to consummate the other

transactions contemplated to occur at the Closing is subject to the satisfaction or waiver on or prior to the Closing of the following conditions:

(a) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Transaction or any other transaction contemplated by this Agreement shall be in effect.

(b) Blue Sky Laws. The Company and the Operating Partnership shall have received all state securities or "blue sky" permits and other authorizations necessary to issue the Units issuable in the Transaction.

(c) Consent of Gould General Partners. Kingdon Gould, Jr. and Kingdon Gould III (collectively, "Gould General Partners"), as members and general partners of the Subject Entities, shall have (i) consented to the Transaction and the admission of the VNO Transaction Sub as a member of Paris LLC, as a general partner of Geneva LP and Rome LP, and as a limited partner of Paris LP, Geneva LP and Rome LP, (ii) waived any right of first refusal or other right to purchase the interests of the Contributing Partners arising as a result of the Transaction, and consented to the waiver of any such right held by the Subject Entities, and (iii) agreed to the modifications of the Governing Documents described on **Schedule 7.1(c)**, all in form and substance satisfactory to Vornado.

(d) Consent of Board of Trustees. The Company shall have received all necessary consents from the Vornado Board approving the Transaction. After the expiration of the Study Period, if this Agreement is terminated as a result of the failure of the Company to receive all necessary consents, the deposit and all earnings thereon shall be released to the Operating Partnership in accordance with the terms of the Deposit Escrow Agreement.

(e) Consent of Existing Lender. Bayerische Vereinsbank AG, New York Branch shall have issued to the General Partners and Vornado such consents to the Transaction as may be required pursuant to the terms of the Permitted Mortgage Debt.

7.2 Conditions to the VNO Transaction Sub's Obligation to Consummate the Transaction. Anything to the contrary notwithstanding, the parties to this Agreement expressly agree that the obligation of the VNO Transaction Sub to consummate the Transaction is conditioned upon the satisfaction (or waiver by the VNO Transaction Sub in its sole discretion) of each of the following conditions at or prior to the Closing (or such earlier date as specified with respect to a particular condition):

(a) Representations and Warranties. The representations and warranties of the General Partners set forth in this Agreement shall be true and correct in all material respects (determined without giving effect to any materiality qualification or limitation in any individual representation or warranty) as of the Closing Date, without reference to any modifications as to which Vornado obtains knowledge after the date hereof and prior to the Closing, by reason of any notice delivered by the General Partners pursuant to **Section 6.13** or otherwise, but subject to changes resulting from the operation of the Property between the date hereof and the Closing Date in accordance with the provisions of **Section 6.3** and changes expressly permitted pursuant to the terms of this Agreement. The Company and the Operating Partnership shall have received a certificate (which certificate may be qualified by "knowledge" to the same extent as such representations and warranties are so qualified) signed on behalf of the General Partners to such effect. In addition, such certificate shall contain a list and copies of any Space Leases, Equipment Leases, and Operating Agreements entered into after the date hereof in accordance with the terms of this Agreement, or otherwise not delivered to the Operating Partnership as of the date hereof, and in effect as of the Closing Date, each of which the General Partners shall certify to be true, correct and complete as of the Closing, and a Rent Roll (in form similar to the Rent Roll provided as of the Effective Date), dated as of the Closing Date, which the General Partners shall certify to be true, correct and complete in all material respects as of such date.

(b) Performance of Obligations of the General Partners. The General Partners shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing and the Company and the Operating Partnership shall have received a certificate signed by the General Partners, in such capacity, certifying to such effect.

(c) Participation of Other Partners. The Contributed Interests owned by the Other Partners electing to participate in the Transaction, together with the Contributed Interests of the General Partners, shall represent an aggregate Paris Percentage of not less than thirty percent (30%) and an aggregate Geneva Percentage of not less than thirty percent (30%).

(d) Consent of Geneva LP Partners. All of the partners of Geneva LP shall have consented to the admission of the VNO Transaction Sub as a general partner of Geneva LP and such other modifications of the Geneva LP Governing Documents as are described on **Schedule 7.2(d)**.

(e) Opinion. Vornado shall have received an opinion letter dated the Closing Date from Grossberg, Yochelson, Fox & Beyda, LLP in the form as the parties reasonably shall agree.

(f) Comfort Letter. Vornado shall have received a comfort letter from Hariton, Mancuso & Jones, P.C., dated as of the date of the Information Statement, as described in Section 5.2 and an updated comfort letter dated as of the Closing Date.

(g) Escrow Agreement. Messrs. Smith and Kogod, in their capacities as General Partners and Representatives, shall have executed and delivered the Escrow Agreement to the Operating Partnership.

(h) Limited Partner Acceptance Agreement. Each Contributing Partner shall have executed and delivered to the Operating Partnership a Limited Partnership Acceptance Agreement.

(i) Estoppels. The General Partners shall have delivered to the Company and the Operating Partnership the GSA Lease Summaries, the Tenant Estoppels and substitute General Partner estoppels, if any, required pursuant to **Section 6.8**.

(j) Title to Real Estate and Title Insurance. Paris LP and Geneva LP shall own good and indefeasible title to the Paris Property and Geneva Property, respectively, free of any Lien, mortgage, deed of trust, encroachment, reservation, right of way, easement, lease, sublease, license, assignment, agreement, condition, restriction, tide defect or any discrepancy in acreage, boundary line dispute or other matter that would be disclosed by an accurate survey or inspection of the Property (each, an "Encumbrance"), other than Permitted Encumbrances, with title to the Property being marketable, good of record and in fact and insurable and insured without exceptions (other than the Permitted Encumbrances), including a non-imputation endorsement and such other reasonable and customary endorsements required by Vornado, at no greater than standard rates by a recognized national title insurance company (the "Title Company") reasonably acceptable to Vornado and licensed to do business in the Commonwealth of Virginia. For purposes of this Agreement, "Permitted Encumbrances" shall mean, as to the Property, (i) Liens in respect of real estate taxes not yet due and payable, (ii) rights of tenants, as tenants only under the Space Leases, (iii) Liens created under the Permitted Mortgage Debt, and (iv) such other matters as shall have been approved in writing by Vornado on or prior to the date that is fifteen (15) days prior to the Closing Date.

(k) Consents. All other third-party consents required for consummation of the Transaction shall have been obtained.

(l) Reliance upon Regulation D. The Company and the Operating Partnership shall, based on advice of its counsel, be reasonably satisfied that the issuance of Units to the Contributing Partners may be made without registration under the Securities Act in reliance upon Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(m) Personal Property. The Subject Entities shall own good title to all Personal Property, Space Leases, Equipment Leases, Operating Agreements, Permits, Intangible Property, and any other Property to be conveyed pursuant to this Agreement, free and clear of all Liens, except for Permitted Exceptions and Permitted Encumbrances.

(n) Records. The delivery by the General Partners of, to the extent in the General Partners' possession or control, the original Space Leases, Equipment Leases, Operating Agreements and Governing Documents; copies or originals of all books and records of account; copies of correspondence with tenants and suppliers; receipts for deposits; papers or documents which pertain to the current or future operation of the Property; any unpaid bills to be paid by the Subject Entities after such Closing; all advertising materials, booklets, keys and other items, if any, used in the operation of the Property; the original "as-built" plans and specifications and all other available plans and specifications relating to the Property; and any additional documents that the VNO

Transaction Sub or the Title Company may reasonably require for the proper consummation of the Transaction.

(o) Release of Deposits from Deposit Escrow Agreement. The cash or letter of credit, including all earnings thereon, deposited pursuant to the Deposit Escrow Agreement shall be released to Vornado at Closing. The General Partners shall reimburse Vornado for the amount, if any, of any expenses of the escrow agent that were due from but not paid by the General Partners in accordance with the terms of the Deposit Escrow Agreement, and for which the escrow agent reduced the amount of the escrow funds released to Vornado.

(p) Condition of the Property. All fixtures, mechanical systems and utilities required for the normal operation of the Property must be present and in good working condition at the Closing.

(q) Other Documents. Any such other documents as may be requested by Vornado in its sole discretion, including a FIRPTA certificate and an Owner's Affidavit in form satisfactory to be delivered to the Title Company.

(r) Other Conditions. Any such other conditions to the VNO Transaction Sub's obligation to consummate the Transaction as may be set forth in the Information Statement shall have been satisfied on terms satisfactory to the VNO Transaction Sub in its sole discretion.

7.3 Conditions to the Contributing Partners' Obligation to Consummate the Transaction. Anything to the contrary notwithstanding, the parties to this Agreement expressly agree that the obligation of the Contributing Partners to consummate the Transaction is conditioned upon the satisfaction (or waiver by the General Partners in their sole discretion) of each of the following conditions at or prior to the Closing (or such earlier date as specified with respect to a particular condition):

(a) Representations and Warranties. The representations and warranties of Vornado set forth in this Agreement shall be true and correct in all material respects (determined without giving effect to any materiality qualification or limitation in any individual representation or warranty) as of the Closing Date, without reference to any modifications as to which the General Partners obtain knowledge after the date hereof and prior to the Closing, by reason of any notice delivered by Vornado pursuant to **Section 6.13** or otherwise. The General Partners shall have received a certificate (which certificate may be qualified by "knowledge" to the same extent as such representations and warranties are so qualified) signed on behalf of the Company and the Operating Partnership to such effect.

(b) Performance of Obligations of Vornado. The Company, the Operating Partnership and the VNO Transaction Sub each shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing and the General Partners shall have received a certificate signed

on behalf of the Company, the Operating Partnership and the VNO Transaction Sub certifying to such effect.

(c) Tax Reporting and Protection Agreement. The Company, the Operating Partnership and the VNO Transaction Sub shall have executed and delivered the Tax Reporting and Protection Agreement to the General Partners.

(d) Registration Rights Agreements. The Company shall have executed and delivered the Registration Rights Agreements to each of the Persons identified therein.

(e) Tax Opinion Relating to Partnership Status. The General Partners shall have received the opinion of Sullivan & Cromwell LLP or other counsel to Vornado reasonably satisfactory to the General Partners, dated as of the Closing Date, that the Operating Partnership has been during and since its taxable year ended December 31, 1997, and continues to be, treated for federal income tax purposes as a partnership and not as a corporation or association taxable as a corporation, and that, after giving effect to the Transaction, the Operating Partnership's proposed method of operation will enable it to continue to be treated for federal income tax purposes as a partnership and not as a corporation or association taxable as a corporation (with customary exceptions, assumptions and qualifications and based upon customary representations).

(f) Tax Opinion Relating to the Transaction. The General Partners shall have received an opinion dated the Closing Date from Hogan & Hartson LLP or other counsel reasonably satisfactory to the General Partners, based upon customary certificates and letters, which letters and certificates are to be in a form to be agreed upon by the parties and dated the Closing Date, to the effect that the Transaction will not result in the recognition of taxable gain or loss, at the time of the Transaction, to a Contributing Partner: (A) who is a "U.S. person" (as defined for purposes of Sections 897 and 1445 of the Code); (B) who does not exercise its redemption right with respect to the Units under the Vornado Partnership Agreement on a date sooner than the date two years after the Closing for the Transaction; (C) who does not receive a cash distribution in connection with the Transaction (or a deemed cash distribution resulting from relief or a deemed relief from liabilities, including as a result of the prepayment of indebtedness of the Subject Entities in connection with or following the Transaction) in excess of such Person's adjusted basis in its interest in the Subject Entities at the time of the Transaction; (D) who is not required to recognize gain by reason of the application of Section 707(a) of the Code and the Treasury Regulations thereunder to the Transaction, with the result that the Transaction is treated as part of a "disguised sale"; and (E) whose "at risk" amount does not fall below zero as a result of the Transaction.

(g) Escrow Agreement. The Company, the Operating Partnership and the VNO Transaction Sub shall have executed and delivered the Escrow Agreement to the General Partners.

(h) The Vornado Partnership Agreement Amendment. The Vornado Partnership Agreement Amendment shall have been executed and delivered to the General Partners.

(i) Opinion. The General Partners shall have received an opinion letter dated the Closing Date from Arnold & Porter LLP in the form as the parties reasonably shall agree.

ARTICLE VIII

SURVIVAL; INDEMNIFICATION

8.1 Survival of Representations and Warranties.

(a) The representations and warranties of the General Partners contained in this Agreement shall survive with respect to any claim for an alleged breach thereof made by giving timely written notice pursuant to **Section 8.2** hereof on or before the first anniversary of the Closing Date (such notice date being referred to as the "Indemnity Notice Date" and the period between the Execution Date and the Indemnity Notice Date being referred to as the "Indemnity Period"). Except for written claims in respect thereof timely made in accordance herewith and subject to the terms, conditions and limitations set forth in the Escrow Agreement, the Operating Partnership shall not have any right to be compensated for any Representation and Warranty Loss and Expenses (as defined herein), Disclosure Loss and Expenses (as defined herein) or Transaction Loss and Expenses (as defined herein).

(b) The representations and warranties of the Company and the Operating Partnership contained in this Agreement shall survive with respect to any claim for an alleged breach thereof made by giving timely written notice pursuant to **Section 8.4** hereof to the Operating Partnership on or before the Indemnity Notice Date. Except for written claims in respect thereof timely made in accordance with the procedures of **Section 8.4**, no Contributing Partner Indemnified Person shall have any right to be compensated for any the Contributing Partner Loss and Expenses (as defined herein) incurred as a result of any breach of any such representations and warranties.

8.2 Indemnification of the Vornado Indemnified Persons.

(a) Indemnification.

(i) Subject to the terms and conditions of this **ARTICLE VIII** and the Escrow Agreement, the Company and the Operating Partnership, and the officers, directors, employees, equity owners, affiliates, successors and permitted assigns of such indemnitee (excluding, however, the Subject Entities) (each, a "Vornado Indemnified Person") shall be indemnified and held harmless from and against any and all damages, claims, losses, expenses,

costs, obligations and liabilities (excluding all consequential damages except for indemnification obligations for third party claims to which this indemnity would otherwise be applicable, but including all reasonable attorneys' fees and expenses, including reasonable expert fees and expenses) ("Representation and Warranty Loss and Expenses") incurred by the Operating Partnership by reason of or arising out of any breach as of the Closing Date of any representation and warranty made by the General Partners in this Agreement (giving effect to any modification made in accordance with **Section 6.13** but without giving effect to qualifications with respect to a Subject Entities Material Adverse Effect) solely by having the right to receive delivery of the Escrow Units pursuant to the Escrow Agreement (the "Representation and Warranty Indemnity"). The Representation and Warranty Indemnity shall exclude any representation and warranty made by the General Partners to the extent they relate to any representation and warranty contained in any General Partner estoppel delivered by the General Partners pursuant to **Section 6.8** or a Partner Claim (as defined herein), claims for which are covered in **Sections 8.2(a)(iii)** and **8.2(a)(iv)**, respectively. Except as set forth in the immediately preceding sentence, the indemnity rights afforded to the Operating Partnership pursuant to this **Section 8.2(a)(i)** and the Escrow Agreement shall be the exclusive remedy of the Operating Partnership for a breach of any such representations and warranties. For purposes of this **ARTICLE VIII**, any litigation matters set forth on **Schedule 4.9** or included as a modification in accordance with **Section 6.13** shall be treated as if they had not been listed on such Schedule or included as such a modification.

(ii) Subject to the terms and conditions of this Agreement, each Vornado Indemnified Person and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each a "Vornado Disclosure Indemnified Person") shall be indemnified and held harmless from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (excluding all consequential damages and including all reasonable attorneys' fees and expenses, including reasonable expert fees and expenses) incurred by any Vornado Disclosure Indemnified Person by reason of or arising out of any violation or alleged violation of any applicable securities laws or regulations in connection with the Transaction or the issuance of the Units therein,

including in connection with any information statement, prospectus, private placement memorandum, registration statement or other document filed with the Commission or distributed to the Partners in connection with the Transaction insofar as any such damages, claims, losses, expenses, costs, obligations and liabilities (collectively, "Disclosure Loss and Expenses") arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not materially misleading, in each case to the extent, but only to the extent, such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished by the General Partners or their representatives (the "General Partner Provided Information") to be included and set forth in any information statement, prospectus, private placement memorandum, registration statement or other document filed with the Commission or distributed to the Other Partners in connection with the Transaction (a "Disclosure Claim"), solely by having the right to receive delivery of the Escrow Units pursuant to the Escrow Agreement (the indemnity granted under this **Section 8.2(a)(ii)** being referred to herein as the "Disclosure Indemnity"); *provided*, *however*, that none of the Escrow Units shall be used to provide indemnity to any of the Vornado Disclosure Indemnified Persons under this **Section 8.2** to the extent that any Disclosure Claim or any Disclosure Loss and Expenses result from written information furnished by any Vornado Disclosure Indemnified Person ("Vornado Provided Information").

(iii) Subject to the terms and conditions of this Agreement, each Vornado Indemnified Person shall be indemnified and held harmless from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (excluding all consequential damages except for indemnification obligations for third party claims to which this indemnity would otherwise be applicable) incurred by any Vornado Indemnified Person by reason of or arising out of any inaccuracy or omission in any general partner estoppels delivered by the General Partners to Vornado pursuant to **Section 6.8** ("Landlord Estoppel Loss and Expenses") without regard to the threshold on indemnity claims set forth in this **ARTICLE VIII** solely by having the right to receive delivery of the Escrow Units pursuant to

the Escrow Agreement (the indemnity granted under this **Section 8.2(a)(iii)** being referred to herein as the "Landlord Estoppel Indemnity").

(iv) From and after the Execution Date, subject to the terms and conditions of this Agreement and the Escrow Agreement, each Vornado Indemnified Person who is now or is subsequently named a defendant in any of the Partner Claims (as defined herein) or liability is otherwise asserted against such Vornado Indemnified Person (or such Vornado Indemnified Person is made the subject of discovery or evidentiary requests) by a claimant in any of the Partner Claims will be indemnified and held harmless from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (including all reasonable attorneys' fees and expenses, including reasonable expert fees and expenses) incurred by such Vornado Indemnified Person (including liabilities of the Operating Partnership arising under the indemnification provisions of the Vornado Partnership Agreement (collectively, "Transaction Loss and Expenses")) by reason of or arising out of any claim by any Contributing Partner (or any Person claiming a direct or indirect interest in such Contributing Partner) arising at or prior to the Closing out of the Transaction (each, a "Partner Claim"), solely by having the right to receive delivery of the Escrow Units pursuant to the Escrow Agreement (the indemnity granted under this **Section 8.2(a)(iv)** being referred to herein as the "Partner Transaction Indemnity"). For purposes of this Agreement, Representation and Warranty Loss and Expenses, Disclosure Loss and Expenses, Landlord Estoppel Loss and Expenses and Transaction Loss and Expenses are hereinafter referred to as "Vornado Loss and Expenses."

(v) For purposes of clarification, the amount of any Vornado Loss and Expenses shall be calculated solely with respect to the damages, claims, losses, expenses, costs, obligations and liabilities affecting Vornado Indemnified Persons, and if an indemnified damage, claim, loss, expense, cost, obligation or liabilities is incurred by a Subject Entity, then the amount of such Vornado Loss and Expense shall be limited to the percentage share of ownership held, directly or indirectly, by such Vornado Indemnified Person in such Subject Entity.

(b) Third Party Claims Procedures. The Operating Partnership shall promptly notify the Representatives in writing of the commencement of any action or other assertion of a claim by a third party for which the Operating Partnership believes indemnification is provided for pursuant to **Section 8.2(a)** (as distinguished from any claims under **Section 8.2(a)** which do not involve any third party, as to which the indemnification procedures set forth in this **Section 8.2(b)** shall be inapplicable but the claims procedures set forth in **Section 8.2(d)** shall apply); *provided*, *however*, that the failure of the Operating Partnership so to notify the Representatives of the commencement of any such action or such other claim shall not result in the forfeiture by the Operating Partnership of its right to recover for such claim from the Escrow Units in accordance with this **Section 8.2** unless such failure is materially injurious to the ability of the Representatives to defend any such action. If any such action is brought or claim is asserted against the Operating Partnership and the Representatives are so notified, then (subject to the right to dispute such claim as described in **Section 8.2(d)**), the Representatives, through counsel selected by the Representatives and reasonably acceptable to the Operating Partnership (and which counsel shall be paid its reasonable fees and expenses by the Operating Partnership (which amounts shall be included in the expenses subject to the Representation and Warranty Indemnity, the Disclosure Indemnity, the Landlord Estoppel Indemnity or the Transaction Indemnity, subject to the limitations set forth herein) shall control the defense of any such action or claim; provided that the Representatives assume the defense of such matter (and notify the Operating Partnership accordingly) within fifteen (15) days of receiving notice of such matter; and provided further, that if the Operating Partnership reasonably concludes that there may be one or more legal defenses available to it that are different from or in addition to (and are inconsistent with) those available to the existing defendants, or that a conflict could reasonably be likely to exist between the Operating Partnership and any of the Partners, the Representatives shall not have the right to direct the defense of such action on behalf of the Operating Partnership and the Operating Partnership shall direct the defense of such matter through counsel reasonably satisfactory to the Representatives. The Operating Partnership shall have the right to employ its own counsel with respect to the action or claim, but the fees, expenses and other charges of such counsel shall be at its own expense unless (i) the Operating Partnership has been named as a defendant in any such matter and the Operating Partnership reasonably concludes that there may be one or more legal defenses available to it that are different from or in addition to (and are inconsistent with) those available to the existing defendants or that a conflict could reasonably be likely to exist between the Operating Partnership and any of the Partners, (ii) the Representatives do not have the right to direct the defense on behalf of the Operating Partnership in accordance with the prior sentence, or (iii) the retention of counsel by such party has been authorized in writing by the Representatives. It is understood that the Escrow Units shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be used for the fees, expenses and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for the Operating Partnership. The Representatives shall have the right to settle any matter for which indemnification may be available pursuant to **Section 8.2(a)** without the consent of the Operating Partnership, provided that (1) the settlement shall not include any admission of wrongdoing on the part of the Operating Partnership or impose my

decree, restriction or liability on the Operating Partnership or its partners, and (ii) the settlement shall provide the Operating Partnership (and its subsidiaries and partners) with a release from all liability with respect to such matter. Further, the Representatives shall be required to obtain the consent of the Operating Partnership for the settlement of any matter for which indemnification is provided pursuant to **Section 8.2(a)** (which consent shall not be unreasonably withheld or delayed) if (A) the settlement or any related series of settlements would result in a draw equal to or in excess of $45,000 under the Escrow Agreement with respect to such claim (or related claims), or (B) a total of less than $575,000 is available to be drawn under the Escrow Agreement with respect to any Vornado Loss and Expenses immediately prior to such settlement. If and only if the Representatives fail to assume the defense of any action brought or claim asserted against the Operating Partnership under this Section 8.2 in which it is entitled to do so, then the Operating Partnership shall be entitled to settle such action or claim without the consent of the Representatives.

(c) Limitations on Liability.

(i) Threshold. Notwithstanding anything in this Agreement to the contrary, Escrow Units shall not be used to satisfy any Vornado Loss and Expenses with respect to which indemnity is provided pursuant to this **Section 8.2** until the cumulative amount of such Vornado Loss and Expenses, as the case may be, shall exceed $45,000, in which case the Escrow Units shall be applied to satisfy all such Vornado Loss and Expenses, as the case may be (from the first dollar of such loss), subject to the limitations set forth in **Section 8.2(c)(ii)**. The foregoing threshold shall not apply to General Partner Estoppel Loss and Expenses. The provisions of this **Section 8.2(c)(i)** shall not affect the rights of the parties hereto with respect to control of the defense of any action or claim, which shall be governed by **Section 8.2(b)**.

(ii) Liability Cap. The recourse of the Vornado Indemnified Persons under this **Section 8.2** shall be limited to the Escrow Units, and no Contributing Partner shall have any personal liability or indemnity under this **Section 8.2**. Notwithstanding any other provision of this Agreement, each Contributing Partner shall be fully liable to the extent of the full value of Units received by such Contributing Partner for any and all damages, claims, losses, expenses, costs, obligations and liabilities incurred by reason of or arising out of any breach of a representation, warranty or covenant contained in the assignment of Contributed Interest delivered by such Contributing Partner pursuant to **Section 5.4**.

(iii) Pro Rata Liability. In the event that any Vornado Indemnified Person suffers any Vornado Loss and Expenses with respect to a claim for which indemnification is provided pursuant to this **Section 8.2**, the Escrow Units used to satisfy the indemnification obligations pursuant to this **Section 8.2**, shall be on a pro rata basis, based on each Contributing Partner's proportionate interest in the number of Escrow Units originally deposited with the Escrow Agent (the "Pro Rata Share of Escrow Units") as calculated pursuant to the Governing Documents.

(d) Claims Procedure for Vornado Loss and Expenses. The Operating Partnership shall notify the Representatives in writing of any claim that it reasonably believes constitutes a potential Vornado Loss and Expenses to the extent not already indicated by means of a notice given under **Section 8.2(b)**, describing in reasonable detail the claim and the estimated amount of such claim. If the Representatives do not object in writing as to the applicability of the Representation and Warranty Indemnity, the Disclosure Indemnity, the General Partner Estoppel Indemnity or the Transaction Indemnity, as the case may be, with respect to such claim within twenty (20) days after receiving such notice, then the claim set forth in the notice by the Operating Partnership shall be considered Vornado Loss and Expenses for all purposes of this Agreement. If the Representatives object in writing to the applicability of the Representation and Warranty Indemnity, the Disclosure Indemnity, the General Partner Estoppel Indemnity or the Transaction Indemnity, with respect to such claim within such twenty (20) day period, then either the Operating Partnership or the Representatives may seek to have such dispute adjudicated by a court of competent jurisdiction. No claim asserted by the Operating Partnership that is disputed by the Representatives pursuant to this **Section 8.2(d)** shall be deemed to be a Vornado Loss and Expenses for purposes of this Agreement until such dispute is finally resolved by agreement between the Operating Partnership and the Representatives or by a final, nonappealable order of a court of competent jurisdiction.

(e) Satisfaction of Vornado Loss and Expenses; Subrogation. Once the amount of Vornado Loss and Expenses arising out of any claim has been established in accordance with **Section 8.2(d)** above and the threshold set forth in **Section 8.2(c)(i)** has been exceeded (except in the case of a General Partner Estoppel Loss and Expenses, to which such threshold is not applicable), the sole remedy of the Operating Partnership with respect to such Vornado Loss and Expenses shall be to exercise its rights to recovery under the Escrow Agreement in accordance with **Section 8.3**. None of the Contributing Partners, the Representatives or any of their shareholders, members or partners shall have any personal liability with respect to the obligations set forth in this **Section 8.2**. Upon the satisfaction of any Vornado Loss and Expenses pursuant to this Agreement and the Escrow Agreement, each Contributing Partner shall be subrogated (but only to the extent of such satisfaction and at no risk or liability to the Operating Partnership) to the rights (if any) of the Operating Partnership against any third parties with respect to such Vornado Loss and Expenses, and the Operating Partnership shall cooperate with the General

Partners (at no cost or liability to the Operating Partnership) in pursuing such claims against any third parties.

(f) Termination of Representation and Warranty Indemnity, Disclosure Indemnity, Landlord Estoppel Indemnity and Transaction Indemnity. Notwithstanding anything in this Agreement to the contrary, the indemnification under this **Section 8.2** shall terminate and be extinguished forever on the date that is the last day of the Indemnity Period, unless and to the extent a written claim has been asserted and written notice thereof has been given to the Representatives pursuant to this **Section 8.2** on or prior to such date. If such a timely written claim has been made, the indemnification shall continue beyond the Indemnity Notice Date, but only with respect to such claim and only until the earlier of (i) the date such claim is satisfied pursuant to the Escrow Agreement or otherwise finally resolved, (ii) if legal action is taken with respect to such claim during the Indemnity Period, the date on which such claim is satisfied pursuant to the Escrow Agreement or otherwise finally resolved, or (iii) with respect to a claim for which no legal action has been taken during the Indemnity Period, twelve (12) months after the date on which the last settlement or other substantive discussions have taken place with respect to such claim, but in no event more than twenty-four (24) months after the end of the Indemnity Period.

(g) The Operating Partnership to Act on Behalf of Vornado Disclosure Indemnified Persons. All Vornado Disclosure Indemnified Persons agree to permit the Operating Partnership to represent them with respect to any Disclosure Claim Indemnity arising out of this **Section 8.2**.

8.3 Escrow Agreement; Release of Escrow Units. At the Closing, the Escrow Units shall be delivered by the Operating Partnership to the Escrow Agent under the Escrow Agreement, and such Escrow Units shall be available as and to the extent provided in the Escrow Agreement for satisfaction of (i) Representation and Warranty Loss and Expenses, (ii) Disclosure Loss and Expenses, (iii) General Partner Estoppel Loss and Expenses, (iv) Transaction Loss and Expenses, (v) the cost of enforcement pursuant to **Section 8.5**, and (vi) certain expenses of the Escrow Agent. The Escrow Units shall be disbursed as provided in the Escrow Agreement.

8.4 Indemnification of the Contributing Partners.

(a) Indemnification. Subject to the terms and conditions of this Agreement, the Company and the Operating Partnership jointly and severally agree to indemnify the Contributing Partners and their officers, directors, employees, shareholders, and affiliates, and their successors and permitted assigns (collectively, the "Contributing Partner Indemnified Persons"), from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (excluding all consequential damages and including all reasonable attorneys' fees and expenses, including reasonable expert fees and expenses) (the "Contributing Partner Loss and Expenses") incurred by any of the Contributing Partner Indemnified Person or entity by reason of or arising out of (i) any breach as of the Closing Date of any representation and warranty made by Vornado in **ARTICLE III** of this Agreement, and (ii) any violation or alleged violation

of any applicable securities laws or regulations in connection with the Transaction or the issuance of the Units therein, including in connection with any information statement, prospectus or registration statement filed with the Commission or distributed to the Partners in connection with the Transaction insofar as such Contributing Partner Loss and Expense arises out of, or is based upon, any untrue statement or alleged untrue statement or a material fact or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not materially misleading, in each case to the extent, but only to the extent, such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with Vornado Provided Information to be included and set forth in any private placement memorandum, prospectus or registration statement filed with the Commission or distributed to the Partners in connection with the Transaction (the "Vornado Indemnity"); provided, however, that neither the Company, the Operating Partnership nor the VNO Transaction Sub shall be obligated to indemnify any of the Contributing Partners, and their officers, directors, employees, shareholders, and affiliates, and their successors and permitted assigns under this **Section 8.4(a)** to the extent that any the Contributing Partners Loss and Expenses result from the General Partner Provided Information.

(b) Limitations on Liability. Notwithstanding anything in this Agreement to the contrary, the Company, the Operating Partnership and the VNO Transaction Sub shall not be responsible for any of the Contributing Partner Loss and Expenses with respect to which indemnity is provided pursuant to **Section 8.4(a)(i)** (other than in respect of a breach of any such representation and warranty attributable to any claims asserted by any Partner, including the Representatives on behalf of the Partners, relating to violations or alleged violations of any applicable securities laws by the Company, the Operating Partnership or the VNO Transaction Sub in connection with the Transaction or the issuance of Units therein, for which the limitations of this **Section 8.4(b)** shall not apply) until the cumulative amount of such the Contributing Partner Loss and Expenses shall exceed $45,000 in which case the Company, the Operating Partnership and the VNO Transaction Sub shall be jointly and severally liable for all such Contributing Partner Loss and Expenses (from the first dollar of loss), subject to the limitation that the cumulative indemnity obligation of the Company, the Operating Partnership and the VNO Transaction Sub under **Section 8.4(a)(i)** shall not exceed $1,000,000 with respect to claims asserted in writing prior to the Indemnity Notice Date, but only to the extent such asserted claim becomes an actual Contributing Partner Loss and Expense.

(c) Termination of Vornado Indemnity. Notwithstanding anything in this Agreement to the contrary, the obligations of the Company, the Operating Partnership and the VNO Transaction Sub under **Section 8.4(a)** shall terminate and be extinguished forever on the Indemnity Notice Date, unless, and to the extent, in any such case written claim has been asserted on or prior to such date. If such a timely written claim has been made, the indemnity obligations of the Company, the Operating Partnership and the VNO Transaction Sub shall continue beyond the Indemnity Notice Date, but only with respect to such claim and only until the earlier of (x) the date such claim is satisfied or otherwise finally resolved, (y) if legal action is taken with respect to such claim during the Indemnity Period, the date on which such claim is satisfied or otherwise finally resolved, or (z) with respect to a claim for which no legal action has been taken during the Indemnity Period, twelve (12) months after the date on which the last settlement or other substantive discussions have taken place with respect to such claim, but in no event more than twenty-four (24) months after the end of the Indemnity Period.

8.5 Costs of Enforcement. In the event that any dispute arises between the parties hereto as to the validity of any claim under **Section 8.2**, or any claim for indemnification under the Vornado Indemnity under **Section 8.4**, the non-prevailing party shall pay the reasonable legal fees and expenses of the prevailing party incurred in connection with such dispute (including expert and witness fees). Any such legal fees and expenses required to be paid in respect of any such claim shall be included in any such loss and expenses satisfied as part thereof pursuant to the Escrow Agreement.

8.6 Exclusive Remedies.

(a) Notwithstanding anything in this Agreement, the Escrow Agreement or otherwise to the contrary, except for liabilities of the Contributing Partners under **ARTICLE VIII** of this Agreement (as and to the extent provided in the Escrow Agreement) and obligations that are intended to survive the Closing pursuant to the terms of this Agreement or any other agreement, instrument or document executed and delivered concurrently herewith or at or prior to the Closing, none of Contributing Partners, the Representatives or any of their officers, directors, employees, shareholders or affiliates shall have any liability after the Closing to the Company, the Operating Partnership, the VNO Transaction Sub or any of their affiliates with respect to any matters relating to the Transaction or otherwise contemplated by this Agreement.

(b) Notwithstanding anything in this Agreement or otherwise to the contrary, except for liabilities of the Company, the Operating Partnership and the VNO Transaction Sub under **ARTICLE VIII** of this Agreement, liabilities under applicable securities laws and regulations and obligations that are intended to survive the Closing pursuant to the terms of this Agreement or any other agreement, instrument or document executed and delivered concurrently herewith or at or prior to the Closing, none of the Company, the Operating Partnership and the VNO Transaction Sub or any of their officers, directors, employees, shareholders or affiliates shall have any liability after the Closing to the Contributing Partners or any of their affiliates with respect to any matters relating to the Transaction or otherwise contemplated by this Agreement.

8.7 No Right of Offset. The parties hereto agree that, notwithstanding anything contained in the Vornado Partnership Agreement, as the same may be amended from time to time, in no event shall the Company, the Operating Partnership or the VNO Transaction Sub have any right of offset against any of the Contributing Partners or any of their officers, directors, employees, shareholders or affiliates under the Vornado Partnership Agreement or any other agreement to which they are a party with respect to any claim under arising under this Agreement or any other agreement, instrument or document executed and delivered concurrently herewith or at or prior to the Closing

(including any claim with respect to Representation and Warranty Loss and Expenses, Disclosure Loss and Expenses, General Partner Estoppel Loss and Expenses or Transaction Loss and Expenses).

8.8 Recovery From Insurance Policies and Third Parties. The amount of any Representation and Warranty Loss and Expenses, Disclosure Loss and Expenses, General Partner Estoppel Loss and Expenses or Transaction Loss and Expenses to be paid by any of the parties pursuant to **ARTICLE VIII** of this Agreement shall be reduced by the amount of recovery actually received by the indemnified party with respect to any applicable insurance policies or from persons or parties not parties to this Agreement or the Escrow Agreement. If the Company or the Operating Partnership, at its option, has made a claim under any applicable insurance policies to recover any Representation and Warranty Loss and Expenses, Disclosure Loss and Expenses, General Partner Estoppel Loss and Expenses or Transaction Loss and Expenses, the Company or the Operating Partnership, as the case may be, shall not be entitled to recover from an indemnifying party any Representation and Warranty Loss and Expenses, Disclosure Loss and Expenses, General Partner Estoppel Loss and Expenses or Transaction Loss and Expenses, as the case may be, to the extent covered by such insurance claim, until such time as the insurance carrier has made a determination on the amount of the insurance claim coverage, if any (or, in the event a claim is made to an insurance carrier and such insurance carrier does not make a determination of the amount of the insurance claim coverage within one hundred eighty (180) days following the date on which such claim is made, the 181st day after which such insurance claim is made). If the insurance carrier's determination for such insurance claim is less than the amount of the indemnity claim claimed by the Company or the Operating Partnership, as the case may be, then the difference between (1) such of indemnity amount claimed by the Company or the Operating Partnership, as the case may be, and (ii) the amount of claim for which such insurance carrier has made a determination, shall be payable from the Escrow Units in accordance with this Agreement and the Escrow Agreement (and subject to the limitations provided herein and therein); provided, however, that once the insurance carrier has made a determination as to the amount of the insurance claim, neither the Company nor the Operating Partnership shall be obligated to pursue legal remedies to recover any further amounts under the applicable insurance policy. In the event that an insurance carrier does not make a determination of the amount of the insurance claim coverage with respect to which an insurance claim is made within one hundred eighty (180) days of the date on which such claim is made, the Company and the Operating Partnership shall be entitled to recover from an indemnifying party under the terms of this Agreement and the Escrow Agreement from and after the 181st day alter which such insurance claim is made.

ARTICLE IX

THE CLOSING

9.1 Transaction Expenses. The following provisions shall apply to the allocation and payment of the following costs associated with the closing of the

Transaction and other expenses incurred by the parties in connection with this Agreement and the agreements, actions and transactions contemplated hereby:

(a) Vornado shall pay the following expenses, and fifty percent (50%) of such expenses shall be deemed to be "Specified Vornado Transaction Costs," and a corresponding adjustment to the number of Units issued to the Contributing Partners shall be made in accordance with **Section 1.5(a)(i)(x)**:

(i) All legal fees incurred by Vornado in connection with the Transaction (unless otherwise so provided in this Agreement);

(ii) all of the transfer and recordation taxes in connection with the contribution of the Contributed Interests;

(iii) the fees and expenses payable to the respective escrow agent pursuant to the Deposit Escrow Agreement and the Escrow Agreement;

(iv) the fees and expenses of Hariton, Mancuso & Jones, P.C. relating to the preparation and delivery of the Subject Entity Financial Statements (to the extent that the same would not otherwise have been prepared by the Subject Entities) and the preparation and delivery of the Information Statement (including the cost of the "comfort letter" delivered to Vornado hereunder) in connection with the Transaction;

(v) any other out-of-pocket fees and expenses incurred in the preparation and delivery of the Information Statement;

(vi) the fees and expenses payable to or at the direction of Bayerische Vereinsbank AG, New York Branch in connection with obtaining the consents described in **Section 7.1(e)**;

(vii) the costs of all due diligence undertaken by Vornado in connection with the Transaction, including the cost of title searches, title insurance, surveys, environmental site assessments, engineering inspections and assessments, zoning due diligence and similar matters; and

(viii) all other out-of-pocket costs and expenses incurred by Vornado in connection with consummating the Transaction.

(b) The General Partners shall pay the following expenses, and fifty percent (50%) of such expenses shall be deemed to be "Specified General Partner

Transaction Costs," and a corresponding adjustment to the number of Units issued to the Contributing Partners shall be made in accordance with **Section 1.5(a)(i)(y)**:

(i) All legal fees incurred by the General Partners in connection with the Transaction (unless otherwise so provided in this Agreement);

(ii) the fees and expenses of Stanger & Co. relating to the preparation and delivery of the Fairness Opinion; and

(iii) all other out-of-pocket costs and expenses incurred by the General Partners in connection with consummating the Transaction.

(c) In consideration for certain internal costs incurred by Vornado in connection with the Transaction, an amount equal to one hundred percent (100%) of $200,000 shall be deemed a "Specified Vornado Transaction Cost," and a corresponding adjustment to the number of Units issued to the Contributing Partners shall be made in accordance with **Section 1.5(a)(i)(x)**. If for any reason Closing shall fail to occur, the General Partners shall pay to Vornado, in addition to any other amounts that may be payable pursuant to this Agreement, a fee in the amount of $100,000.

9.2 Prorations and Other Adjustments. The items in subparagraphs (a) through (g) of this **Section 9.2**, and other customary items of income and expense, except as expressly provided below, shall be prorated as of 12:01 a.m. local time on the Closing Date (the "Proration Time"). Each item shall be calculated and prorated on a building-by-building basis, with each item being allocated to (and only to) either the Geneva Property or the Paris Specific Property. If any item cannot reasonably be allocated either to the Geneva Property or the Paris Specific Property, then such item shall be allocated for purposes of this Agreement in accordance with the Geneva Allocation (to the Geneva Property) and the Paris Allocation (to the Paris Specific Property). If there is a credit to Vornado (i.e., a debit to the Contributing Partners) as a result of the net aggregate prorations, then the amount of such credit shall not be paid, but shall reduce the consideration to the Contributing Partners pursuant to **Section 1.5(b)(i)(v)** (if such credit is calculated with respect to the Geneva Property) or **Section 1.5(c)(i)(v)** (if such credit is calculated with respect to the Paris Specific Property). If there is a debit to Vornado (i.e., a credit to the Contributing Partners) as a result of the net aggregate prorations, then the amount of such debit shall not be paid, but shall increase the consideration to the Contributing Partners pursuant to **Section 1.5(b)(i)(v)** (if such debit is calculated with respect to the Geneva Property) or **Section 1.5(c)(i)(v)** (if such debit is calculated with respect to the Paris Specific Property).

(a) Cash and Cash Equivalents. Vornado shall be debited (i.e., the Contributing Partners shall be credited) an amount equal to any cash and cash equivalents held by, on behalf of, or in accounts for the benefit of, any Subject Entity as of the Proration Time, including deposits made by any Subject Entity, reserves or escrows that

are held by or for the benefit of the Subject Entities (other than security deposits as described in **Section 9.2(e)**).

(b) Rentals and Pass-Throughs.

(i) Rentals Received Prior to Closing. Rentals actually collected prior to Closing shall be prorated as of the Proration Time. Any such Rentals for the period after the Proration Time shall be a credit to Vornado. For purposes of this Agreement, "Rentals" means fixed rentals, additional rentals, percentage rentals, escalation rentals, retroactive rentals, operating cost pass-throughs, parking revenues and other sums and charges payable by tenants under the Space Leases.

(ii) Collection of Rentals After Closing. Any Rentals collected after the Closing shall be retained by the Subject Entities for the benefit of Vornado and the other continuing members or partners of the Subject Entities. For proration purposes, only the following receivables for Rentals as of the Proration Time shall be a debit to Vornado as follows: (1) the full face amount of such receivable in the case of a GSA lease; and (2) the full face amount of such receivable in the case of any other commercial lease, but only if there is no monetary default under such lease; and (3) in the case of any residential lease, if and only if such receivable is no more than one hundred twenty (120) days past due, an amount equal to the face amount of such receivable multiplied by the historical collection rate for receivables of like age at the applicable building.

(c) Service Contracts. Vornado shall be debited an amount equal to any regular charges under the Equipment Leases and the Operating Agreements that have been paid by the Subject Entities to the extent they are attributable to the period alter the Proration Time. Vornado shall be credited an amount equal to any regular charges under the Equipment Leases and the Operating Agreements that have not been paid by the Subject Entities to the extent they are attributable to the period prior to the Proration Time.

(d) Utilities. Vornado shall be credited an amount equal to any unpaid charges for utilities at the Property as of the Proration Time (other than charges paid directly by tenants). The General Partners shall use commercially reasonable efforts to cause the meters, if any, for such utilities to be read within three (3) business days before the Closing Date. The charges for such utilities shall be prorated on the basis of such meter readings, except for the period after such meter readings until the Proration Time (or if such meter readings are not available) such charges shall be prorated on the basis of the most recently issued bills therefor which are based on meter readings.

(e) Security Deposits. All tenant security deposits required under the Space Leases (and interest thereon if required by law or contract to be earned thereon), shall remain on deposit with the Subject Entities at Closing, and shall not result in any debit or credit to Vornado. To the extent that the Subject Entities do not hold such security deposits (and interest thereon) in a separate account, Vornado shall be credited an amount equal to such security deposits (and interest thereon if required by law or contract to be earned thereon).

(f) Insurance Premiums. Vornado shall be debited an amount equal to prepaid insurance premiums paid on insurance policies of the Subject Entities and attributable to the period after the Closing Date.

(g) Tenant Improvements and Allowances. Vornado shall be credited an amount equal to (i) the unpaid cost of all initial tenant improvements that arise in connection with the commencement of Space Leases entered into on or prior to the Execution Date, and (ii) all rebates, concessions, or offsets, and any and all other benefits and charges accrued and payable or allowable to any party by the landlord on or before the Closing Date under any Space Leases entered into on or before the Execution Date.

(h) Ad Valorem Taxes and Other Operating Expenses. Real and personal property ad valorem taxes and other operating expenses (except as otherwise provided herein) shall be prorated to the Proration Time, based on the actual number of days involved. Any such taxes and operating expenses that are allocable to the period prior to the Proration Time that have not been paid shall be credited to Vornado, and Vornado shall be debited any such taxes and operating expenses that are allocable to the period after the Proration Time that have been paid.

(i) Permitted Mortgage Debt. Interest and other charges (other than principal) payable in respect of the Permitted Mortgage Debt shall be prorated to the Proration Time, based on the actual number of days involved. Any such interest and other charges that are allocable to the period prior to the Proration Time that have not been paid shall be credited to Vornado. The principal amount of the Permitted Mortgage Debt as of the Proration Time shall be a credit to Vornado as described in **Section 1.5(b)(i)(v)** or **Section 1.5(c)(i)(v)**, as applicable.

9.3 Prorations Procedures. The General Partners shall provide to the VNO Transaction Sub such information and verification as may be reasonably requested by the VNO Transaction Sub in connection with the prorations and adjustments to be performed pursuant to **Section 9.2**. The parties shall make these prorations and adjustments on the Closing Date measured as of the Proration Time using the best available information. At Vornado's election, the net proration amounts either (i) shall be finally estimated on the Closing Date and reasonably agreed to by the General Partners and Vornado, with no further adjustments after the Closing Date, or (ii) shall be estimated on the Closing Date by Vornado and shall be reasonably agreed to by the General Partners and Vornado as promptly as practicable after the Closing Date, with no further adjustments after the Closing Date. If the parties proceed under clause (ii) of the preceding sentence, then the number of Units to be issued to each of the Contributing Partners shall be estimated on

the Closing Date, but such Units shall not finally be issued until the final net prorations have been agreed upon, whereupon such Units shall be issued effective as of the Closing Date.

ARTICLE X

TERMINATION

10.1 Termination. At any time prior to the Closing, this Agreement may be terminated by:

(a) the mutual written consent duly authorized by the Vornado Board and the General Partners;

(b) Vornado (if none of the Company, the Operating Partnership or the VNO Transaction Sub is in breach of any of its material obligations hereunder) if the conditions set forth in **Sections 7.1** or **7.2** for the consummation of the Transaction have not been fully satisfied by October 31, 2005 (or such later date as may be mutually agreed upon by the Company, the Operating Partnership and the General Partners) upon written notice to the other parties and without any further liability or obligation of any party to the other parties under this Agreement, except for any obligation or liability arising hereunder prior to the date of such termination, including in connection with any breach of this Agreement;

(c) the General Partners (if the Contributing Partners are not in breach of any of their material obligations hereunder) if the conditions set forth in **Sections 7.1** and **7.3** for the consummation of the Transaction have not been fully satisfied by October 31, 2005 (or such later date as may be mutually agreed upon by the Company, the Operating Partnership and the General Partners) upon written notice to the other parties and without any further liability or obligation of any party to the other parties under this Agreement, except for any obligation or liability arising hereunder prior to the date of such termination, including in connection with any breach of this Agreement;

(d) Vornado (if none of the Company, the Operating Partnership or the VNO Transaction Sub is in breach of any of its material obligations hereunder) if there has been a knowing misrepresentation or a knowing breach of any representation or warranty as of the date hereof (or, with respect to representations which are expressly by the terms of this Agreement to be true and to be made as of the Closing, at any time) on the part of the General Partners set forth in this Agreement such that the condition set forth in **Section 7.2(a)** would not be satisfied; and

(e) the General Partners (if the Contributing Partners are not in breach of any of their material obligations hereunder), if there has been a knowing misrepresentation or knowing breach of any representation or warranty as of the date hereof (or, with respect to representations which are expressly by the terms of this Agreement to be true and to be made as of the Closing, at any time) on the part of

Vornado set forth in this Agreement such that the condition set forth in **Section 7.3(a)** would not be satisfied;

(f) either Vornado or the General Partners if any judgment, injunction, order, decree or action by any Governmental Entity of competent authority preventing the consummation of the Transaction shall have become final and nonappealable;

(g) Vornado in accordance with the provisions of **Section 2.3**; and

(h) the terms of **Section 11.1**, unless Vornado elects to proceed to Closing as set forth in such section.

ARTICLE XI

CASUALTY OR CONDEMNATION

11.1 Material Casualty or Condemnation. If all or a material part (as hereinafter defined) of the Property is damaged or destroyed by fire or other casualty, or is taken by power of condemnation or eminent domain, or process or purchase in lieu thereof, prior to the Closing Date, the General Partners shall promptly notify Vornado of the occurrence of such event and this Agreement shall terminate twenty (20) days after the date of such notice (or earlier if the Operating Partnership gives the General Partners a notice of termination), in which event the deposit and all earnings thereon deposited under the Deposit Escrow Agreement shall be released to the Operating Partnership, and neither party shall have any further rights against or obligations to the other hereunder except as expressly provided in this Agreement; *provided* that the Operating Partnership may elect by notice given to the General Partners within twenty (20) days of the date notice of the occurrence of such casualty or taking shall have been given to the Operating Partnership by the General Partners (and, notwithstanding anything else in this Agreement, the scheduled Closing hereunder shall be extended in order to provide to the Operating Partnership a complete 20-day period within which to make such election) to close hereunder without abatement or reduction of the Exchange Value (except to the extent of the deductible under the Subject Entities' insurance coverage in the case of casualty, which deductible amount shall be a reduction in the Paris Exchange Value for a casualty affecting the Paris Property and the Geneva Exchange Value for a casualty affecting the Geneva Property).

11.2 Immaterial Casualty or Condemnation. If an immaterial part of one or more of the Property is damaged by fire or other casualty, or is taken by power of condemnation or eminent domain, or process or purchase in lieu thereof, prior to the Closing Date, this Agreement shall remain in full force and effect, the Operating Partnership shall be obligated to close hereunder without any abatement or reduction of the Exchange Value (except to the extent of the deductible under the Subject Entities' insurance coverage in the case of casualty, which deductible amount shall be a reduction in the Paris Exchange Value for a casualty affecting the Paris Property and the Geneva Exchange Value for a casualty affecting the Geneva Property).

11.3 Materiality. For the purposes of this Section, "material" means, as to any casualty, damage or destruction that is reasonably estimated to cost more than $2,300,000 in the aggregate to repair, and, with respect to any condemnation or other taking, a taking that includes any portion of any building included within the Property or denies reasonable access to any Property in accordance with applicable law.

ARTICLE XII

GENERAL PROVISIONS

12.1 Notices. All notices, demands, requests or other communications that may be or are required to be given or made by either party to the other party pursuant to this Agreement shall be in writing and shall be hand delivered or transmitted by certified mail, express overnight mail or delivery service, or facsimile transmission to the parties at the addresses specified in **Schedule 12.1** or such other address as the addressee may indicate by written notice to the other party.

Each notice, demand, request or communication that is given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the delivery receipt, the affidavit of messenger or (with respect to a facsimile) confirmation of transmission being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

12.2 Specific Performance. The parties agree that irreparable damages would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, in addition to any other remedy to which they are entitled at law or in equity.

12.3 Further Assurances. The General Partners hereby agree that they shall, at any time, prior to, at or after the Closing of the Transaction, duly execute and deliver to Vornado or VNO Transaction Sub any additional conveyances, assignments, documents aid instruments, and shall take or cause to be taken such further actions (including the making of filings), which Vornado may reasonably determine are necessary in connection with the consummation of the Transaction. The failure of Vornado or VNO Transaction Sub to demand such conveyances, assignments, documents, instruments or actions at or before the Closing shall not affect the obligation of the General Partners to execute and deliver such conveyances, assignments, documents or instruments, or to take such actions, at any time, upon the demand of Vornado or VNO Transaction Sub. From and after the Closing, each party shall afford to the other reasonable access to any and all information in its possession concerning the use or operation of the Property (including the right to copy same at the expense of the party desiring such copy) if required for purposes of any tax examination or audit.

12.4 Consents. If, under this Agreement, the consent of a party is required, the consent shall be in writing and shall be executed by a duly authorized officer or agent.

12.5 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns as permitted hereunder. No person or entity (including any Contributing Partner) other than the parties hereto is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, the parties hereto or their respective successors and assigns as permitted hereunder.

12.6 Construction. Each party hereto hereby acknowledges that all parties hereto participated equally in the negotiation and drafting of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than against the other. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require. The terms "hereof," "hereby," "herein," "hereunder" and words of similar import shall be understood to refer to this Agreement as a whole and not to any specific clause, provision, paragraph, Section or Article of this Agreement. The term "including" shall be understood to mean "including, without limitation." References to Sections, Schedules, Exhibits and Annexes shall be understood to refer to the Sections, Schedules, Exhibits and Annexes of this Agreement, unless otherwise specified.

12.7 Waiver of Jury Trial. THE PARTIES HERETO EACH HEREBY WAIVE ANY RIGHT TO JURY TRIAL IN THE EVENT ANY PARTY FILES AN ACTION RELATING TO THIS AGREEMENT OR TO THE TRANSACTIONS OR OBLIGATIONS CONTEMPLATED HEREUNDER.

12.8 Governing Law; Submission to Jurisdiction; Service of Process. This Agreement, the rights and obligations of the parties hereto and any claims or disputes relating to such rights and obligations shall be governed by and construed under the laws of the Commonwealth of Virginia without regard to the conflicts of laws principles thereof. Each of the parties hereto hereby (a) irrevocably and unconditionally submits to, the non-exclusive jurisdiction of the courts of the Commonwealth of Virginia and of the federal courts sitting in the Commonwealth of Virginia for the purposes of any action, suit or proceeding (including appeals to their respective appellate courts) arising out of this Agreement or the transactions contemplated hereby, and (b) (1) to the extent such party is not otherwise subject to service of process in the Commonwealth of Virginia to appoint and maintain an agent in the Commonwealth of Virginia as such party's agent for acceptance of legal process and (2) to the fullest extent permitted by law, that service of process may also be made on such party by prepaid certified mail with a proof of mailing receipt validated by the United States Postal Service constituting evidence of valid service, and that service made pursuant to (b) (1) or (2) above shall have the same legal force and effect as if served upon such party personally within the Commonwealth of Virginia. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the courts of the Commonwealth of Virginia or

(ii) the United States District Court for the Eastern District of Virginia (including appeals to their respective appellate courts), and hereby further irrevocably and unconditionally to the fullest extent permitted by law waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

12.9 Headings. Section and subSection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

12.10 Assignment. None of the parties hereto shall assign this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other parties hereto. Any purported assignment contrary to the terms hereof shall be null, void and of no force and effect.

12.11 Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart, but it shall be sufficient that the signature of, or on behalf of, each party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereof.

12.12 Severability. If any part of any provision of this Agreement or any other agreement, document or writing given pursuant to or in connection with this Agreement shall be invalid or unenforceable under applicable law, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provisions or the remaining provisions of said agreement so long as the economic and legal substance of the Transaction is not affected in any manner materially adverse to either party.

12.13 Entire Agreement; Amendment. The Annexes, Schedules and the Exhibits to this Agreement constitute integral parts hereof and are hereby incorporated into this Agreement as if fully set forth herein. This Agreement and the other agreements to be entered into in accordance with the terms hereof contain the final and entire agreement between the parties hereto with respect to the Transaction, supersede all prior oral and written memoranda and agreements with respect to the matters contemplated herein, and are intended to be an integration of all prior negotiations and understandings. The General Partners and Vornado shall not be bound by any terms, conditions, statements, warranties or representations, oral or written, not contained or referred to herein or therein. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

12.14 No Waiver. No delay or failure on the part of either party hereto in exercising any right, power or privilege under this Agreement or under any other

instrument or document given in connection with or pursuant to this Agreement shall impair any such right power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

[Signatures on following pages]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________________
Name: ____________________________
Title: _____________________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________________
Name: ____________________________
Title: _____________________________

CESC ROSSLYN L.L.C.

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of June 27, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment other than the VNO Transaction Sub entered into a Contribution Agreement dated May 12, 2005 (as amended to date, the "Existing Agreement").

B. The parties to this Amendment desire to amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **VNO Transaction Sub.** The Existing Agreement was purportedly executed by CESC Rosslyn L.L.C., a Delaware limited liability company, as "VNO Transaction Sub." The correct name of the wholly owned subsidiary of the Operating Partnership that has been formed, pursuant to a Certificate of Formation filed with the Delaware Secretary of State on May 20, 2005, is "Vornado Rosslyn LLC." Notwithstanding anything to the contrary in the Existing Agreement, (i) the term "VNO Transaction Sub" shall refer exclusively to Vornado Rosslyn LLC, a Delaware limited liability company, (ii) any representations or warranties of Vornado in the Existing Agreement shall be qualified by the fact that the VNO Transaction Sub was not formed prior to May 20, 2005, and (iii) the VNO Transaction Sub confirms, by its execution of this Amendment, that it has agreed to be bound by all of the provisions of the Existing Agreement, as modified by this Amendment.

3. **Study Period.** Notwithstanding **Section 2.1** of the Existing Agreement, the Study Period shall be extended until July 8, 2005 for all purposes under the Agreement.

4. **Specified General Partner Transaction Costs.** Notwithstanding the provisions of the Existing Agreement, including **Sections 1.5(b)(i)(y)**, **1.5(c)(i)(y)**, and **9.1(b)** thereof, (i) Vornado shall pay the expenses listed in Section 9.1(b) of the Existing Agreement, (ii) notwithstanding the foregoing clause (i), if the

Agreement shall terminate without consummation of Closing, then Vornado shall have no further obligation to pay any expenses listed in **Section 9.1(b)** of the Existing Agreement (regardless of whether such expenses are then due and payable), and the General Partners shall be solely responsible for any such expenses, and the General Partners shall promptly reimburse Vornado for any amounts paid by Vornado in respect to the expenses listed in **Section 9.1(b)** of the Existing Agreement, and (iii) in calculating the Units to be issued at Closing under **Section 1.5** of the Existing Agreement, the Specified General Partner Transaction Costs shall be treated as Specified Vornado Transaction Costs (i.e., an amount equal to 50% of the expenses payable by Vornado under the foregoing clause (i) shall reduce the consideration payable by Vornado pursuant to **Section 1.5(b)(i)(x)** and **Section 1.5(c)(i)(x)** of the Existing Agreement).

5. **Ratification.** Except as expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

6. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________
Name: ______________________
Title: ______________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

SECOND AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS SECOND AMENDMENT TO CONTRIBUTION AGREEMENT (“Amendment”) is made as of July 8, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the “Company”), Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the “VNO Transaction Sub”), and Robert H. Smith and Robert P. Kogod (each, a “General Partner”).

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005 (the “Existing Agreement”).

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Study Period.** Notwithstanding **Section 2.1** of the Existing Agreement, the Study Period shall be extended until July 15, 2005 for all purposes under the Agreement.

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the “Agreement” shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ____________________________
Name: ____________________________
Title: ____________________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ____________________________
Name: ____________________________
Title: ____________________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ____________________________
Name: ____________________________
Title: ____________________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

THIRD AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS THIRD AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of July 15, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005 and by a Second Amendment to Contribution Agreement dated July 8, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Study Period.** Notwithstanding **Section 2.1** of the Existing Agreement, the Study Period shall be extended until July 22, 2005 for all purposes under the Agreement.

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ____________________________
Name: ____________________________

Title: ______________________
____

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

FOURTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS FOURTH AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of July 22, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005 and by a Second Amendment to Contribution Agreement dated July 8, 2005 and by a Third Amendment to Contribution Agreement dated July 15, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Study Period.** Notwithstanding **Section 2.1** of the Existing Agreement, the Study Period shall be extended until July 29, 2005 for all purposes under the Agreement.

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________
Name: ______________________
Title: ______________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

FIFTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS FIFTH AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of July 29, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005, a Second Amendment to Contribution Agreement dated July 8, 2005, a Third Amendment to Contribution Agreement dated July 15, 2005 and a Fourth Amendment to Contribution Agreement dated July 22, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Study Period.** Notwithstanding **Section 2.1** of the Existing Agreement, the Study Period shall be extended until August 5, 2005 for all purposes under the Agreement.

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________
Name: ______________________
Title: ______________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

SIXTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS SIXTH AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of August 3, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005, a Second Amendment to Contribution Agreement dated July 8, 2005, a Third Amendment to Contribution Agreement dated July 15, 2005, a Fourth Amendment to Contribution Agreement dated July 22, 2005 and a Fifth Amendment to Contribution Agreement dated July 29, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Consideration.**

   a. Exchange Value. **Section 1.5(a)** of the Existing Agreement is hereby amended by deleting "$170,200,000" and replacing it with "$166,700,000".

   b. Paris Allocation. **Section 1.5(a)(iv)** of the Existing Agreement is hereby amended by deleting "58.871915%" and replacing it with "59.4481106%".

   c. Geneva Allocation. **Section 1.5(a)(v)** of the Existing Agreement is hereby amended by deleting "41.128085%" and replacing it with "40.5518894%".

3. **Deemed Value Per Unit.** The last sentence of **Section 1.5(b)(i)** of the Existing Agreement is hereby deleted in its entirety and replaced with the following: "For purposes of this Agreement, the "Deemed Value" per Unit shall be $77.70." **Section 1.5(b)(iii)** of the Existing Agreement is hereby deleted. **Section 1.3** of

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the Existing Agreement is hereby amended by deleting ", subject to **Section 1.5(b)(iii)**,".

4. **End of Study Period; Additional Deposit.**

   a. Notwithstanding **Section 2.1** of the Existing Agreement, the parties acknowledge and agree that the Study Period shall end on August 3, 2005 for all purposes of the Agreement. From and after the full execution and delivery of this Amendment, Vornado shall be deemed to have waived its termination right under **Section 2.3** of the Agreement.

   b. Notwithstanding anything to the contrary in **Section 2.5** of the Agreement, Vornado shall increase the deposit under the Deposit Escrow Agreement to $2,500,000 by transferring an additional cash deposit of $1,250,000 to the escrow agent under the Deposit Escrow Agreement within two (2) business days after full execution and delivery of this Amendment.

5. **Modification of Certain Dates and Time Periods.**

a. **Section 1.3** of the Existing Agreement is hereby amended by deleting "July 29, 2005" in the eighth line and replacing it with "September 9, 2005". **Section 1.3** of the Existing Agreement is hereby amended by deleting "60 days" in the eleventh line and replacing it with "30 days".

b. **Section 6.13(c)** of the Existing Agreement is hereby amended by deleting "August 31, 2005" and replacing it with "October 10, 2005".

c. **Sections 10.1(b)** and **10.1(c)** of the Existing Agreement are each hereby amended by deleting "October 31, 2005" and replacing it with "October 10, 2005".

6. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

7. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

8. **Business Day.** If the last day of any time period under the Agreement, or the deadline for performance of any obligation under the Agreement, falls on a day that is not a business day, then such last day or deadline shall automatically be extended to the next business day.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________
Name: ______________________
Title: ______________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________
Name: ______________________
Title: ______________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ______________________
Name: ______________________
Title: ______________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

SEVENTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS SEVENTH AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of October 7, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005, a Second Amendment to Contribution Agreement dated July 8, 2005, a Third Amendment to Contribution Agreement dated July 15, 2005, a Fourth Amendment to Contribution Agreement dated July 22, 2005, a Fifth Amendment to Contribution Agreement dated July 29, 2005 and a Sixth Amendment to Contribution Agreement dated August 3, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Modification of Certain Dates and Time Periods.**

a. **Section 1.3** of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

"**1.3 Closing.** The consummation of the Transaction described in **Section 1.1** ("Closing") shall take place on such date and time as the Company and the Operating Partnership may select by at least five (5) days' prior notice to the General Partners; provided, however, that (subject to the satisfaction or waiver of the applicable conditions to the Closing set forth in **ARTICLE VII**) the Closing Date shall be no later than November 11, 2005, unless the Operating Partnership and the General Partners shall otherwise agree (the "Closing Date"). The Closing shall be effective as of 12:01 A.M. on the Closing Date unless the parties otherwise agree ("Effective Date"). The Closing shall be held at the offices of Arnold & Porter LLP, 555 12th Street, N.W., Washington, D.C. 20004, or at such other location as the parties may agree."

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b. **Section 6.13(c)** of the Existing Agreement is hereby amended by deleting "October 10, 2005" and replacing it with "November 11, 2005".

c. **Sections 10.1(b)** and **10.1(c)** of the Existing Agreement are each hereby amended by deleting "October 10, 2005" and replacing it with "November 11, 2005".

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

[signatures on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ____________________
Name: ____________________
Title: ____________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ____________________
Name: ____________________
Title: ____________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ____________________
Name: ____________________
Title: ____________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

EIGHTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS EIGHTH AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment") is made as of November 11, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the "Company"), Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the "VNO Transaction Sub"), and Robert H. Smith and Robert P. Kogod (each, a "General Partner").

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005, a Second Amendment to Contribution Agreement dated July 8, 2005, a Third Amendment to Contribution Agreement dated July 15, 2005, a Fourth Amendment to Contribution Agreement dated July 22, 2005, a Fifth Amendment to Contribution Agreement dated July 29, 2005, a Sixth Amendment to Contribution Agreement dated August 3, 2005 and a Seventh Amendment to Contribution Agreement dated October 7, 2005 (the "Existing Agreement").

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Modification of Certain Dates and Time Periods.**

   a. **Section 1.3** of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

   "**1.3 Closing.** The consummation of the Transaction described in **Section 1.1** ("Closing") shall take place on such date and time as the Company and the Operating Partnership may select by at least five (5) days' prior notice to the General Partners; provided, however, that (subject to the satisfaction or waiver of the applicable conditions to the Closing set forth in **ARTICLE VII**) the Closing Date shall be no later than December 1, 2005, unless the Operating Partnership and the General Partners shall otherwise agree (the "Closing Date"). The Closing shall be effective as of 12:01 A.M. on the Closing Date unless the parties otherwise agree ("Effective Date"). The Closing shall be held at the offices of Arnold & Porter LLP, 555 12th Street, N.W., Washington, D.C. 20004, or at such other location as the parties may agree."

   b. **Section 6.13(c)** of the Existing Agreement is hereby amended by deleting "November 11, 2005" and replacing it with "December 1, 2005".

   c. **Sections 10.1(b)** and **10.1(c)** of the Existing Agreement are each hereby amended by deleting "November 11, 2005" and replacing it with "December 1, 2005".

3. **Transaction Costs.** To the extent that any Specified Vornado Transaction Costs or Specified General Partner Transaction Costs, as defined in Section 9.1 of the Existing Agreement, are not finally established on the Closing Date, such amounts shall be treated in the same manner as net proration amounts pursuant to Section 9.3 of the Existing Agreement; i.e., such transaction costs will be estimated on the Closing Date using the best available information, and if the parties proceed under clause (ii) of the third sentence of Section 9.3, the number of Units will be finalized as promptly as practicable after the Closing Date based on the final transaction costs as reasonably agreed by the General Partners and Vornado.

4. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the "Agreement" shall be deemed to be references to the Existing Agreement as modified by this Amendment.

5. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

[signatures on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ______________________
Name: ______________________
Title: ______________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ______________________

Name:
Title:

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By:
Name:
Title:

GENERAL PARTNERS:

Robert H. Smith

Robert P. Kogod

NINTH AMENDMENT
TO
CONTRIBUTION AGREEMENT

THIS NINTH AMENDMENT TO CONTRIBUTION AGREEMENT (“Amendment”) is made as of December 8, 2005 among Vornado Realty Trust, a Maryland real estate investment trust (the “Company”), Vornado Realty L.P., a Delaware limited partnership (the “Operating Partnership”), Vornado Rosslyn LLC, a Delaware limited liability company and wholly owned subsidiary of the Operating Partnership (the “VNO Transaction Sub”), and Robert H. Smith and Robert P. Kogod (each, a “General Partner”).

A. The parties to this Amendment entered into a Contribution Agreement dated May 12, 2005, as amended by an Amendment to Contribution Agreement dated June 27, 2005, a Second Amendment to Contribution Agreement dated July 8, 2005, a Third Amendment to Contribution Agreement dated July 15, 2005, a Fourth Amendment to Contribution Agreement dated July 22, 2005, a Fifth Amendment to Contribution Agreement dated July 29, 2005, a Sixth Amendment to Contribution Agreement dated August 3, 2005, a Seventh Amendment to Contribution Agreement dated October 7, 2005 and an Eighth Amendment to Contribution Agreement dated November 11, 2005 (the “Existing Agreement”).

B. The parties to this Amendment desire to further amend the Existing Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it in the Existing Agreement.

2. **Modification of Certain Dates and Time Periods.**

a. **Section 1.3** of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“**1.3 Closing.** The consummation of the Transaction described in **Section 1.1** (“Closing”) shall take place on such date and time as the Company and the Operating Partnership may select by at least five (5) days’ prior notice to the General Partners; provided, however, that (subject to the satisfaction or waiver of the applicable conditions to the Closing set forth in **ARTICLE VII**) the Closing Date shall be no later than December 21, 2005, unless the Operating Partnership and the General Partners shall otherwise agree (the “Closing Date”). The Closing shall be effective as of 12:01 A.M. on the Closing Date unless the parties otherwise agree (“Effective Date”). The Closing shall be held at the offices of Arnold & Porter LLP, 555 12th Street, N.W., Washington, D.C. 20004, or at such other location as the parties may agree.”

b. **Section 6.13(c)** of the Existing Agreement is hereby amended by deleting “December 1, 2005” and replacing it with “December 21, 2005”.

c. **Sections 10.1(b)** and **10.1(c)** of the Existing Agreement are each hereby amended by deleting “December 1, 2005” and replacing it with “December 21, 2005”.

3. **Ratification.** As expressly modified by this Amendment, the Existing Agreement shall continue in full force and effect in accordance with its terms. References in the Existing Agreement or in this Amendment to the “Agreement” shall be deemed to be references to the Existing Agreement as modified by this Amendment.

4. **Counterparts; Execution By Facsimile.** This Amendment may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. All counterparts shall be construed together and shall constitute one agreement. Execution and delivery of this Amendment by facsimile shall be sufficient for all purposes and shall be binding on any person who so executes and delivers this Amendment.

[signatures on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed and delivered on its behalf as of the date first above written.

VORNADO REALTY TRUST

By: ________________________
Name: ________________________
Title: ________________________

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: ________________________
Name: ________________________
Title: ________________________

VORNADO ROSSLYN LLC

By: Vornado Realty L.P.
By: Vornado Realty Trust

By: ________________________
Name: ________________________
Title: ________________________

GENERAL PARTNERS:

____
Robert H. Smith

____
Robert P. Kogod

EXHIBIT 12

COMPUTATION OF RATIOS
(UNAUDITED)

Our consolidated ratios of earnings to fixed charges and earnings to combined fixed charges and preference dividends for each of the fiscal years ended December 31, 2005, 2004, 2003, 2002 and 2001 are as follows:

	YEAR ENDED DECEMBER 31,				
($ in thousands)	**2005**	**2004**	**2003**	**2002**	**2001**
Net income from continuing operations	$ 507,164	$ 515,904	$ 285,528	$ 253,148	$ 242,011
Minority interest in the Operating Partnership not included in fixed charges	86,271	82,030	83,132	44,811	18,951
Equity in income of partially-owned entities in excess of distributions	—	(26,624)	—	—	(28,360)
Fixed charges and preference dividends	536,702	424,696	423,577	437,605	413,946
Capitalized interest	(15,582)	(8,718)	(5,407)	(6,677)	(12,171)
Earnings - Numerator	**$ 1,114,555**	**$ 987,288**	**$ 786,830**	**$ 728,887**	**$ 634,377**
Interest and debt expense, including the Company's pro-rata share of partially-owned entities	$ 415,826	$ 313,289	$ 296,059	$ 305,920	$ 266,784
Capitalized interest	15,582	8,718	5,407	6,677	12,171
1/3 of rental expense – interest factor	7,382	5,491	5,491	5,719	5,144
Fixed charges - Denominator	**438,790**	**327,498**	**306,957**	**318,316**	**284,099**
Preferred unit distributions, a component of minority interest	51,411	75,278	95,805	96,122	93,342
Preferred share dividends	46,501	21,920	20,815	23,167	36,505
Combined fixed charges and preference dividends - Denominator	**$ 536,702**	**$ 424,696**	**$ 423,577**	**$ 437,605**	**$ 413,946**
Ratio of earnings to fixed charges	**2.54**	**3.01**	**2.56**	**2.29**	**2.23**
Ratio of earnings to combined fixed charges and preference dividends	**2.08**	**2.32**	**1.86**	**1.67**	**1.53**

Earnings equals (i) income from continuing operations before income taxes plus, (ii) minority interest in the Operating Partnership not included in fixed charges and (iii) fixed charges, minus, (iv) equity in income of partially-owned entities in excess of distributions and (v) capitalized interest. Fixed charges equals (i) interest debt expense, plus (ii) the Company's pro-rata share of interest expense of partially-owned entities, (iii) capitalized interest and (iv) the portion of operating lease rental expense that is representative of the interest factor, which is one-third of operating lease rentals. Combined fixed charges and preference dividends equals fixed charges plus preferred unit distributions of the Operating Partnership and preferred share dividends.

EXHIBIT 21

Name of Subsidiary	State of Organization
14th Street Acquisition II, L.L.C.	Delaware
14th Street Acquisition, L.L.C.	Delaware
150 East 58th Street, L.L.C.	New York
1740 Broadway Associates, L.P.	Delaware
175 Lexington, L.L.C.	New York
20 Broad Company, L.L.C.	New York
20 Broad Lender, L.L.C.	New York
201 East 66th Street, L.L.C.	New York
330 Madison Company, L.L.C.	New York
350 North Orleans, L.L.C.	Delaware
40 East 14 Realty Associates General Partnership	New York
40 East 14 Realty Associates, L.L.C.	New York
40 Fulton Street, L.L.C.	New York
401 Commercial Son, L.L.C.	New York
401 Commercial, L.P.	New York
401 General Partner, L.L.C.	New York
401 Hotel General Partner, L.L.C.	New York
401 Hotel REIT, L.L.C.	Delaware
401 Hotel TRS, Inc.	Delaware
401 Hotel, L.P.	New York
480-486 Broadway, L.L.C.	Delaware
480-486 JV, L.L.C.	New York
527 West Kinzie, L.L.C.	Illinois
689 Fifth Avenue, L.L.C.	New York
7 West 34th Street, L.L.C.	New York
715 Lexington Avenue, L.L.C.	New York
770 Broadway Company, L.L.C.	New York
770 Broadway Mezzanine, L.L.C.	Delaware
770 Broadway Owner, L.L.C.	Delaware
825 Seventh Avenue Holding Corporation	New York
825 Seventh Avenue Holding, L.L.C.	New York
866 U.N. Plaza Associates, L.L.C.	New York
888 Seventh Avenue, L.L.C.	Delaware
909 Third Avenue Assignee, L.L.C.	New York
909 Third Company, L.P.	New York
909 Third GP, L.L.C.	Delaware
909 Third Mortgage Holder, L.L.C.	Delaware
968 Third Avenue, L.L.C.	New York
968 Third, L.L.C.	New York
Allentown VF, L.L.C.	Pennsylvania
Altius Management Advisors Pvt. Ltd.	Foreign
Americold Oregon, L.L.C.	Delaware
Americold Real Estate, L.P.	Delaware
Americold Realty Trust	Oregon
Americold Realty, Inc.	Delaware

Name of Subsidiary	State of Organization
Amherst II VF, L.L.C.	New York
Amherst VF, L.L.C.	New York
Arbor Property, L.P.	Delaware
Art Al Holding, L.L.C.	Delaware
Art Manager, L.L.C.	Delaware
Art Quarry TRS, L.L.C.	Delaware
Atlantic City Holding, L.L.C.	New Jersey
B & B Park Avenue, L.P.	Delaware
BDC Special Member, L.L.C.	Delaware
Bengal Intelligent Parks Pvt. Ltd.	Foreign
Bensalem Holding Company, L.L.C.	Pennsylvania
Bensalem Holding Company, L.P.	Pennsylvania
Bensalem VF, L.L.C.	Pennsylvania
Bethlehem Holding Company, L.L.C.	Pennsylvania
Bethlehem Holding Company, L.P.	Pennsylvania
Bethlehem Properties Holding Co., L.L.C.	Pennsylvania
Bethlehem Properties Holding Co., L.P.	Pennsylvania
Bethlehem VF, L.L.C.	Pennsylvania
Bethlehem VF, L.P.	Pennsylvania
BIP Developers Pvt. Ltd.	Foreign
BIP Estates Pvt. Ltd.	Foreign
BMS Facilities Group, L.L.C.	Delaware
Bordentown II VF, L.L.C.	New Jersey
Bordentown VF, L.L.C.	New Jersey
Boston Design Center, L.L.C.	Delaware
Boulevard Services Pvt. Ltd.	Foreign
Bowen Building, L.P.	Delaware
Bricktown VF, L.L.C.	New Jersey
Bridgeland Warehouses, L.L.C.	New Jersey

Building Maintenance Service, L.L.C.	Delaware
Canadian Craft Show LTD.	Canada
Carmar Freezers Russelville, L.L.C.	Delaware
Carmar Freezers-Thomasville, L.L.C.	Missouri
Carmar Group, L.L.C.	Delaware
Carmar Industries, L.L.C.	Delaware
CESC 1101 17th Street Limited Partnership	Maryland
CESC 1101 17th Street Manager, L.L.C.	Delaware
CESC 1101 17th Street, L.L.C.	Delaware
CESC 1140 Connecticut Avenue Limited Partnership	District of Columbia
CESC 1140 Connecticut Avenue Manager, L.L.C.	Delaware
CESC 1140 Connecticut Avenue, L.L.C.	Delaware
CESC 1150 17th Street Limited Partnership	District of Columbia
CESC 1150 17th Street Manager, L.L.C.	Delaware
CESC 1150 17th Street, L.L.C.	Delaware
CESC 1730 M Street, L.L.C.	Delaware
CESC 1750 Pennsylvania Avenue, L.L.C.	Delaware
CESC 2101 L Street, L.L.C.	Delaware
CESC Commerce Executive Park, L.L.C.	Delaware

Name of Subsidiary	State of Organization
CESC Crystal City Holding L.L.C.	Delaware
CESC Crystal City Land L.L.C.	Delaware
CESC Crystal Square Four, L.L.C.	Delaware
CESC Crystal/Rosslyn, L.L.C.	Delaware
CESC District Holdings, L.L.C.	Delaware
CESC Downtown Member, L.L.C.	Delaware
CESC Fairfax Square Manager, L.L.C.	Delaware
CESC Five Skyline Place, L.L.C.	Delaware
CESC Four Skyline Place, L.L.C.	Delaware
CESC Gateway Four L.L.C.	Virginia
CESC Gateway One, L.L.C.	Delaware
CESC Gateway Two Limited Partnership	Virginia
CESC Gateway Two Manager, L.L.C.	Virginia
CESC Gateway/Square Member, L.L.C.	Delaware
CESC Gateway/Square, L.L.C.	Delaware
CESC H Street, L.L.C.	Delaware
CESC Mall Land, L.L.C.	Virginia
CESC Mall, L.L.C.	Virginia
CESC One Courthouse Plaza Holdings, L.L.C.	Delaware
CESC One Courthouse Plaza, L.L.C.	Delaware
CESC One Democracy Plaza Manager, L.L.C.	Delaware
CESC One Democracy Plaza, L.P.	Maryland
CESC One Skyline Place, L.L.C.	Delaware
CESC One Skyline Tower, L.L.C.	Delaware
CESC Park Five Land, L.L.C.	Delaware
CESC Park Five Manager, L.L.C.	Virginia
CESC Park Four Land, L.L.C.	Delaware
CESC Park Four Manager, L.L.C.	Virginia
CESC Park One Land, L.L.C.	Delaware
CESC Park One Manager, L.L.C.	Delaware
CESC Park Three Land, L.L.C.	Delaware
CESC Park Three Manager, L.L.C.	Virginia
CESC Park Two, L.L.C.	Delaware
CESC Park Two Land, L.L.C.	Delaware
CESC Park Two Manager L.L.C.	Virginia
CESC Plaza Five Limited Partnership	Virginia
CESC Plaza Limited Partnership	Virginia
CESC Plaza Manager, L.L.C.	Virginia
CESC Plaza Parking, L.L.C.	Delaware
CESC Realty Park Five, L.L.C.	Virginia
CESC Realty Park Three, L.L.C.	Virginia
CESC Reston Executive Center, L.L.C.	Delaware
CESC Seven Skyline Place, L.L.C.	Delaware
CESC Six Skyline Place, L.L.C.	Delaware
CESC Square Four L.L.C.	Virginia
CESC Square Four Land L.L.C.	Delaware
CESC Square Land, L.L.C.	Delaware
CESC Square, L.L.C.	Virginia

Name of Subsidiary	State of Organization
CESC Three Skyline Place, L.L.C.	Delaware
CESC TRS, Inc.	Delaware
CESC Two Courthouse Plaza Limited Partnership	Virginia

CESC Two Courthouse Plaza Manager, L.L.C.	Delaware
CESC Two Skyline Place, L.L.C.	Delaware
CESC Tysons Dulles Plaza, L.L.C.	Delaware
CESC Water Park, L.L.C.	Virginia
Charles E. Smith Commercial Realty, L.P.	Delaware
Charles E. Smith Real Estate Services, L.P.	Virginia
Cherry Hill VF, L.L.C.	New Jersey
Chicopee Holding, L.L.C.	Massachusetts
Cinderella Homes Pvt. Ltd.	Foreign
Commerce Executive Park Association of Co-Owners	Virginia
Conrans VF, L.L.C.	New Jersey
Cumberland Holding, L.L.C.	New Jersey
Darby Development Corp.	Florida
Darby Development, L.L.C.	Delaware
Delran VF, L.L.C.	New Jersey
Design Center Owner - DC, L.L.C.	Delaware
Dover VF, L.L.C.	New Jersey
DSAC, L.L.C.	Texas
Dundalk VF, L.L.C.	Maryland
Durham Leasing II, L.L.C.	New Jersey
Durham Leasing, L.L.C.	New Jersey
East Brunswick VF, L.L.C.	New Jersey
Eatontown Monmouth Mall (Junior Mezz), L.L.C.	Delaware
Eatontown Monmouth Mall (Senior Mezz), L.L.C.	Delaware
Eatontown Monmouth Mall, L.L.C.	Delaware
Eleven Penn Plaza, L.L.C.	New York
Everest Infrastructure Development Mauritius Limited	Foreign
Fairfax Square Partners	Delaware
Fifth Crystal Park Associates Limited Partnership	Virginia
First Crystal Park Associates Limited Partnership	Virginia
Fourth Crystal Park Associates Limited Partnership	Virginia
Freeport VF, L.L.C.	New York
Fuller Madison, L.L.C.	New York
Gallery Market Holding Company, L.L.C.	Pennsylvania
Gallery Market Holding Company, L.P.	Pennsylvania
Gallery Market Properties Holding Co., L.L.C.	Pennsylvania
Gallery Market Properties Holding Co., L.P.	Pennsylvania
Garfield Parcel, L.L.C.	New Jersey
Glen Bernie VF, L.L.C.	Maryland
Glenolden VF, L.L.C.	Pennsylvania
Graybar Building, L.L.C.	New York
Green Acres Mall, L.L.C.	Delaware
Guard Management Service Corp.	New York
Guillford Associates, L.L.C.	Delaware
Hackensack VF, L.L.C.	New Jersey

Name of Subsidiary	State of Organization
Hagerstown VF, L.L.C.	Maryland
Hanover Holding, L.L.C.	New Jersey
Hanover Industries, L.L.C.	New Jersey
Hanover Leasing, L.L.C.	New Jersey
Hanover Public Warehousing, L.L.C.	New Jersey
Hanover VF, L.L.C.	New Jersey
HBR Properties Annapolis, L.L.C.	Delaware
HBR Properties Norfolk, L.L.C.	Delaware
HBR Properties Pennsylvania, L.L.C.	Delaware
HBR Properties Roseville, L.L.C.	Delaware
HBR Properties, L.L.C.	Delaware
Henrietta Holding, L.L.C.	New York
Industry Research Collective, L.L.C.	Delaware
Inland Quarries, L.L.C.	Delaware
Interior Design Show, Inc.	Canada
International Biotech Park Ltd.	Foreign
Jersey City VF, L.L.C.	New Jersey
Juggernaut Homes Pvt. Ltd.	Foreign
Kaempfer 1399, L.L.C.	Delaware
Kaempfer Commonwealth, L.L.C.	Delaware
Kaempfer Warner, L.L.C.	Delaware
Kearny Holding VF, L.L.C.	New Jersey
Kearny Leasing VF, L.L.C.	New Jersey
L.A. Mart Properties, L.L.C.	Delaware
Lancaster Leasing Company, L.L.C.	Pennsylvania
Lancaster Leasing Company, L.P.	Pennsylvania
Landthorp Enterprises, L.L.C.	Delaware
LaSalle Hubbard L.L.C.	Delaware
Lawnside VF, L.L.C.	New Jersey
Lewisville TC, L.L.C.	Texas
Littleton Holding, L.L.C.	New Jersey
Lodi II VF, L.L.C.	New Jersey
Lodi VF, L.L.C.	New Jersey

M 330 Associates, L.P.	New York
M 393 Associates, L.L.C.	New York
M/H Two Park Associates	New York
Manalapan VF, L.L.C.	New Jersey
Market Square - Main Street, L.P.	Delaware
Market Square Furniture Plaza, Inc.	Delaware
Market Square Furniture Plaza, L.P.	Delaware
Market Square Group, Inc.	Delaware
Market Square Group, L.P.	Delaware
Market Square Hamilton Center, L.L.C.	Delaware
Market Square II, L.L.C.	Delaware
Market Square, L.P.	Delaware
Marlton VF, L.L.C.	New Jersey
Marple Holding Company, L.L.C.	Pennsylvania
Marple Holding Company, L.P.	Pennsylvania

Name of Subsidiary	State of Organization
Mart Franchise Center, Inc.	Illinois
Mart Franchise Venture, L.L.C.	Delaware
Mart Parking II, L.L.C.	Delaware
Mart Parking, L.L.C.	Delaware
Mart Trade Show, L.L.C.	Delaware
Menands VF, L.L.C.	New York
Merchandise Mart Enterprises, Inc. (Canada)	Canada
Merchandise Mart Properties, Inc.	Delaware
Merchandise Mart, L.L.C.	Delaware
Mesquite TC, L.L.C.	Texas
Middletown VF, L.L.C.	New Jersey
MM 900, L.L.C.	Delaware
MMPI/Highpoint Lease, L.L.C.	Delaware
Monmouth Mall, L.L.C.	Delaware
Montclair VF, L.L.C.	New Jersey
Morris Plains Holding VF, L.L.C.	New Jersey
Morris Plains Leasing VF, L.L.C.	New Jersey
National Furniture Mart, L.P.	Delaware
National Hydrant, L.L.C.	New York
New Bridgeland Warehouse, L.L.C.	Delaware
New Hanover Holding, L.L.C.	Delaware
New Hanover Industries, L.L.C.	Delaware
New Hanover Leasing, L.L.C.	Delaware
New Hanover Public Warehousing, L.L.C.	Delaware
New Hyde Park VF, L.L.C.	New York
New Kaempfer 1501, L.L.C.	Delaware
New Kaempfer 1925, L.L.C.	Delaware
New Kaempfer Bowen, L.L.C.	Delaware
New Kaempfer IB, L.L.C.	Delaware
New Kaempfer Waterfront, L.L.C.	Delaware
New KMS, L.L.C.	Delaware
New Landthorp Enterprises, L.L.C.	Delaware
New TG Hanover, L.L.C.	Delaware
New Towmed, L.L.C.	Delaware
New Vornado/Saddle Brook, L.L.C.	Delaware
New Woodbridge II, L.L.C.	New Jersey
Newington VF, L.L.C.	Connecticut
NFM Corp.	Delaware
NFM Partners, L.P.	Delaware
Ninety Park Lender QRS, Inc.	Delaware
Ninety Park Lender, L.L.C.	New York
Ninety Park Manager, L.L.C.	New York
Ninety Park Option, L.L.C.	New York
Ninety Park Property, L.L.C.	New York
North Bergen VF, L.L.C.	New Jersey
North Dearborn, L.L.C.	Delaware
North Plainfield VF, L.L.C.	New Jersey
Office Acquisition Finance, L.L.C.	Delaware

Name of Subsidiary	State of Organization
Office Center Owner (D.C.), L.L.C.	Delaware
One Penn Plaza TRS, Inc.	Delaware
One Penn Plaza, L.L.C.	New York
Orleans Hubbard L.L.C.	Delaware
Palisades 14th Street, L.L.C.	Delaware
Palisades A/V Company, L.L.C.	New Jersey
Park Four Member, L.L.C.	Delaware

Park One Member, L.L.C.	Delaware
Philadelphia Holding Company, L.L.C.	Pennsylvania
Philadelphia Holding Company, L.P.	Pennsylvania
Philadelphia VF, L.L.C.	Pennsylvania
Philadelphia VF, L.P.	Pennsylvania
Pike Holding Company, L.L.C.	Pennsylvania
Pike Holding Company, L.P.	Pennsylvania
Pike VF, L.L.C.	Pennsylvania
Pike VF, L.P.	Pennsylvania
Powerspace & Services, Inc.	New York
Rahway Leasing, L.L.C.	New Jersey
Realty Services Trustee Company Pvt. Ltd.	Foreign
Rochester Holding, L.L.C.	New York
Rockville Acquisition, L.L.C.	Delaware
RTR VW, L.L.C.	Delaware
SMB Administration, L.L.C.	Delaware
SMB Holding, L.L.C.	Delaware
SMB Tenant Services Floaters, L.L.C.	Delaware
SMB Tenant Services, L.L.C.	Delaware
SMB Windows, L.L.C.	Delaware
Smith Commercial Management, L.L.C.	Virginia
South Capital, L.L.C.	Delaware
Springfield Member VF, L.L.C.	Delaware
Springfield VF, L.L.C.	Massachusetts
T 53 Condominium, L.L.C.	New York
T.G. Hanover, L.L.C.	New Jersey
TCG Developments India Pvt. Ltd.	Foreign
TCG Real Estate Investment Management Company Pvt. Ltd.	Foreign
TCG Software Parks Pvt. Ltd.	Foreign
TCG Urban Infrastructure Holdings Ltd.	Foreign
Techna Infrastructure Pvt. Ltd.	Foreign
TGSI, L.L.C.	Maryland
The Kaempfer Company, Inc.	Delaware
The Park Laurel Condominium	New York
The Second Rochester Holding, L.L.C.	New York
Third Crystal Park Associates Limited Partnership	Virginia
Totowa VF, L.L.C.	New Jersey
Towmed Housing, L.L.C.	Delaware
Towmed Intermediate, L.L.C.	Delaware
Towson VF, L.L.C.	Maryland
Trees Acquisition Subsidiary, Inc.	Delaware

Name of Subsidiary	State of Organization
Turnersville VF, L.L.C.	New Jersey
Two Guys From Harrison Holding Co., L.L.C.	Pennsylvania
Two Guys From Harrison Holding Co., L.P.	Pennsylvania
Two Guys from Harrison N.Y. (DE), L.L.C.	Delaware
Two Guys From Harrison N.Y., L.L.C.	New York
Two Guys Mass., L.L.C.	Massachusetts
Two Guys-Connecticut Holding, L.L.C.	Connecticut
Two Park Company	New York
Two Penn Plaza REIT, Inc.	New York
Union Square East, L.L.C.	New York
Union VF, L.L.C.	New Jersey
Upper Moreland Holding Company, L.L.C.	Pennsylvania
Upper Moreland Holding Company, L.P.	Pennsylvania
Upper Moreland VF, L.L.C.	Pennsylvania
URS Real Estate, L.P.	Delaware
URS Realty, Inc.	Delaware
VBL Company, L.L.C.	New York
VC Carthage, L.L.C.	Delaware
VC Freezer Amarillo, L.P.	Delaware
VC Freezer Babcock, L.L.C.	Delaware
VC Freezer Bartow, L.L.C.	Delaware
VC Freezer Fort Worth, L.P.	Delaware
VC Freezer Fort Worth. L.L.C.	Delaware
VC Freezer Fremont, L.L.C.	Delaware
VC Freezer Garden City, L.L.C.	Delaware
VC Freezer Kentucky, L.L.C.	Delaware
VC Freezer Massillon, L.L.C.	Delaware
VC Freezer Omaha Amarillo, L.L.C.	Delaware
VC Freezer Ontario, L.L.C.	Delaware
VC Freezer Phoenix, L.L.C.	Delaware
VC Freezer Russelville, L.L.C.	Delaware
VC Freezer Sioux Falls, L.L.C.	Delaware
VC Freezer Springdale, L.L.C.	Delaware
VC Freezer Strasburg, L.L.C.	Delaware
VC Freezer Texarkana, L.L.C.	Delaware
VC Missouri Holdings, L.L.C.	Delaware
VC Missouri Real Estate Holdings, L.L.C.	Delaware
VC Omaha Holding Strasburg SPE, L.L.C.	Delaware

VC Omaha Holdings, L.L.C.	Delaware
VC Omaha Real Estate Holdings, L.L.C.	Delaware
VFC Connecticut Holding, L.L.C.	Delaware
VFC Massachusetts Holding, L.L.C.	Delaware
VFC New Jersey Holding, L.L.C.	Delaware
VFC Pennsylvania Holding, L.L.C.	Delaware
VFC Pennsylvania Holding, L.P.	Delaware
VNK, L.L.C.	Delaware
VNO 211-217 Columbus Avenue, L.L.C.	Delaware
VNO 386 West Broadway, L.L.C.	Delaware

Name of Subsidiary	State of Organization
VNO 387 West Broadway, L.L.C.	Delaware
VNO 424 Sixth Avenue, L.L.C.	Delaware
VNO 426 West Broadway Member, L.L.C.	Delaware
VNO 426 West Broadway, L.L.C.	Delaware
VNO 63rd Street, L.L.C.	New York
VNO 828-850 Madison, L.L.C.	Delaware
VNO 99-01 Queens Boulevard, L.L.C.	Delaware
VNO Battery Wharf B Lender, L.L.C.	Delaware
VNO Brick, L.L.C.	New Jersey
VNO Broad Street, L.L.C.	Delaware
VNO Broome Street, L.L.C.	Delaware
VNO Crystal City Marriott, Inc.	Delaware
VNO Crystal City TRS, Inc.	Delaware
VNO Douglaston Plaza, L.L.C.	Delaware
VNO Eatontown Seamans Plaza, L.L.C.	Delaware
VNO Hotel, L.L.C.	Delaware
VNO Island Global, L.L.C.	Delaware
VNO LNR Holdco, L.L.C.	Delaware
VNO LNR Mezzanine, L.L.C.	Delaware
VNO Patson 340 Pine, L.L.C.	Delaware
VNO Patson Geary, L.P.	Delaware
VNO Patson GP, L.L.C.	Delaware
VNO Patson Sacramento, L.P.	Delaware
VNO Patson Walnut Creek, L.P.	Delaware
VNO Patson, L.L.C.	Delaware
VNO Rockville, L.L.C.	Delaware
VNO SMOH, L.L.C.	Delaware
Vornado - KC License, L.L.C.	Delaware
Vornado - Westport, L.L.C.	Connecticut
Vornado 122-124 Spring Street, L.L.C.	Delaware
Vornado 1399, L.L.C.	Delaware
Vornado 1740 Broadway, L.L.C.	New York
Vornado 1925 K, L.L.C.	Delaware
Vornado 20 Broad Acquisition, L.L.C.	Delaware
Vornado 220 Central Park South, L.L.C.	Delaware
Vornado 25 W14, L.L.C.	Delaware
Vornado 330 W 34 Mezz, L.L.C.	Delaware
Vornado 330 West 34th Street, L.L.C.	New York
Vornado 40 East 66th Street Member, L.L.C.	Delaware
Vornado 40 East 66th Street TRS, L.L.C.	Delaware
Vornado 40 East 66th Street, L.L.C.	Delaware
Vornado 401 Commercial, L.L.C.	New York
Vornado 50 West 57th Street, L.L.C.	Delaware
Vornado 550-600 Mamaroneck, L.P.	New York
Vornado 620 Sixth Avenue, L.L.C.	Delaware
Vornado 640 Fifth Avenue, L.L.C.	New York
Vornado 692 Broadway, L.L.C.	Delaware
Vornado 90 Park Avenue, L.L.C.	New York

Name of Subsidiary	State of Organization
Vornado 90 Park QRS, Inc.	New York
Vornado Acquisition Co., L.L.C.	Delaware
Vornado Art Holding Manager, L.L.C.	Delaware
Vornado Art I, L.L.C.	Delaware
Vornado Art II, L.L.C.	Delaware
Vornado Asset Protection Trust Grantee (TRS), L.L.C.	Delaware
Vornado B&B, L.L.C.	New York
Vornado Bergen Mall License II, L.L.C.	Delaware
Vornado Bergen Mall License, L.L.C.	Delaware
Vornado Bergen Mall, L.L.C.	New Jersey
Vornado Bevcon I, L.L.C.	Delaware

Vornado Beverly, L.L.C.	Delaware
Vornado Bowen II, L.L.C.	Delaware
Vornado Bowen, L.L.C.	Delaware
Vornado Broadway Mall, L.L.C.	Delaware
Vornado Burnside Plaza, L.L.C.	Delaware
Vornado Caguas GP, Inc.	Delaware
Vornado Caguas GP, L.L.C.	Delaware
Vornado Caguas Holding, L.L.C.	Delaware
Vornado Caguas Holding, L.P.	Delaware
Vornado Caguas, L.L.C.	Delaware
Vornado Caguas, L.P.	Delaware
Vornado CAPI, L.L.C.	Delaware
Vornado Carthage and KC Quarries TRS, Inc.	Delaware
Vornado Catalinas GP, Inc.	Delaware
Vornado Catalinas GP, L.L.C.	Delaware
Vornado Catalinas Holding, L.L.C.	Delaware
Vornado Catalinas Holding, L.P.	Delaware
Vornado Catalinas, L.L.C.	Delaware
Vornado Catalinas, L.P.	Delaware
Vornado CCA Gainesville, L.L.C.	Delaware
Vornado CESCR Gen-Par, L.L.C.	Delaware
Vornado CESCR Holdings, L.L.C.	Delaware
Vornado CESCR II, L.L.C.	Delaware
Vornado CESCR, L.L.C.	Delaware
Vornado Commonwealth, L.L.C.	Delaware
Vornado Communications, L.L.C.	Delaware
Vornado Community LP, L.L.C.	Delaware
Vornado Condominium Management, L.L.C.	New York
Vornado Crescent Carthage and KC Quarry, L.L.C.	Delaware
Vornado Crescent Holding, L.P.	Delaware
Vornado Crystal City, L.L.C.	Delaware
Vornado Crystal Park Loan, L.L.C.	Delaware
Vornado Dune, L.L.C.	Delaware
Vornado Eleven Penn Plaza, L.L.C.	Delaware
Vornado Farley, L.L.C.	Delaware
Vornado Finance GP II, L.L.C.	Delaware
Vornado Finance GP, L.L.C.	Delaware

Name of Subsidiary	State of Organization
Vornado Finance II, L.P.	Delaware
Vornado Finance SPE, Inc.	Delaware
Vornado Finance, L.P.	Delaware
Vornado Forest Plaza Member, L.L.C.	Delaware
Vornado Forest Plaza, L.L.C.	Delaware
Vornado Fort Lee, L.L.C.	New Jersey
Vornado GM Loan II, L.L.C.	Delaware
Vornado Green Acres Acquisition, L.L.C.	Delaware
Vornado Green Acres Delaware, L.L.C.	Delaware
Vornado Green Acres Funding, L.L.C.	Delaware
Vornado Green Acres Holdings, L.L.C.	Delaware
Vornado Green Acres SPE Managing Member, Inc.	Delaware
Vornado Gun Hill Road, L.L.C.	Delaware
Vornado IB Holdings, L.L.C.	Delaware
Vornado Investment Corp.	New York
Vornado Investments Corporation	Delaware
Vornado Investments, L.L.C.	Delaware
Vornado KMS Holdings, L.L.C.	Delaware
Vornado Lending Corp.	New Jersey
Vornado Lending, L.L.C.	New Jersey
Vornado Lodi Delaware Member, L.L.C.	Delaware
Vornado Lodi Delaware, L.L.C.	Delaware
Vornado Lodi, L.L.C.	New Jersey
Vornado M 330, L.L.C.	New York
Vornado M 393, L.L.C.	New York
Vornado Mamaroneck, L.L.C.	New York
Vornado Management Corp.	New Jersey
Vornado Manhattan House Mortgage, L.L.C.	Delaware
Vornado Mauritius II, L.L.C.	Delaware
Vornado Merger Sub, L.P.	Delaware
Vornado MH, L.L.C.	New York
Vornado MLP GP, L.L.C.	Delaware
Vornado Monmouth Mall, L.L.C.	New Jersey
Vornado Montehiedra Acquisition, L.L.C.	Delaware
Vornado Montehiedra Acquisition, L.P.	Delaware
Vornado Montehiedra Holding II, L.P.	Delaware
Vornado Montehiedra Holding, L.L.C.	Delaware
Vornado Montehiedra Holding, L.P.	Delaware
Vornado Montehiedra OP, L.L.C.	Delaware
Vornado Montehiedra OP, L.P.	Delaware
Vornado Montehiedra, Inc.	Delaware
Vornado New York RR One, L.L.C.	New York

Vornado Newkirk Advisory, L.L.C.	Delaware
Vornado Newkirk, L.L.C.	Delaware
Vornado NK Loan, L.L.C.	Massachusetts
Vornado North Bergen Tonelle Plaza, L.L.C.	Delaware
Vornado Office Management, L.L.C.	New York
Vornado Office, Inc.	New York

Name of Subsidiary	State of Organization
Vornado Patson Investor, L.L.C.	Delaware
Vornado PS, L.L.C.	Delaware
Vornado Realty, L.L.C.	Delaware
Vornado Rockville, L.L.C.	Delaware
Vornado Roney Palace Loan, L.L.C.	Delaware
Vornado Rosslyn, L.L.C.	Delaware
Vornado RTR, Inc.	Delaware
Vornado San Jose, L.L.C.	Delaware
Vornado Savanna SM, L.L.C.	Delaware
Vornado Savanna, L.L.C.	Delaware
Vornado SB 1, L.P.	Delaware
Vornado SB 10, L.P.	Delaware
Vornado SB 11, L.P.	Delaware
Vornado SB 12, L.P.	Delaware
Vornado SB 13, L.P.	Delaware
Vornado SB 14, L.P.	Delaware
Vornado SB 15, L.P.	Delaware
Vornado SB 16, L.P.	Delaware
Vornado SB 17, L.P.	Delaware
Vornado SB 18, L.P.	Delaware
Vornado SB 19, L.P.	Delaware
Vornado SB 2, L.P.	Delaware
Vornado SB 20, L.P.	Delaware
Vornado SB 21, L.P.	Delaware
Vornado SB 22, L.P.	Delaware
Vornado SB 23, L.P.	Delaware
Vornado SB 24, L.P.	Delaware
Vornado SB 25, L.P.	Delaware
Vornado SB 3, L.P.	Delaware
Vornado SB 4, L.P.	Delaware
Vornado SB 5, L.P.	Delaware
Vornado SB 6, L.P.	Delaware
Vornado SB 7, L.P.	Delaware
Vornado SB 8, L.P.	Delaware
Vornado SB 9, L.P.	Delaware
Vornado SB, L.L.C.	Delaware
Vornado SC Properties II, L.L.C.	Delaware
Vornado SC Properties, L.L.C.	Delaware
Vornado Sheffield Mezz Loan, L.L.C.	Delaware
Vornado Shenandoah Holdings, L.L.C.	Delaware
Vornado Sign, L.L.C.	Delaware
Vornado South Hills, L.L.C.	Delaware
Vornado Springfield Mall Manager, L.L.C.	Delaware
Vornado Springfield Mall, L.L.C.	Delaware
Vornado Suffolk, L.L.C.	Delaware
Vornado Thompson, L.L.C.	Delaware
Vornado Title, L.L.C.	Delaware
Vornado TOA-Baja II, L.L.C.	Delaware

Name of Subsidiary	State of Organization
Vornado TOA-Baja, L.L.C.	Delaware
Vornado Toys Bridge, L.L.C.	Delaware
Vornado Truck, L.L.C.	Delaware
Vornado TSQ, L.L.C.	Delaware
Vornado Two Penn Plaza, L.L.C.	New York
Vornado Two Penn Property, L.L.C.	Delaware
Vornado Vegas Blvd Debt, L.L.C.	Delaware
Vornado Vegas Blvd Equity, L.L.C.	Delaware
Vornado Warner Acquisition, L.L.C.	Delaware
Vornado Warner, L.L.C.	Delaware
Vornado Wasserman Fund Owner, L.L.C.	Delaware
Vornado Waterfront Holdings, L.L.C.	Delaware
Vornado Westbury Retail II, L.L.C.	Delaware
Vornado Westbury Retail, L.L.C.	Delaware
VRT Development Rights, L.L.C.	New York

VRT Massachusetts Holding, L.L.C.	Delaware
VRT New Jersey Holding, L.L.C.	Delaware
VSP, G.P.	New York
VSPS I, L.L.C.	Delaware
VSPS, L.L.C.	Delaware
VW Old Park II, L.L.C.	Delaware
VW Old Park III, L.L.C.	Delaware
VW Old Park, L.L.C.	Delaware
Warner Investments, L.P.	Delaware
Washington CESC TRS, Inc.	Delaware
Washington Design Center Subsidiary, L.L.C.	Delaware
Washington Design Center, L.L.C.	Delaware
Washington Mart TRS, Inc.	Delaware
Washington Office Center, L.L.C.	Delaware
Watchung VF, L.L.C.	New Jersey
Waterbury VF, L.L.C.	Connecticut
Wayne VF, L.L.C.	New Jersey
Wells Kinzie, L.L.C.	Delaware
West Windsor Holding Corporation	New Jersey
West Windsor Holding, L.L.C.	New Jersey
Woodbridge VF, L.L.C.	New Jersey
York Holding Company, L.L.C.	Pennsylvania
York Holding Company, L.P.	Pennsylvania
York VF, L.L.C.	Pennsylvania

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our reports dated February 28, 2006, relating to the consolidated financial statements and financial statement schedules of Vornado Realty Trust, and management's report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K of Vornado Realty Trust for the year ended December 31, 2005:

Registration Statement No. 333-68462 on Form S-8
Amendment No. 1 to Registration Statement No. 333-36080 on Form S-3
Registration Statement No. 333-64015 on Form S-3
Amendment No. 1 to Registration Statement No. 333-50095 on Form S-3
Registration Statement No. 333-52573 on Form S-8
Registration Statement No. 333-29011 on Form S-8
Registration Statement No. 333-09159 on Form S-8
Registration Statement No. 333-76327 on Form S-3
Amendment No.1 to Registration Statement No. 333-89667 on Form S-3
Registration Statement No. 333-81497 on Form S-8
Registration Statement No. 333-102216 on Form S-8
Amendment No.1 to Registration Statement No. 333-102215 on Form S-3
Amendment No.1 to Registration Statement No. 333-102217 on Form S-3
Registration Statement No. 333-105838 on Form S-3
Registration Statement No. 333-107024 on Form S-3
Registration Statement No. 333-109661 on Form S-3
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3

and in the following joint registration statements of Vornado Realty Trust and Vornado Realty L.P. :

Amendment No. 4 to Registration Statement No. 333-40787 on Form S-3
Amendment No. 4 to Registration Statement No. 333-29013 on Form S-3
Registration Statement No. 333-108138 on Form S-3
Registration Statement No. 333-122306 on Form S-3

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 28, 2006

EXHIBIT 31.1

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this annual report on Form 10-K of Vornado Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 28, 2006

/s/ Steven Roth
Steven Roth
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this annual report on Form 10-K of Vornado Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

February 28, 2006

/s/ Joseph Macnow
Joseph Macnow,
Chief Financial Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2005 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2006	/s/	Steven Roth
	Name:	Steven Roth
	Title:	Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2005 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2006	/s/	Joseph Macnow
	Name:	Joseph Macnow
	Title:	Chief Financial Officer