EXHIBIT INDEX ON PAGE 161

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended: DECEMBER 31, 2002

Or

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

For the transition period from ___________________ to ___________________

Commission File Number: 1-11954

VORNADO REALTY TRUST

(Exact name of Registrant as specified in its charter)

MARYLAND	22-1657560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
888 SEVENTH AVENUE, NEW YORK, NEW YORK	10019
(Address of Principal Executive Offices)	(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
New York
Stock
Exchange
interest,
$.04 par
value per
share
Series A
Convertible
Preferred
Shares New
York Stock
Exchange
of
beneficial
interest,
no par
value 8.5%
Series B
Cumulative
Redeemable
Preferred
Shares of
New York
Stock
Exchange
beneficial
interest,
no par
value 8.5%

Series C Cumulative Redeemable Preferred Shares New York Stock Exchange
of beneficial interest, no par value

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES /X/ 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 28, 2002 was $3,767,558,000.

As of February 3, 2003, there were 108,665,797 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 28, 2003.

TABLE OF CONTENTS

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(1) The Registrant will file a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors with the Securities and Exchange Commission not later than 120 days after December 31, 2002, which is incorporated by reference herein. Information relating to Executive Officers of the Registrant appears on page 55 of this Annual Report on Form 10-K.

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. 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 "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions in this annual report on Form 10-K. These forward-looking statements 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 1. Business - Certain Factors That May Adversely Affect the Company's Business and Operations" 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 Form 10-K.

PART I

ITEM 1. BUSINESS

THE COMPANY

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 79% of the limited partnership interest in, the Operating Partnership at February 3, 2003. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

OFFICE PROPERTIES ("OFFICE"):

(i) all or portions of 74 office properties aggregating approximately 27.7 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington D.C. and Northern Virginia area;

RETAIL PROPERTIES ("RETAIL"):

(ii) 62 retail properties in six states and Puerto Rico aggregating approximately 12.5 million square feet, including 1.8 million square feet built by tenants on land leased from the Company;

MERCHANDISE MART PROPERTIES:

(iii) 8.6 million square feet of showroom and office space, including the 3.4 million square foot Merchandise Mart in Chicago;

TEMPERATURE CONTROLLED LOGISTICS:

(iv) a 60% interest in the Vornado Crescent Portland Partnership that owns 88 cold storage warehouses nationwide with an aggregate of approximately 441.5 million cubic feet of refrigerated space leased to AmeriCold Logistics;

OTHER REAL ESTATE INVESTMENTS:

(v) 33.1% of the outstanding common stock of Alexander's, Inc. ("Alexander's");

(vi) 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 .4 million square feet of retail and office space;

(vii) a 21.7% interest in The Newkirk Master Limited Partnership which owns office, retail and industrial properties net leased primarily to credit rated tenants, and various debt interests in such properties;

(viii) eight dry warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet; and

(ix) other investments, including interests in other real estate, marketable securities and loans and notes receivable.

OBJECTIVES AND STRATEGY

The Company's business objective is to maximize shareholder value. 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 the Company believes 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 with qualified, experienced operating management and strong growth potential which can benefit from the Company's access to efficient capital;
- Developing/redeveloping the Company's existing properties to increase returns and maximize value; and
- On occasion, providing specialty financing to real estate companies.

The Company expects to finance its growth, acquisitions and investments using internally generated funds, proceeds from possible asset sales and by accessing the public and private capital markets.

2002 ACQUISITIONS

CHARLES E. SMITH COMMERCIAL REALTY L.P.

On January 1, 2002, the Company completed the combination of Charles E. Smith Commercial Realty L.P. ("CESCR") with Vornado. Prior to the combination, Vornado owned a 34% interest in CESCR. The consideration for the remaining 66% of CESCR was approximately $1,600,000,000, consisting of 15.6 million newly issued Vornado Operating Partnership units and approximately $1 billion of debt (66% of CESCR's total debt). The purchase price paid by the Company was determined based on the weighted average closing price of the equity issued to CESCR unitholders for the period beginning two business days before and two business days after the date the acquisition was agreed to and announced on October 19, 2001. The Company also capitalized as part of the basis of the assets acquired approximately $32,000,000 for third party acquisition related costs, including advisory, legal and other professional fees that were contemplated at the time of the acquisition. The operations of CESCR are consolidated into the accounts of the Company beginning January 1, 2002. Prior to this date the Company accounted for its 34% interest on the equity method. See page 82 for unaudited pro forma financial information for the year ended December 31, 2001.

CRYSTAL GATEWAY ONE

On July 1, 2002, the Company acquired a 360,000 square foot office building from a limited partnership, which was approximately 50% owned by Mr. Robert H. Smith and Mr. Robert P. Kogod, trustees of the Company, and members of their families, in exchange for approximately 325,700 newly issued Vornado Operating Partnership units (valued at $13,679,000) and the assumption of $58,500,000 of debt. The building is located in the Crystal City complex in Arlington, Virginia where the Company already owns 24 office buildings containing over 6.9 million square feet, which it acquired on January 1, 2002, in connection with the Company's acquisition of CESCR. The operations of Crystal Gateway One are consolidated into the accounts of the Company from the date of acquisition.

LAS CATALINAS MALL

On September 23, 2002, the Company increased its interest in the Las Catalinas Mall located in Caguas, Puerto Rico (San Juan area) to 100% by acquiring the 50% of the mall and 25% of the Kmart anchor store it did not already own. The purchase price was $48,000,000, including $32,000,000 of indebtedness. The Las Catalinas Mall, which opened in 1997, contains 492,000 square feet, including a 123,000 square foot Kmart and a 138,000 square foot Sears owned by the tenant. Prior to September 23, 2002, the Company accounted for its investment on the equity method. Subsequent to this date the operations of Las Catalinas are consolidated into the accounts of the Company.

MONMOUTH MALL

On October 10, 2002, a joint venture in which the Company has a 50% interest acquired the Monmouth Mall, an enclosed super regional shopping center located in Eatontown, New Jersey containing approximately 1.5 million square feet, including four department stores, three of which aggregating 731,000 square feet are owned by the tenants. The purchase price was approximately $164,700,000, including transaction costs of $4,400,000. The Company made a $7,000,000 common equity investment in the venture and provided it with $23,500,000 of preferred equity yielding 14%. The venture financed the purchase of the Mall with $135,000,000 of floating rate debt at LIBOR plus 2.05%, with a LIBOR floor of 2.50% on $35,000,000, a three year term and two one-year extension options. The Company accounts for its investment on the equity method as the Company does not have unilateral control over the joint venture.

Further details of the Company's acquisition activities are disclosed in Part II. Management's Discussion and Analysis of Financial Condition and Results of Operations.

DEVELOPMENT AND REDEVELOPMENT PROJECTS

The following table sets forth certain information for development/redevelopment projects: ($ in millions)

The Company's Share of --------------------------------------
Actual/ Actual/ Costs Expended Estimated Estimated in Year Ended
Estimated Completion Project December 31, Costs to Date Cost 2002
Complete ------------ ----------- --------------- -----------
COMPLETED IN 2002: Office: GreenPoint site adjacent to One Penn
Plaza - redevelopment of 28,000 square feet of retail
space............................... Spring 2002 $ 10.6 $ 5.5
175 Lexington Avenue - construction of a 45,000 square foot
building containing approximately 41,000 square feet of low
income residential housing exchanged for 163,728 square feet of
air rights...................................... Summer 2002
16.3 7.2 Retail: 435 Seventh Avenue - demolition of existing
buildings and the construction of 43,000 square feet of retail
space leased to Hennes &
Mauritz... Fall
2002 21.7 15.0 Merchandise Mart: Wells Kinzie Garage - Chicago
(50% interest) - 244,000 square foot parking garage (746 parking
spaces) adjacent to 400 North
LaSalle...
Spring 2002 11.1 4.1 Other: Fort Lee, New Jersey (95% interest) -
construction of a 41-story, 855,000 square foot high rise rental
apartment complex containing 538
apartments....................................... Spring 2002
126.9 12.2 -------- -------- $ 186.6 $ 44.0 ======== ======== IN
PROCESS: Office: New York City: 640 Fifth Avenue - construction
of additional 47,000 square feet of office space and
redevelopment of existing building.............. Fall 2003 $
60.6 $ 16.8 $ 43.8 CESCR: Crystal City - construction of
additional 57,000 square feet of retail
space... Fall
2004 42.0 2.2 39.8 Retail: 4 Union Square South - redevelopment
of 230,000 square foot building of which 48,000 square feet is
leased to Whole Foods and 26,000 square feet is leased to Forever
21................... Fall 2003 46.0 2.4 43.6 Merchandise Mart:
400 North LaSalle, Chicago (85% interest) - construction of
378,000 square foot high rise rental apartment complex containing
453 apartments....................................... Fall 2003
77.3 37.6 39.7 Other: Penn Plaza Signage District - erection of
up to 21 signs at various locations in the Penn Plaza
District............................ Spring 2005 28.0 2.4 24.0
-------- -------- -------- $ 253.9 $ 61.4 $ 190.9 ========
======== ========

In addition to the projects noted above, the Company is in the process of redeveloping fifteen of its shopping centers, seven of which include locations previously leased to Bradlees. The total cost of this redevelopment program, which includes the demolition of existing buildings, site work and tenant improvements, is estimated to be approximately $40 million. The Company is also in the pre-development phase of a number of projects including: (i) retail space in the Penn Plaza area and at 715 Lexington Avenue, (ii) repositioning of the Hotel Pennsylvania and (iii) expansions of the Green Acres and Monmouth malls.

There can be no assurance that the above projects will be commenced or will be successful.

The capital requirements of Alexander's and Temperature Controlled Logistics are described in Item 2: Properties.

VORNADO OPERATING COMPANY ("VORNADO OPERATING")

The Company and Vornado Operating are parties to certain agreements described below.

AGREEMENT WITH VORNADO OPERATING

The Company and Vornado Operating are parties to an Agreement pursuant to which, among other things, (i) the Company will under certain circumstances offer Vornado Operating an opportunity to become the lessee of certain real property owned now or in the future by the Company (under mutually satisfactory lease terms) and (ii) Vornado Operating will not make any real estate investment or other REIT-Qualified investment unless it first offers the Company the opportunity to make such investment and the Company has rejected that opportunity.

Under the Agreement, the Company provides Vornado Operating with certain administrative, corporate, accounting, financial, insurance, legal, tax, data processing, human resources and operational services. For these services, Vornado Operating compensates the Company in an amount determined in good faith by the Company as the amount an unaffiliated third party would charge Vornado Operating for comparable services and reimburses the Company for certain costs incurred and paid to third parties on behalf of Vornado Operating. Pursuant to the Agreement, compensation for such services was approximately $330,000, $371,000, and $330,000 for the years ended December 31, 2002, 2001, and 2000.

Vornado Operating and the Company each have the right to terminate the Agreement if the other party is in material default of the Agreement or upon 90 days written notice to the other party at any time after December 31, 2003. In addition, the Company has the right to terminate the Agreement upon a change in control of Vornado Operating.

VORNADO OPERATING'S MANAGEMENT

Messrs. Roth, Fascitelli, West and Wight are directors of Vornado Operating. Mr. Roth is also Chairman of the Board and Chief Executive Officer of Vornado Operating, Mr. Fascitelli is also President of Vornado Operating, and certain other members of the Company's senior management hold corresponding positions with Vornado Operating.

TEMPERATURE CONTROLLED LOGISTICS BUSINESS

On March 11, 1999, the Vornado Crescent Portland Partnership in which the Company has a 60% general partnership interest and Crescent Real Estate Equities has a 40% general partnership interest, sold all of the non-real estate assets of Temperature Controlled Logistics encompassing the operations of the temperature controlled business to a new partnership ("AmeriCold Logistics") owned 60% by Vornado Operating Company and 40% by Crescent Operating Inc. AmeriCold Logistics leases the underlying temperature controlled warehouses used in this business from the Vornado Crescent Portland Partnership ("the Landlord") which continues to own the real estate through its ownership of AmeriCold Realty Trust. The leases, as amended, generally have a 15 year term with two-five year renewal options and provide for the payment of fixed base rent and percentage rent based on revenue AmeriCold Logistics receives from its customers. The contractual rent for 2002 was $150,000,000. The Landlord's share of annual maintenance capital expenditures is $9,500,000. In accordance with the leases, AmeriCold Logistics deferred payment of $32,248,000 of 2002 rent due to the Landlord, of which the Company's share was $19,349,000. Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the joint venture did not recognize this rent in the year ended December 31, 2002. At December 31, 2002, the Company's share of the joint venture's total deferred rent receivable from the tenant is $24,350,000. On December 31, 2001, the Landlord released the tenant from its obligation to pay $39,812,000 of rent deferred in 2001 and 2000, of which the Company's share was $23,887,000. This amount equaled the rent which was not recognized as income by the joint venture and accordingly had no profit and loss effect to the Company.

REVOLVING CREDIT AGREEMENT

Vornado Operating was granted a $75,000,000 unsecured revolving credit facility from the Company which expires on December 31, 2004. Borrowings under the revolving credit facility bear interest at LIBOR plus 3%. The Company receives a commitment fee equal to 1% per annum on the average daily unused portion of the facility. No amortization is required to be paid under the revolving credit facility during its term. The revolving credit facility prohibits Vornado Operating from incurring indebtedness to third parties (other than certain purchase money debt and certain other exceptions) and prohibits Vornado Operating from paying dividends. As of December 31, 2002, $21,989,000 was outstanding under the revolving credit facility after the repayment of $9,500,000 by Vornado Operating, primarily from its share of the proceeds from the sale of AmeriCold's quarries to a new partnership owned 44% by the Company and 56% by Crescent Real Estate Equities.

Vornado Operating has disclosed that in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring and the sale and/or financing of assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility, which may be extended. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility.

OTHER INVESTMENTS

The Company's other investments are comprised of:

($ in thousands except per share/unit amounts)

	As of December 31, 2002
Other Real Estate Investments:	
Carried at Equity:	
Monmouth Mall Joint Venture (1)	$ 31,416
Starwood Ceruzzi Joint Venture (2)	24,959
Prime Group Realty L.P (3)	23,408
Consolidated:	
The Palisades Joint Venture (4)	36,368
Student Housing (5)	5,881
	$ 122,032
Marketable Securities, including $29,212 of Capital Trust, Inc. ("Capital Trust") preferred securities (6)	$ 42,525
Notes and Mortgage Loans Receivable:	
Dearborn Center (7)	$ 23,392
Commonwealth Atlantic Properties, an affiliate of Lazard Freres Real Estate Investors L.L.C. ("CAPI") (8)	41,200
Vornado Operating (see page 8 for further details)	21,989
	$ 86,581

The Company does not have direct or indirect control over its unconsolidated partially-owned entities as the Company's joint venture partners have shared Board/Management representation and authority, substantive participating rights on all significant business decisions, including acquisitions and dispositions of any real property assets, financing, operating and capital budgets and the hiring of a Chief Executive Officer and therefore does not consolidate their operations and financial position and applies the equity method of accounting in accordance with generally accepted accounting principles. The Company includes its share of partially-owned entities debt in reporting its exposure to a change in interest rates under Item 7A "Quantitative and Qualitative Disclosures about Market Risk" and in its ratio of debt-to-enterprise value as disclosed on page 101. See Note 4 - "Investments in Partially-Owned Entities" to the consolidated financial statements in this annual report on Form 10-K for details by investment.

See notes on following page.

(1) MONMOUTH MALL JOINT VENTURE
On October 10, 2002, a joint venture in which the Company has a 50% interest acquired the Monmouth Mall, an enclosed super regional shopping center located in Eatontown, New Jersey containing approximately 1.5 million square feet, including four department stores, three of which aggregating 731,000 square feet are owned by the tenants. The purchase price was approximately $164,700, including transaction costs of $4,400. The Company made a $7,000 common equity

investment in the venture and provided it with $23,500 of preferred equity yielding 14%. The venture financed the purchase of the Mall with $135,000 of floating rate debt at LIBOR plus 2.05%, with a LIBOR floor of 2.50% on $35,000, a three year term and two one-year extension options.

(2) STARWOOD CERUZZI JOINT VENTURE
The Starwood Ceruzzi Joint Venture was formed in 2000 by the Company, the 80% non-managing partner, and Starwood Ceruzzi, the 20% managing partner (which has equal Board and Management representation), to acquire fee and leasehold interests in properties formerly occupied by Hechinger Inc., a home improvement retailer which was liquidated. In the first quarter of 2000, the joint venture acquired two fee interests containing 210,000 square feet and four leasehold interests containing 400,000 square feet in properties located in Pennsylvania, Virginia, Maryland and Ohio. Of the two fee interests acquired, one of the fee interests was sold in March 2001 for $8,000, resulting in a gain of $1,744 (of which the Company's share was $1,395) and the other fee interest is available for sale or lease. One of the leasehold interests was net leased to Home Depot in 2002. Two of the other three properties were leased in 2002 to a supermarket tenant that has since filed for bankruptcy protection and rejected the leases. As such, the other three leasehold interests are currently vacant. The venture has no debt.

(3) PRIME GROUP REALTY, L.P.
On April 30, 2002, the Company and Cadim, inc. ("Cadim") acquired 7,944,893 Prime Group Realty L.P. partnership units at a foreclosure auction. The price paid for the units by application of a portion of Primestone's indebtedness to the Company and Cadim was $8.35 per unit, the April 30, 2002 closing price of shares of Prime Group Realty Trust ("PGE") on the New York Stock Exchange. On June 28, 2002, pursuant to the terms of the participation agreement, the Company transferred 3,972,447 of the partnership units to Cadim.

In the second quarter of 2002, in accordance with foreclosure accounting, the Company recorded a loss on the Primestone foreclosure of $17,671 calculated based on (i) the acquisition price of the units and (ii) its valuation of the amounts realizable under the guarantees by affiliates of Primestone, as compared with the net carrying amount of the investment at April 30, 2002. In the third quarter of 2002, the Company recorded a $2,229 write-down on its investment based on costs expended to realize the value of the guarantees. Further, in the fourth quarter of 2002, the Company recorded a $15,857 write-down of its investment consisting of (i) $14,857 to adjust the carrying amount of the Prime Group units to $4.61 per unit, the closing price of PGE shares on December 31, 2002 on the New York Stock Exchange and (ii) $1,000 for estimated costs to realize the value of the guarantees. The Company considered the decline in the value of the units which are convertible into stock to be other than temporary as of December 31, 2002, based on the fact that the market value of the stock has been less than its cost for more than six months, the severity of the decline, market trends, the financial condition and near-term prospects of Prime Group and other relevant factors.

At December 31, 2002, the Company's carrying amount of the investment was $23,408, of which $18,313 represents the carrying amount of the 3,972,447 partnership units owned by the Company ($4.61 per unit), $6,100 represents the amount expected to be realized under the guarantees, partially offset by $1,005 representing the Company's share of Prime Group Realty's net loss through September 30, 2002 (see Note 4. Investments in and Advances to Partially-Owned Entities to the consolidated financial statements in this Form 10-K). Prior to April 30, 2002, this investment was in the form of a loan and was included in Notes and Mortgage Loans Receivable on the balance sheet.

At February 3, 2003, the closing price of PGE shares on the New York Stock Exchange was $5.30 per share. The ultimate realization of the Company's investment will depend upon the future performance of the Chicago real estate market and the performance of PGE, as well as the ultimate realizable value of the net assets supporting the guarantees and the Company's ability to collect under the guarantees. In addition, the Company will continue to monitor this investment to determine whether additional write-downs are required based on (i) declines in value of the shares of PGE (for which the partnership units are exchangeable) which are "other than temporary" as used in accounting literature and (ii) the amount expected to be realized under the guarantees.

(4) THE PALISADES JOINT VENTURE
The Palisades Joint Venture was formed in 1999 to develop an 855,000 square foot high-rise residential tower in Fort Lee, New Jersey, containing 538 apartments. The joint venture agreement provides for the Company to contribute 95% of the equity and receive 75% of the net profit after a 10% preferred return. The development of the Palisades residential complex was substantially complete as of March 1, 2002.

Accordingly, the Company placed the property into service on March 1, 2002 and discontinued the capitalization of interest and other property specific costs. As of December 31, 2002, the property, which is now in the lease-up phase, is 55% occupied (298 of the 538 total apartments have been leased).

(5) STUDENT HOUSING
In January 2000, the Company and its joint venture partner acquired a 252-unit student housing complex in Gainesville, Florida, for approximately $27,000. The Company has a 90% interest in the joint venture.

(6) CAPITAL TRUST PREFERRED SECURITIES
At December 31, 2002, the Company owns $30,000 of 8.25% step-up convertible junior subordinated debentures which are convertible into shares of Class A common stock of Capital Trust (NYSE:CT) at a conversion price of $7.00 per share. The securities are redeemable by Capital Trust, in whole or in part, on or after September 30, 2004. Mr. Roth, the Chairman and Chief Executive Officer of Vornado Realty Trust, is a member of the Board of Directors of Capital Trust, nominated by the Company.

(7) DEARBORN CENTER
The Company's investment of $23,392 represents a 38.5% interest in $60,758 funded of a $65,000 mezzanine loan to an entity whose sole asset is Dearborn Center, a 1.5 million square foot high-rise office tower under construction in Chicago. The entity is owned by Prime Group Realty L.P. and another investor. The Company is a member of a loan syndicate led by a money center bank. The proceeds of the loan are being used to finance the construction, and are subordinate to a $225,000 first mortgage. The loan is due January 21, 2004, three years from the date of the initial draw, and provides for a 1 year extension at the borrower's option (assuming net operating income at a specified level and a cash reserve sufficient to fund interest for the extension period). The loan bears interest at 12% per annum plus additional interest ranging from a minimum of 9.5% to a maximum of 11.5%.

(8) CAPI
In March 1999, in connection with the Company's acquisition of land under certain of the CESCR office properties from CAPI, the Company made a $41,200 recourse loan to CAPI, which matures in June 2004. Interest on the loan was 8.5% at December 31, 2002. The loan is secured by approximately 1,100,000 of the Company's Series E-1 convertible preferred units issued to CAPI. Each Series E-1 convertible preferred unit is convertible into 1.1364 shares of the Company's common shares.

FINANCING ACTIVITIES

On June 24, 2002, the Company completed an offering of $500,000,000 aggregate principal amount of 5.625% senior unsecured notes due June 15, 2007. Interest on the notes is payable semi-annually on June 15th and December 15th, commencing December 15, 2002. The net proceeds of approximately $496,300,000, were used to repay the mortgages on 350 North Orleans, Two Park Avenue, the Merchandise Mart and Seven Skyline. On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the $500,000,000 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 (2.15% at December 31, 2002).

On February 25, 2002, the Company sold 884,543 shares to a closed-end fund and 514,200 shares to a unit investment trust based on the closing price of $42.96 on the NYSE. The net proceeds to the Company were approximately $57,042,000.

Further details of the Company's financing activities are disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II of this annual report on Form 10-K.

At December 31, 2002, the ratio of debt-to-enterprise value (market equity value plus debt less cash) was 45% based on debt of $4.966 billion, including the Company's proportionate share of debt of partially-owned non-consolidated entities. In the future, in connection with the Company's strategy for growth, this percentage may change. The Company's policy concerning the incurrence of debt may be reviewed and modified from time to time without the vote of shareholders.

The Company may seek to obtain funds through equity offerings, debt financings or asset sales, although there is no express policy with respect thereto. The Company may 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.

ADJUSTED EBITDA BY SEGMENT AND REGION

The following table sets forth the percentage of the Company's Adjusted EBITDA(1) by segment and region for the years ended December 31, 2002, 2001, and 2000. The pro forma column gives effect to the January 1, 2002 acquisition by the Company of the remaining 66% interest in CESCR described previously, as if it had occurred on January 1, 2001.

PERCENTAGE OF ADJUSTED EBITDA(1)

	Years Ended December 31,			
	2002	2001 Pro forma	2001	2000
SEGMENT				
Office: New York	33%	31%	38%	35%
CESCR	29%	26%	10%	10%
Total	62%	57%	48%	45%
Retail	12%	12%	15%	16%
Merchandise Mart Properties	12%	12%	14%	12%
Temperature Controlled Logistics	8%	8%	10%	13%
Other	6%	11%	13%	14%
	100%	100%	100%	100%
REGION				
New York City metropolitan area	41%	42%	52%	50%
Washington, D.C./Northern Virginia metropolitan area	30%	26%	11%	12%
Chicago	11%	9%	11%	9%
Philadelphia metropolitan area	1%	--%	1%	3%
Puerto Rico	1%	1%	2%	2%
Other (2)	16%	22%	23%	24%
	100%	100%	100%	100%

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(1) Adjusted EBITDA represents EBITDA adjusted for gains or losses on sales of depreciable real estate, the effect of straight-lining of rent escalations, the amortization of below market leases net of above market leases and minority interest. Management considers Adjusted EBITDA a supplemental measure for making decisions and assessing the performance of its segments. Adjusted EBITDA is presented as a measure of "operating performance" which enables the reader to identify trends from period to period and may be used to compare "same store" operating performance to other companies, as well as providing a measure for determining funds available to service debt. Adjusted EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other includes the Temperature Controlled Logistics segment which has cold storage warehouses in 32 states. See page 44 for details.

ALEXANDER'S

The Company owns 33.1% of the outstanding shares of common stock of Alexander's. See "Interstate Properties" below for a description of Interstate's ownership of the Company and Alexander's.

Alexander's has 6 properties (see Item 2. Properties--Alexander's).

At December 31, 2002, the Company had loans receivable from Alexander's of $119,000,000, including $24,000,000 drawn under the $50,000,000 line of credit the Company granted to Alexander's on August 1, 2000. The maturity date of the loan and the line of credit is the earlier of January 3, 2006 or the date the Alexander's Lexington Avenue construction loan is repaid. The interest rate on the loan and line of credit, which resets quarterly using the same spread to treasuries as presently exists with a 3% floor for treasuries, is 12.48% at December 31, 2002. The Company believes that although Alexander's has disclosed that it does not have positive cash flow sufficient to repay this loan to the Company currently, Alexander's will be able to repay the loan upon the successful development and permanent financing of its Lexington Avenue development project or through asset sales.

The Company manages, develops and leases the Alexander's properties under a management and development agreement and a leasing agreement pursuant to which the Company receives annual fees from Alexander's. Further, the Company has agreed to guarantee, among other things, the lien free, timely completion of the construction of Alexander's Lexington Avenue development project and funding of project costs in excess of a stated budget, if not funded by Alexander's. These agreements are described in Note 4 to the Company's consolidated financial statements. See Item 2 - "Properties" for a description of Alexander's properties and development and redevelopment projects.

Messrs. Roth, Fascitelli, Mandelbaum, West and Wight, directors of the Company, are also directors of Alexander's. Mr. Roth is also Chief Executive Officer of Alexander's and Mr. Fascitelli is also President of Alexander's. Joseph Macnow, Executive Vice President - Finance and Administration and Chief Financial Officer of the Company, is also Executive Vice President - Finance and Administration and Chief Financial Officer of Alexander's.

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

INTERSTATE PROPERTIES

As of December 31, 2002, Interstate Properties and its partners owned approximately 12.9% of the common shares of beneficial interest of the Company, 27.5% of Alexander's common stock and beneficial ownership of 7.9% of Vornado Operating (17.0% assuming redemption of 447,017 units of Vornado Operating that are redeemable for cash, or at Vornado Operating's election, common stock of Vornado Operating). 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 both Alexander's and Vornado Operating. Mr. Wight is a trustee of the Company and is also a director of both Alexander's and Vornado Operating. Mr. Mandelbaum is a trustee of the Company and is also a director of Alexander's.

COMPETITION

The Company's business segments - Office, Retail, Merchandise Mart Properties, Temperature Controlled Logistics, and Other -- 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 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.

TENANTS WHICH ACCOUNTED FOR OVER 10% OF REVENUES

The U.S. Government provides a significant proportion of the Company's revenues. In 2002, the U.S. Government accounted for 16.8% of the Office segment's revenues, and 11.4% of the Company's total revenues. The loss of this tenant would have a material adverse effect on the Office segment and the Company's finances as a whole.

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 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 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 material environmental condition. 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.

INSURANCE

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 did not expressly exclude coverage for hostile acts, except for acts of war. Since September 11, 2001, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. The Company has generally been unable to obtain all risk insurance which includes coverage for terrorist acts for policies it has renewed since September 11, 2001, for each of its businesses. In 2002, the Company obtained $200,000,000 of separate aggregate coverage for terrorist acts for each of its New York City Office, Washington, D.C. Office, Retail and Merchandise Mart businesses and $60,000,000 for its Temperature Controlled Logistics business. Therefore, the Company is at risk for financial loss in excess of these limits for terrorist acts (as defined), which loss could be material.

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 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. In the second quarter of 2002, the Company received correspondence from four lenders regarding terrorism insurance coverage, which the Company has responded to. In these letters the lenders took the position that under the agreements governing the loans provided by these lenders the Company was required to maintain terrorism insurance on the properties securing the various loans. The aggregate amount of borrowings under these loans as of December 31, 2002 was approximately $770.4 million, and there was no additional borrowing capacity. Subsequently, the Company obtained an aggregate of $360 million of separate coverage for "terrorist acts". To date, one of the lenders has acknowledged to the Company that it will not raise any further questions based on the Company's terrorism insurance coverage in place, and the other three lenders have not raised any further questions regarding the Company's insurance coverage. If lenders insist on greater coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 was signed into law. Under this new legislation, through 2004 (with a possible extension through 2005), regulated insurers must offer coverage in their commercial property and casualty policies (including existing policies) for losses resulting from defined "acts of terrorism". As a result of the legislation, in February 2003 the Company obtained $300 million of per occurrence coverage for terrorist acts for its New York City Office, Washington, D.C. Office and Merchandise Mart businesses, of which $240 million is for Certified Acts, as defined in the legislation. The Company maintains $200 million and $60 million of separate aggregate coverage that it had in 2002 for each of its Retail and Temperature Controlled Logistics businesses (which has been renewed as of January 1, 2003). The Company's current Retail property insurance carrier has advised the Company that there will be an additional premium of approximately $11,000 per month through the end of the policy term (June 30, 2003), for "Acts of Terrorism" coverage, as defined in the new legislation and that the situation may change upon renewal.

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, 2002, the Company had approximately 1,422 employees consisting of 276 in the Office Properties segment (including 193 as a result of the CESCR acquisition), 58 in the Retail Properties segment, 476 in the Merchandise Mart Properties segment, 417 at the Hotel Pennsylvania and 195 corporate staff. This does not include employees of partially-owned entities.

SEGMENT DATA

The Company operates in four business segments: Office Properties, Retail Properties, Merchandise Mart Properties and Temperature Controlled Logistics. The Company engages in no foreign operations. Information related to the Company's business segments for the years 2002, 2001 and 2000 is set forth in Note 17 to the Company's consolidated financial statements in this annual report on Form 10-K.

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

INTERNET ACCESS

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 the Company's website (www.vno.com) as soon as reasonably practicable after the Company electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

CERTAIN FACTORS THAT MAY ADVERSELY AFFECT THE COMPANY'S BUSINESS AND OPERATIONS

Set forth below are certain factors that may adversely affect the Company's 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 THE COMPANY'S REVENUES AND AVAILABLE CASH.

The factors that affect the value of the Company's 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; the Company's 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 consider a property attractive; the financial condition of the Company's tenants, including the extent of tenant bankruptcies or defaults; whether the Company is able to pass some or all of any increased operating costs it experiences through to tenants; how well the Company manages its properties; increased interest rates; increases in real estate taxes and other expenses; decreases in market rental rates; the timing and costs associated with property improvements and rentals; changes in taxation or zoning laws; government regulations; availability of financing on acceptable terms or at all; potential liability under environmental or other laws or regulations; and general competitive factors.

The rents the Company receives and the occupancy levels at its properties may decline as a result of adverse changes in any of these factors. If the Company's rental revenues decline, it generally would expect to have less cash available to distribute to its shareholders. In addition, some of the Company's major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline. If rents decline while costs remain the same, the Company's income and funds available for distribution to its shareholders would decline.

THE COMPANY DEPENDS ON LEASING SPACE TO TENANTS ON ECONOMICALLY FAVORABLE TERMS AND COLLECTING RENT FROM ITS TENANTS, WHO MAY NOT BE ABLE TO PAY.

The Company's financial results depend on leasing space in its properties to tenants on economically favorable terms. In addition, because substantially all of the Company's income comes from rentals of real property, its income and funds available for distribution to its shareholders will decrease if a significant number of its tenants cannot pay their rent. If a tenant does not pay its rent, the Company might not be able to enforce its rights as landlord without delays and might incur substantial legal costs. For information regarding the bankruptcy of the Company's tenants, see "--Bankruptcy of tenants may decrease the Company's revenues and available cash" below.

BANKRUPTCY OF TENANTS MAY DECREASE THE COMPANY'S REVENUES AND AVAILABLE CASH.

A number of companies, including some of the Company's tenants, have declared bankruptcy in recent years, and other tenants may declare bankruptcy or become insolvent in the future. If a major tenant declares bankruptcy or becomes insolvent, the rental property where it leases space may have lower revenues and operational difficulties, and, in the case of the Company's shopping centers, the Company may have difficulty leasing the remainder of the affected property. The Company's leases generally do not contain restrictions designed to ensure the creditworthiness of its tenants. As a result, the bankruptcy or insolvency of a major tenant could result in a lower level of funds from operations available for distribution to the Company's shareholders.

U.S. Airways Group Inc. leases 296,000 square feet from the Company for its headquarters in Washington, D.C. U.S. Airways has been adversely affected by the downturn in air travel as a result of the terrorist attacks and economic decline. On August 11, 2002, US Airways filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Effective January 1, 2003, the Company agreed to amend its lease with US Airways at Crystal City to (i) reduce the tenant's space by 90,732 square feet to 205,600 square feet (ii) reduce the annual escalated rent from $36.00 to $29.75 per square foot with 2.5% annual base rent escalations, (iii) provide the tenant with up to $1,200,000 of tenant allowances and (iv) loan the tenant up to $1,000,000 at 9% per annum for additional tenant improvements which is to be repaid over the lease term. This lease modification is subject to a confirmed plan of reorganization by the Bankruptcy Court.

In February 2003, KoninKlijke Ahold NV, parent of Stop & Shop, announced that it overstated its 2002 and 2001 earnings by at least $500 million and is under investigation by the U.S. Justice Department and Securities and Exchange Commission. See Item 2. Properties - Retail Segment - Former Bradlees Leases for information about former Bradlees leases guaranteed by Stop & Shop. The Company cannot predict what effect, if any, this situation may have on Stop & Shop's ability to satisfy its obligation under the Bradlees guarantees and rent for existing Stop & Shop leases aggregating approximately $10.5 million per annum.

The risk that some of the Company's tenants may declare bankruptcy is higher because of the September 11, 2001 terrorist attacks and the resulting decline in the economy.

SOME OF THE COMPANY'S POTENTIAL LOSSES MAY NOT BE COVERED BY INSURANCE.

For a discussion of risks related to the Company's insurance coverage, see "Item 1. Business - Insurance."

THE COMPANY MAY ACQUIRE OR DEVELOP NEW PROPERTIES, AND THIS MAY CREATE RISKS.

The Company may acquire or develop properties or acquire other real estate companies when it believes that an acquisition or development is consistent with its business strategies. The Company may not, however, succeed in consummating desired acquisitions or in completing developments on time or within its budget. The Company also might not succeed in leasing newly developed or acquired properties at rents sufficient to cover their costs of acquisition or development and operations.

The Company has experienced rapid growth in recent years, increasing its total assets from approximately $565,000,000 at December 31, 1996 to approximately $9 billion at December 31, 2002. This growth included the acquisition of Charles E. Smith Commercial Realty L.P. on January 1, 2002, which increased the Company's total assets as of that date by $2,506,000,000, of which $1,758,000,000 (66%) is attributable to the acquisition of assets and $748,000,000 (34%) is attributable to Charles E. Smith Commercial Realty L.P. becoming a wholly owned subsidiary of the Operating Partnership and therefore being consolidated rather than accounted for under the equity method. The Company may not be able to maintain a similar rate of growth in the future or manage its past and any future growth effectively. The Company's failure to do so may have a material adverse effect on its financial condition and results of operations. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management's attention.

THE COMPANY MAY NOT BE PERMITTED TO DISPOSE OF CERTAIN PROPERTIES OR PAY DOWN THE DEBT ASSOCIATED WITH THOSE PROPERTIES WHEN IT MIGHT OTHERWISE DESIRE TO DO SO WITHOUT INCURRING ADDITIONAL COSTS.

As part of an acquisition of a property, the Company may agree with the seller that it will not dispose of the acquired properties or reduce the mortgage indebtedness on them for significant periods of time unless it pays certain of the resulting tax costs of the seller. These agreements could result in the Company holding on to properties that it would otherwise sell and not paying down or refinancing indebtedness that it would otherwise pay down or refinance.

IT MAY BE DIFFICULT TO BUY AND SELL REAL ESTATE QUICKLY, AND TRANSFER RESTRICTIONS APPLY TO SOME OF THE COMPANY'S MORTGAGED PROPERTIES.

Equity real estate investments are relatively difficult to buy and sell quickly. The Company therefore has limited ability to vary its portfolio promptly in response to changes in economic or other conditions. Some of the Company's properties are mortgaged to secure payment of indebtedness. If the Company is unable to meet its mortgage payments, the lender could foreclose on the properties and the Company could incur a loss. In addition, if the Company wishes to dispose of one or more of the mortgaged properties, it might not be able to obtain release of the lien on the mortgaged property. If a lender forecloses on a mortgaged property or if a mortgage lien prevents the Company from selling a property, its funds available for distribution to its shareholders could decline. For information relating to the mortgages on the Company's properties, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and the notes to the Company's consolidated financial statements in this annual report on Form 10-K.

A SIGNIFICANT PROPORTION OF THE COMPANY'S 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 REGIONS.

During 2002, 71% of the Company's Adjusted EBITDA came from properties located in New Jersey and the New York City and Washington, D.C. metropolitan areas. The Company may continue to concentrate a significant portion of its 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 the Company cannot predict how the current economic conditions will impact these markets in both the short and long term. Further declines in the economy or a decline in the real estate markets in these areas could hurt the Company's financial performance and the value of its properties. The factors affecting economic conditions in these regions include: 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 the Company 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, on the real estate markets in these areas. If these conditions persist, they may adversely affect the Company's businesses and future profitability.

ON JANUARY 1, 2002, THE COMPANY COMPLETED THE ACQUISITION OF THE 66% INTEREST IN CHARLES E. SMITH COMMERCIAL REALTY L.P. THAT IT DID NOT PREVIOUSLY OWN. THE TERMS OF THE MERGER RESTRICT THE COMPANY'S 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 THE COMPANY'S INABILITY TO SELL THESE PROPERTIES AT AN OPPORTUNE TIME AND INCREASED COSTS TO THE COMPANY.

The Company has agreed to restrictions on its ability to sell, finance, refinance and, in some instances, pay down existing financing on the Charles E. Smith Commercial Realty L.P. properties for a period of up to 20 years, under a tax reporting and protection agreement that the Company entered into at the closing of the merger. This agreement prohibits the Company from taking these actions unless the Operating Partnership also pays the contributing partners based on their tax liabilities as a result of the sale. These arrangements may significantly reduce the Company's ability to sell, finance or repay indebtedness secured by the subject properties or assets.

In addition, subject to limited exceptions, the Company is restricted from selling or otherwise transferring or disposing of certain properties located in the Crystal City area of Arlington, Virginia or an interest in its division that manages the majority of its office properties in the Washington, D.C. metropolitan area, which we refer to as the "Smith 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 Smith Division. These restrictions, which currently cover approximately 13.0 million square feet of space, could result in the Company's inability to sell these properties or an interest in the Smith Division at an opportune time and increased costs to the Company.

THE COMPANY MAY INCUR COSTS TO COMPLY WITH ENVIRONMENTAL LAWS.

For a discussion of risks related to the Company's compliance with environmental laws, see "Item 1. Business - Environmental Regulations."

REAL ESTATE IS A COMPETITIVE BUSINESS.

For a discussion of risks related to competition in the real estate business, see "Item 1. Business - Competition."

THE TERRORIST ATTACKS OF SEPTEMBER 11, 2001 IN NEW YORK CITY AND THE

WASHINGTON, D.C. AREA MAY ADVERSELY AFFECT THE VALUE OF THE COMPANY'S PROPERTIES AND ITS ABILITY TO GENERATE CASH FLOW.

THERE MAY BE A DECREASE IN DEMAND FOR SPACE IN LARGE METROPOLITAN AREAS THAT ARE CONSIDERED AT RISK FOR FUTURE TERRORIST ATTACKS, AND THIS DECREASE MAY REDUCE THE COMPANY'S REVENUES FROM PROPERTY RENTALS.

The Company has significant investments in large metropolitan areas, including the New York/New Jersey, Washington, D.C. and Chicago metropolitan areas. In the aftermath of the terrorist attacks, tenants in these areas may choose to relocate their business to less populated, lower-profile areas of the United States that are not as likely to be targets of future terrorist activity. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in the Company's properties and force it to lease its properties on less favorable terms. As a result, the value of the Company's properties and the level of its revenues could decline materially.

THE COMPANY'S INVESTMENT IN HOTEL PENNSYLVANIA IS DEPENDENT ON THE TRAVEL INDUSTRY, AND THAT INVESTMENT HAS BEEN AND MAY CONTINUE TO BE IMPACTED SEVERELY BY THE TERRORIST ATTACKS AND THE CURRENT ECONOMIC DOWNTURN.

The Company's investment in Hotel Pennsylvania is directly dependent on the travel industry generally and the number of visitors to New York City in particular. Since September 11, 2001, there has been a substantial decline in travel and tourism generally, and in particular New York City. Accordingly, there has been a significant reduction in occupancy at Hotel Pennsylvania. As a result, revenues generated by this investment have been impacted severely by that decline, and the Company expects this impact on revenues to continue.

ALL OF THE COMPANY'S TEMPERATURE CONTROLLED LOGISTICS WAREHOUSES ARE LEASED TO ONE TENANT, AND THAT TENANT IS EXPERIENCING OPERATING DIFFICULTIES.

The Operating Partnership owns a 60% general partnership interest in a partnership, which we refer to as the "Vornado Crescent Portland Partnership," that owns 88 cold storage warehouses nationwide with an aggregate of approximately 441.5 million cubic feet of refrigerated, frozen and dry storage space. The Vornado Crescent Portland Partnership sold all of the non-real estate assets encompassing the operations of the temperature controlled business to a new partnership named AmeriCold Logistics, owned 60% by Vornado Operating Company, which we refer to as "Vornado Operating," and 40% by Crescent Operating Inc. AmeriCold Logistics leases the underlying temperature controlled warehouses used in this business from the Vornado Crescent Portland Partnership, which continues to own the real estate. During 2002, AmeriCold Logistics generated approximately 8% of the Company's Adjusted EBITDA. The leases, as amended, generally have a 15 year term with two-five year renewal options and provide for the payment of fixed base rent and percentage rent based on revenue AmeriCold Logistics receives from its customers. The contractual rent for 2002 was $150,000,000. The Landlord's share of annual maintenance capital expenditures is $9,500,000. In accordance with the leases, AmeriCold Logistics deferred payment of $32,248,000 of 2002 rent due to the Landlord, of which the Company's share was $19,349,000. Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the joint venture did not recognize this rent in the year ended December 31, 2002. At December 31, 2002, the Company's share of the joint venture's total deferred rent receivable from the tenant is $24,350,000. On December 31, 2001, the Landlord released the tenant from its obligation to pay $39,812,000 of rent deferred in 2001 and 2000, of which the Company's share was $23,887,000. This amount equaled the rent which was not recognized as income by the joint venture and accordingly had no profit and loss effect to the Company.

To the extent that the operations of AmeriCold Logistics may affect its ability to pay rent, including percentage rent due under the leases, the Company indirectly bears the risks associated with AmeriCold Logistics' cold storage business. The cold storage business is extremely competitive. Factors affecting AmeriCold Logistics' ability to compete include, among others, (a) warehouse locations, (b) customer mix and (c) availability, quality and price of additional services.

THE COMPANY MAY NOT BE ABLE TO OBTAIN CAPITAL TO MAKE INVESTMENTS.

The Company depends primarily on external financing to fund the growth of its business. This is because one of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distributes 90% of its net taxable income, excluding net capital gains, to its shareholders. The Company's access to debt or equity financing depends on banks' willingness to lend and on conditions in the capital markets. The Company and other companies in the real estate industry have experienced limited availability of bank loans and capital markets financing from time to time. Although the Company believes that it will be able to finance any investments it may wish to make in the foreseeable future, financing other than what it already has available might not be available on acceptable terms.

For information about the Company's 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.

THE COMPANY'S OWNERSHIP STRUCTURE AND RELATED-PARTY TRANSACTIONS MAY GIVE RISE TO CONFLICTS OF INTEREST.

STEVEN ROTH AND INTERSTATE PROPERTIES MAY EXERCISE SUBSTANTIAL INFLUENCE OVER THE COMPANY. THEY AND SOME OF THE COMPANY'S OTHER TRUSTEES AND OFFICERS HAVE INTERESTS OR POSITIONS IN OTHER ENTITIES THAT MAY COMPETE WITH THE COMPANY.

As of December 31, 2002, Interstate Properties, a New Jersey general partnership, and its partners owned approximately 12.9% of the common shares of the Company and approximately 27.5% of the common stock of Alexander's, Inc. and beneficially owned approximately 7.9% of the common stock of Vornado Operating (approximately 17.0% assuming redemption of 447,017 units of Vornado Operating L.P., the operating subsidiary of Vornado Operating, that are beneficially owned by Interstate Properties and redeemable for common stock of Vornado Operating). 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 the Company, the managing general partner of Interstate Properties, the Chief Executive Officer and a director of Alexander's and the Chairman of the Board and Chief Executive Officer of Vornado Operating. Mr. Wight is a trustee of the Company and is also a director of both Alexander's and Vornado Operating. Mr. Mandelbaum is a trustee of the Company and is also a director of Alexander's.

As of December 31, 2002, the Company owned 33.1% 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 Michael D. Fascitelli, the President and a trustee of the Company, are directors of Alexander's. Messrs. Mandelbaum, Richard R. West and Wight are trustees of the Company and are also directors of Alexander's.

Because of these overlapping interests, Mr. Roth and Interstate Properties may have substantial influence over the Company, Alexander's and Vornado Operating and on the outcome of any matters submitted to the Company's, Alexander's or Vornado Operating's shareholders for approval. In addition, certain decisions concerning the Company's operations or financial structure may present conflicts of interest among Messrs. Roth, Mandelbaum and Wight and Interstate Properties and the Company's other shareholders. In addition, Mr. Roth and Interstate Properties 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 the Company, Alexander's or Vornado Operating, 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 the Company, Interstate Properties, Alexander's and Vornado Operating, competition for properties and tenants, possible corporate transactions such as acquisitions and other strategic decisions affecting the future of these entities.

The Company currently manages and leases the real estate assets of Interstate Properties under a management agreement for which the Company 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. The Company earned $1,655,000 and $1,450,000 of management fees under the management agreement for the years ended December 31, 2001 and 2002. Because the Company and Interstate Properties are controlled by the same persons, as described above, the terms of the management agreement and any future agreements between the Company and Interstate Properties may not be comparable to those the Company could have negotiated with an unaffiliated third party.

THE COMPANY ENGAGES IN TRANSACTIONS WITH VORNADO OPERATING ON TERMS THAT MAY OR MAY NOT BE COMPARABLE TO THOSE IT COULD NEGOTIATE WITH UNAFFILIATED THIRD PARTIES.

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. In addition to being trustees of the Company, Messrs. Roth, Fascitelli, West and Wight are directors of Vornado Operating. Mr. Roth is also Chairman of the Board and Chief Executive Officer of Vornado Operating, Mr. Fascitelli is also President of Vornado Operating, and certain other members of the Company's senior management hold corresponding positions with Vornado Operating.

The Operating Partnership entered into a $75,000,000 unsecured revolving credit facility with Vornado Operating that expires on December 31, 2004. Borrowings under the revolving credit agreement bear interest at LIBOR plus 3%. The Operating Partnership receives an annual commitment fee equal to 1% on the average daily unused portion of the facility. Vornado Operating is not required to pay any amortization under the revolving credit agreement during its term. The revolving credit agreement prohibits Vornado Operating from incurring indebtedness to third parties, other than certain purchase money debt and certain other exceptions, and prohibits Vornado Operating from paying dividends. As of December 31, 2002, $21,989,000 was outstanding under the revolving credit agreement.

The Operating Partnership and Vornado Operating are parties to an agreement under which, among other things, (a) the Operating Partnership will offer Vornado Operating, under certain circumstances, an opportunity to become the lessee of certain real property owned now or in the future by the Operating Partnership under mutually satisfactory lease terms and (b) Vornado Operating will not make any real estate investment or other investments known as REIT-qualified investments unless it first offers the Operating Partnership the opportunity to make the investment and the Operating Partnership has rejected that opportunity. Under this agreement, the Operating Partnership provides Vornado Operating with administrative, corporate, accounting, financial, insurance, legal, tax, data processing, human resources and operational services. For these services, Vornado Operating compensates the Operating Partnership in an amount determined in good faith by the Operating Partnership as the amount an unaffiliated third party would charge Vornado Operating for comparable services and reimburses the Operating Partnership for certain costs incurred and paid to third parties on behalf of Vornado Operating. Under this agreement, compensation for these services was approximately $330,000, $371,000 and $330,000 for the years ended December 31, 2000, 2001 and 2002. Vornado Operating and the Operating Partnership each have the right to terminate this agreement if the other party is in material default of the agreement or upon 90 days' written notice to the other party at any time after December 31, 2003. In addition, the Operating Partnership has the right to terminate this agreement upon a change in control of Vornado Operating.

Vornado Operating's restated certificate of incorporation specifies that one of its corporate purposes is to perform this agreement and, for so long as the agreement remains in effect, prohibits Vornado Operating from making any real estate investment or other REIT-qualified investment without first offering the opportunity to the Operating Partnership in the manner specified in this agreement.

The Company and Vornado Operating may enter into additional transactions in the future. Because the Company and Vornado Operating share common senior management and because a majority of the Company's trustees also constitute the majority of the directors of Vornado Operating, the terms of the foregoing agreements and any future agreements between the Company and Vornado Operating may not be comparable to those the Company could have negotiated with an unaffiliated third party.

THERE MAY BE CONFLICTS OF INTEREST BETWEEN THE COMPANY AND ALEXANDER'S.

As of December 31, 2002, the Company owned 33.1% 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 further described above, owned an additional 27.5% of the outstanding common stock of Alexander's as of December 31, 2002. Mr. Roth, Chairman of the Board and Chief Executive Officer of the Company, is Chief Executive Officer and a director of Alexander's, and Mr. Fascitelli, President and a trustee of the Company, is President and a director of Alexander's. Messrs. Mandelbaum, West and Wight, trustees of the Company, are also directors of Alexander's. Alexander's common stock is listed on the New York Stock Exchange under the symbol "ALX."

At December 31, 2002, the Operating Partnership had loans receivable from Alexander's of $119,000,000 at an interest rate of 12.48%. These loans mature on the earlier of January 3, 2006 or the date that Alexander's Lexington Avenue construction loan is repaid in full. 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 the Company and Alexander's share common senior management and because a majority of the trustees of the Company also constitute the majority of the directors of Alexander's, the terms of the foregoing agreements and any future agreements between the Company and Alexander's may not be comparable to those the Company could have negotiated with an unaffiliated third party.

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

ARCHSTONE-SMITH TRUST PROVIDES SERVICES TO THE COMPANY UNDER AGREEMENTS THAT WERE NOT NEGOTIATED AT ARM'S LENGTH.

The Company has agreements with Archstone-Smith Trust under which the Company leases office space to Archstone-Smith Trust and shares the cost of certain office-related services with it that were not negotiated at arm's length. These agreements were entered into by Charles E. Smith Commercial Realty in 1997, before the Company's January 1, 2002 acquisition of Charles E. Smith Commercial Realty, at a time when Mr. Smith and Mr. Kogod were in control of both Charles E. Smith Commercial and the Charles E. Smith Residential Division of Archstone-Smith. Mr. Smith and Mr. Kogod, who became members of the Company's board of trustees on January 1, 2002, are also trustees and shareholders of Archstone-Smith Trust.

THE COMPANY'S ORGANIZATIONAL AND FINANCIAL STRUCTURE GIVES RISE TO OPERATIONAL AND FINANCIAL RISKS.

THE COMPANY DEPENDS ON ITS DIRECT AND INDIRECT SUBSIDIARIES' DIVIDENDS AND DISTRIBUTIONS, AND THESE SUBSIDIARIES' CREDITORS AND PREFERRED SECURITY HOLDERS ARE ENTITLED TO PAYMENT OF AMOUNTS PAYABLE TO THEM BY THE SUBSIDIARIES BEFORE THE SUBSIDIARIES MAY PAY ANY DIVIDENDS OR DISTRIBUTIONS TO THE COMPANY.

Substantially all of the Company's assets consist of its partnership interests in the Operating Partnership. The Operating Partnership holds substantially all of its properties and assets through subsidiaries. The Operating Partnership therefore depends for substantially all of its cash flow on cash distributions to it by its subsidiaries, and the Company in turn depends for substantially all of its cash flow on cash distributions to it by the Operating Partnership. The creditors of each of the Company'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 units depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Likewise, the Company'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 the Company.

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 the Company. Thus, the Company's ability to pay dividends to holders of its common 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 the Company. There are currently 17 series of preferred units of the Operating Partnership not held by the Company that have preference over its common shares. The total liquidation value of these 17 series of preferred units is approximately $1,494,061,000.

In addition, the Company may participate in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the subsidiary are satisfied.

THE COMPANY HAS INDEBTEDNESS, AND THIS INDEBTEDNESS MAY INCREASE.

As of December 31, 2002, the Company had approximately $4.966 billion in total debt outstanding. The Company's ratio of total debt to total enterprise value was 45%. When we say "enterprise value" in the preceding sentence, we mean market equity value of the Company plus debt less cash. In the future, the Company may incur additional debt, and thus increase its ratio of total debt to total enterprise value, to finance acquisitions or property developments.

LOSS OF THE COMPANY'S KEY PERSONNEL COULD HARM ITS OPERATIONS.

The Company is dependent on the efforts of Steven Roth, the Chairman of the Board of Trustees and Chief Executive Officer of the Company, and Michael D. Fascitelli, the President of the Company. While the Company believes that it could find replacements for these key personnel, the loss of their services could harm its operations.

THE COMPANY MIGHT FAIL TO QUALIFY OR REMAIN QUALIFIED AS A REIT.

Although the Company believes that it will remain organized and will continue to operate so as to qualify as a REIT for federal income tax purposes, it 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. The Company's qualification as a REIT also depends on various facts and circumstances that are not entirely within its 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, the Company fails to maintain its qualification as a REIT, 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 the Company had to pay federal income tax, the amount of money available to distribute to shareholders would be reduced for the year or years involved, and the Company would no longer be required to distribute money to shareholders. In addition, the Company 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 the Company 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.

THE COMPANY'S CHARTER DOCUMENTS AND APPLICABLE LAW MAY HINDER ANY ATTEMPT TO ACQUIRE THE COMPANY.

Generally, for the Company 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 the Company may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of the Company'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 the

Company's Amended and Restated Declaration of Trust, as amended, no person may own more than 6.7% of the outstanding common shares or 9.9% of the outstanding preferred shares, with some exceptions for persons who held common shares in excess of the 6.7% limit before the Company adopted the limit and other persons approved by the Company's Board of Trustees. These restrictions on transferability and ownership may delay, deter or prevent a change in control of the Company or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. We refer to the Company's Amended and Restated Declaration of Trust, as amended, as the "declaration of trust."

The Company'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 the Company, even though a tender offer or change in control might be in the best interest of the Company's shareholders.

The Company's declaration of trust authorizes the Board of Trustees to, cause the Company 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 the Company issues; and increase, without shareholder approval, the number of shares of beneficial interest that the Company 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 the Company or other transaction that might involve a premium price or otherwise be in the best interest of the Company's shareholders, although the Board of Trustees does not now intend to establish a series of preferred shares of this kind. The Company's declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change in control of the Company or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders.

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 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. The Company's board has adopted a resolution exempting any business combination between any trustee or officer of the Company, or their affiliates, and the Company. As a result, the trustees and officers of the Company and their affiliates may be able to enter into business combinations with the Company which 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 the Company 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 the Company and increase the difficulty of consummating any offer.

THE NUMBER OF SHARES OF THE COMPANY AND THE MARKET FOR THOSE SHARES GIVE RISE TO VARIOUS RISKS.

THE COMPANY HAS MANY SHARES AVAILABLE FOR FUTURE SALE, WHICH COULD HURT THE MARKET PRICE OF ITS SHARES.

As of February 3, 2003, 31,876,821 Company common shares were reserved for issuance upon redemption of Operating Partnership units. Some of these shares may be sold in the public market after registration under the Securities Act under registration rights agreements between the Company and some holders of 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, the Company 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. The Company has awarded shares of restricted stock and granted options to purchase additional common shares to some of its executive officers and employees. The Company cannot predict the effect that future sales of its common shares, or the perception that sales of common shares could occur, will have on the market prices for its common shares.

CHANGES IN MARKET CONDITIONS COULD HURT THE MARKET PRICE OF THE COMPANY'S SHARES.

The value of the Company's shares depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of the Company's shares are the following: the extent of institutional investor interest in the Company; 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 (including in connection with any possible change in the taxation of dividends, as discussed below); the Company's financial condition and performance; and general financial market conditions.

In particular, the President of the United States has proposed several changes to the taxation of dividends, including an exclusion of certain dividends from taxable income. While numerous changes to the proposal, including its withdrawal, may occur before the proposal is enacted into law, it is likely that most, if not all, dividends paid by REITs will not qualify for the proposed exclusion and therefore will continue to be treated as taxable income. This may adversely affect equity securities of REITs as compared to equity securities of other issuers.

In addition, 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 THE COMPANY'S SHARES.

The Company believes 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 not, however, result in more funds for the Company to distribute and, in fact, would likely increase its borrowing costs and might decrease its funds available for distribution. Thus, higher market interest rates could cause the market price of the Company's shares to decline.

ITEM 2. PROPERTIES

The Company currently owns, directly or indirectly, Office properties, Retail properties, Merchandise Mart properties and Temperature Controlled Logistics refrigerated warehouses. The Company also owns or has investments in Alexander's, Hotel Pennsylvania, The Newkirk Master Limited Partnership, and dry warehouses and industrial buildings.

OFFICE SEGMENT

The Company currently owns all or a portion of 74 office properties containing approximately 27.7 million square feet. Of these properties, 21 contain 14.3 million square feet and are located in the New York City metropolitan area (primarily Manhattan) (the "New York City Office Properties") and 53 contain 13.4 million square feet and are located in the Washington, D.C. and Northern Virginia area (the "CESCR Office Properties"). Prior to January 1, 2002, the Company owned a 34% interest in CESCR. On January 1, 2002, the Company acquired the remaining 66% interest.

The following data on pages 25 to 28 covers the New York City Office Properties. The CESCR Office Properties are described on pages 29 to 32.

NEW YORK CITY OFFICE PROPERTIES:

The New York City Office Properties contain: (i) 13,164,000 square feet of office space, (ii) 805,000 square feet of retail space and (iii) 332,000 square feet of garage space (6 garages).

The following table sets forth the percentage of the New York City Office Properties 2002 revenue by tenants' industry:

Industry	Percentage
Retail......................	10%
Publishing..................	9%
Government..................	6%
Media and Entertainment.....	6%
Legal.......................	6%
Insurance...................	5%
Technology..................	5%
Finance.....................	4%
Pharmaceuticals.............	4%
Service Contractors.........	4%
Apparel.....................	3%
Not-for-Profit..............	3%
Advertising.................	3%
Bank Branches...............	3%
Other.......................	29%
	100%

The Company's New York City Office property lease terms generally range from five to seven years for smaller tenant spaces to as long as 20 years for major tenants. 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 submetered 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.

No tenant in the New York City office segment accounted for more than 10% of the Company's total revenue. Below is a listing of tenants which accounted for 2% or more of the New York City Office Properties revenues in 2002:

Percentage of New York City Office

Percentage Square Feet 2002
Properties of Total Tenant Leased
Revenues Revenues Revenues ------
------------- ------------- -----
------------- ------------

VNU Inc.	515,000	$ 18,750,000	3.4%	1.3%
The McGraw-Hill Companies, Inc.	518,000	18,714,000	3.3%	1.3%
Sterling Winthrop, Inc.	429,000	18,453,000	3.3%	1.3%
Madison Square Garden L.P./Rainbow Media Holdings, Inc.	283,000	14,442,000	2.6%	1.0%

The following tables set forth lease expirations for the office and retail portions of the New York City Office Properties as of December 31, 2002, for each of the next 10 years assuming that none of the tenants exercise their renewal options.

OFFICE SPACE:

Annual Escalated
Percentage of Total Rent
of Expiring Leases Number
of Square Feet of Leased

--------- Year Expiring
Leases Expiring Leases
Square Feet Total Per
Square Foot - ---- ------
----------- ------------
---- -------------------
- --------------- -------

2003	151	565,000	4.7%	$ 20,581,000	$ 36.44
2004	111	780,000	6.5%	26,916,000	34.49
2005	104	625,000	5.2%	24,813,000	39.69
2006	79	1,138,000	9.5%	39,291,000	34.51
2007	73	849,000	7.1%	32,963,000	38.84
2008	46	1,175,000(1)	9.8%	40,757,000	34.69
2009	44	580,000	4.8%	21,980,000	37.91
2010	37	1,328,000	11.1%	48,394,000	36.45
2011	21	926,000	7.7%	44,851,000	48.43
2012	17	849,000	7.1%	27,112,000	31.95

- ----------

(1) Excludes 492,000 square feet at 909 Third Avenue leased to the U.S. Post Office. The annual escalated rent is $3,533,000 or $7.18 per square foot. The U.S. Post Office has 6 five-year renewal options remaining.

RETAIL SPACE:

Annual Escalated
Percentage of Total Rent
of Expiring Leases Number
of Square Feet of Leased

--------- Year Expiring
Leases Expiring Leases

		Square Feet		Total	Per Square Foot
2003	17	56,000	7.2%	$ 4,440,000	$ 78.80
2004	9	55,000	7.0%	6,448,000	117.77
2005	6	30,000	3.8%	2,119,000	70.47
2006	11	62,000	7.8%	2,849,000	46.30
2007	4	10,000	1.2%	985,000	100.65
2008	10	32,000	4.0%	1,600,000	50.60
2009	7	23,000	2.9%	1,465,000	64.70
2010	6	14,000	1.7%	2,249,000	164.15
2011	3	9,000	1.1%	607,000	69.11
2012	4	32,000	4.0%	951,000	30.05

The following table sets forth the occupancy rate and the average annual escalated rent per square foot for the New York City Office properties at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2002	14,304,000	95.9%	$ 37.36
2001	14,300,000	97.4%	35.53
2000	14,396,000	96.3%	32.18
1999	14,028,000	89.8%	30.16
1998	12,437,000	91.0%	28.14

During 2002, 609,000 square feet of New York City office space was leased at a weighted average initial rent per square foot of $44.70. The Company's ownership interest in the leased square footage is 579,000 square feet at a weighted average initial rent per square foot of $44.82, a 30.0% increase over the weighted average escalated rent per square foot of $34.11 for the expiring leases. Following is the detail by building:

Location	2002 Leases Square Feet	Average Initial Rent Per Square Foot(1)
One Penn Plaza	151,000	$ 48.73
Two Penn Plaza	87,000	

44.27 150 East 58th
Street................ 58,000 46.77
595 Madison Avenue..................
54,000 54.06 40 Fulton
Street.................... 51,000
30.00 Eleven Penn
Plaza.................. 40,000 41.93
888 Seventh Avenue.................
40,000 52.12 20 Broad Street
(60%).............. 34,000 28.39 90
Park Avenue......................
32,000 50.22 866 UN
Plaza....................... 31,000
40.28 330 Madison Avenue
(25%)........... 21,000 52.76
Paramus............................
10,000 17.47 ----------
Total.................................
609,000 44.70 ========== Vornado's
Ownership Interest........... 579,000
44.82 ==========

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(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 48,000 square feet of retail space at a weighted average initial rent of $112.01 per square foot. Further, the Company leased 140,000 square feet of garage space at a weighted average initial rent per square foot of $19.02.

New York City Office Properties

The following table sets forth the New York City Office Properties owned by the Company as of December 31, 2002:

APPROXIMATE LEASABLE BUILDING SQUARE
PERCENT ENCUMBRANCES LOCATION FEET
LEASED (IN THOUSANDS)(2) -----------
---------------------------- ------
------------ ---------- ----------
-------- NEW YORK (Manhattan) One
Penn Plaza
(1)....................... 2,509,000
96.7% $ 275,000 Two Penn
Plaza..........................
1,525,000 95.4% 154,669 909 Third
Avenue (1).....................
1,305,000 96.2% 105,837 770
Broadway............................
1,046,000 99.6% 83,314 Eleven Penn
Plaza........................
1,024,000 97.0% 50,383 Two Park
Avenue.........................
964,000 98.6% -- 90 Park
Avenue...........................
890,000 92.9% -- 888 Seventh Avenue
(1).................. 877,000 92.1%
105,000 330 West 34th Street
(1)................ 637,000 99.9% -
- 1740
Broadway...........................
567,000 99.8% -- 150 East 58th
Street (1)................ 559,000
88.8% -- 866 United Nations
Plaza................ 391,000 98.1%
33,000 595 Madison (Fuller
Building)........... 305,000 91.4%
70,345 640 Fifth
Avenue........................
268,000 99.4%(3) -- 40 Fulton
Street........................
238,000 85.4% -- 689 Fifth
Avenue........................
89,000 74.3% -- 7 West 34th
Street......................
424,000 100.0% -- 330 Madison Avenue
(25% Interest)........ 784,000 88.8%
60,000 20 Broad Street (60%
Interest) (1)....... 466,000 93.6% -
- 825 Seventh Avenue (50%
Interest)........ 165,000 100.0%

23,315 NEW JERSEY Paramus
(1)..............................
128,000 91.7% -- ------------ -----
-------- TOTAL OFFICE
BUILDINGS......................
15,161,000 95.6% $ 960,863
============ ============
VORNADO'S OWNERSHIP
INTEREST................ 14,304,000
95.9% $ 904,206 ============
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(1) These properties are 100% ground leased with the exception of 150 East 58th Street where less than 10% is ground leased.
(2) See Note 6 to the consolidated financial statements in this annual report on Form 10-K for further details.
(3) Excludes portion of the building under development.

CHARLES E. SMITH COMMERCIAL REALTY ("CESCR") OFFICE PROPERTIES:

CESCR owns 53 office buildings in the Washington D.C. and Northern Virginia area containing 13.4 million square feet. As of December 31, 2002, 45 percent of CESCR's property portfolio is leased to various agencies of the U.S. government (General Services Administration "GSA").

CESCR office leases are typically for three to five 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. 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.

The following table sets forth the percentage of CESCR's Office properties 2002 revenue by tenants' industry:

Industry Percentage ------------ --------
------ United States Government
("GSA")......... 39% Government
Contractors................... 26%
Transportation............................
6%
Communication.............................
4%
Legal.....................................
4%
Retail....................................
4% Business
Services....................... 4% Real
Estate............................. 2%
Trade
Associations...................... 2%
Printing/Publishing.......................
1% Health
Services......................... 1%
Other.....................................
7% ------- 100% =======

Below is a listing of tenants which accounted for 2% or more of the CESCR Office properties revenues during 2002:

Percentage of CESCR Office
Percentage Square Feet 2002
Properties of Total Tenant
Leased Revenues Revenues
Revenues ------ -----------
-- --------------- --------
------ ------------ GSA
(115 separate
leases)..................
5,934,000 $ 164,009,000
39.0% 11.4% Science
Applications International
Corp..... 411,000
12,175,000 2.9% .8% US
Airways, Inc
(1)........................
296,000 10,721,000 2.5% .7%

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(1) On August 11, 2002, US Airways filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Effective January 1, 2003, the Company agreed to amend its lease with US Airways at Crystal City to (i) reduce the tenant's space by 90,732 square feet to 205,600 square feet (ii) reduce the annual escalated rent from $36.00 to $29.75 per square foot with 2.5% annual base rent escalations, (iii) provide the tenant with up to $1,200,000 of tenant allowances and (iv) loan the tenant up to $1,000,000 at 9% per annum for additional tenant improvements which is to be repaid over the lease term. This lease modification is subject to a confirmed plan of reorganization by the Bankruptcy Court.

The following table sets forth as of December 31, 2002 CESCR lease expirations for each of the next 10 years, assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Total Leased Square Feet	Annual Escalated Rent of Expiring Leases Total	Per Square Foot
2003......................	385	2,868,000(1)	22.9%	$ 85,531,000	$ 29.82
2004......................	223	3,147,000	25.1%	88,487,000	28.12
2005......................	166	1,594,000	12.7%	46,441,000	29.14
2006......................	117	1,290,000	10.3%	40,171,000	31.15
2007......................	96	783,000	6.2%	23,339,000	29.81
2008......................	33	577,000	4.6%	19,218,000	33.29
2009......................	35	495,000	3.9%	12,258,000	24.78
2010......................	30	264,000	2.1%	8,259,000	31.28
2011......................	39	869,000	6.9%	25,559,000	29.40
2012......................	21	500,000	4.0%	16,101,000	32.23

- ----------

(1) Of the square feet expiring in 2003, 626,000 square feet has been renewed or is currently in negotiations to be renewed.

Included in the above table are U.S. Patent and Trademark Office leases expiring from 2003 through 2006 as follows: 139,000 square feet in 2003, 1,179,000 square feet in 2004, 513,000 square feet in 2005 and 107,000 square feet in 2006. The U.S. Patent and Trademark Office is scheduled to relocate its offices beginning in the second half of 2004. The Company expects that all leases expiring prior to March 2004 will be extended or renewed to 2004 or 2005.

The following table sets forth the occupancy rate and the average annual escalated rent per square foot for the CESCR properties at the end of each of the past five years:

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot

2002	13,395,000	93.6%	$ 29.38
2001	12,899,000	94.8%	28.59
2000	12,495,000	97.9%	27.38
1999	10,657,000	98.6%	26.46
1998	10,657,000	97.8%	25.22

During 2002, CESCR leased 2,025,047 square feet of space at a weighted average initial rent per square foot of $31.29, a 5.5% increase over the weighted average escalated rent per square foot of $29.66 for the expiring leases. Following is the detail by building and/or complex:

Location	Square Feet	Average Initial Rent Per Square Foot(1)
1101 17th Street	16,610	$ 34.72
1730 M Street	20,675	31.18
1140 Connecticut Avenue	45,694	33.14
1150 17th Street	76,383	35.24
Crystal Mall	430	24.23
Crystal Plaza	82,624	29.38
Crystal Square	308,229	32.81
Crystal Gateway	213,541	31.84
Crystal Park	662,464	32.58
1919 South Eads Street	7,904	32.27
Skylines	247,566	25.60
Arlington Plaza	8,731	23.53
Democracy Plaza	70,896	33.60
Courthouse Plaza	239,683	29.91
Reston Executive	1,677	26.35
Tysons Dulles	5,749	27.27
Commerce Executive	9,061	26.69
Fairfax Square (20% interest)	7,130	27.86
	2,025,047	31.29

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

The above table excludes 317,000 square feet leased at an average initial rent of $29.21 that was vacant at the time of the Company's acquisition of CESCR or had been vacant for more than 9 months.

CESCR manages an additional 5.1 million square feet of office and other commercial properties in the Washington, D.C. area for third parties.

CESCR Office Properties

The following table sets forth the CESCR Office Properties as of December 31, 2002:

Location/Complex	NUMBER OF BUILDINGS	APPROXIMATE LEASABLE BUILDING SQUARE FEET	PERCENT LEASED	ENCUMBRANCES (IN THOUSANDS) (2)
Crystal Mall	4	1,066,000	98.9%	$ 65,877
Crystal Plaza	7	1,226,000	99.2%	70,356
Crystal Square	4	1,386,000	97.9%	195,048
Crystal Gateway	5	1,443,000	94.4%	208,118
Crystal Park	5	2,160,000	97.0%	276,534
Arlington Plaza	1	173,000	86.5%	17,531
1919 S. Eads Street	1	96,000	87.6%	13,148
Skyline Place	7	2,016,000	86.6%	139,900
One Skyline Tower	1	476,000	100.0%	65,764
Courthouse Plaza (1)	2	615,000	99.1%	80,062
1101 17th Street	1	205,000	87.5%	27,248
1730 M Street (1)	1	189,000	92.1%	17,012
1140 Connecticut Avenue	1	175,000	91.5%	20,153
1150 17th Street	1	225,000	95.6%	32,904
1750 Pennsylvania Avenue	1	262,000	97.9%	49,794
Democracy Plaza I (1)	1	207,000	98.0%	27,640
Tysons Dulles	3	473,000	89.6%	69,507
Commerce Executive	3	413,000	56.0%	53,307
Reston Executive	3	484,000	93.5%	73,844
Fairfax Square (20% interest)	1	105,000	83.6%	13,780
TOTAL OFFICE BUILDINGS (VORNADO'S INTEREST)	53	13,395,000	93.6%	$ 1,517,527

NOTES:

(1) These properties are 100% ground leased.

(2) See note 6 to the consolidated financial statements in this annual report on Form 10-K for further details.

RETAIL SEGMENT

The Company owns 62 retail properties of which 51 are strip shopping centers primarily located in the Northeast and Mid-Atlantic states, two are regional malls located in San Juan, Puerto Rico, two are super-regional malls located in Nassau County, Long Island, New York and in Monmouth County, New Jersey and seven are retail sites located in Manhattan. 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.

The Company's strip shopping centers which contain an aggregate of 9.3 million square feet, 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, membership warehouse clubs and "category killers." Category killers are large stores which offer a complete selection of a category of items (e.g., toys, office supplies, etc.) at low prices, often in a warehouse format. Tenants typically offer basic consumer necessities such as food, health and beauty aids, moderately priced clothing, building materials and home improvement supplies, and compete primarily on the basis of price.

The Company's two regional malls are the Montehiedra Mall which contains 554,000 square feet and is anchored by Home Depot, Kmart and Marshalls and the Las Catalinas Mall which contains 354,000 square feet and is anchored by Kmart and Sears, which owns its store. On September 23, 2002, the Company increased its interest in the Las Catalinas Mall to 100% by acquiring the 50% of the mall and the 25% of Kmart's anchor store it did not already own.

The Green Acres Mall is a 1.6 million square foot super-regional mall located in Long Island, New York. The Green Acres Mall is anchored by four major department stores: three of which, Sears, Roebuck and Co., J.C. Penney Company, Inc. and Federated Department Stores, Inc. ("Federated") doing business as Macy's, are operating and the fourth, also leased to Federated (previously occupied by Stern's), is currently dark, however, Federated continues to pay the rent. The complex also includes The Plaza at Green Acres, a 188,000 square foot strip shopping center which is anchored by National Wholesale Liquidators. The Company has entered into a lease with Wal-Mart for the other anchor store at the Plaza, which is subject to governmental approvals.

The Monmouth Mall, located in Eatontown, New Jersey was acquired on October 10, 2002, by a joint venture in which the Company has a 50% interest. The mall is a super regional mall containing 1.5 million square feet and anchored by four department store tenants (Macy's, Lord & Taylor, J.C. Penney's and Boscovs), three of which own 731,000 square feet of the 1.5 million square feet.

The following table sets forth the percentage of the Retail Portfolio 2002 rentals by type of retailer:

Industry	Percentage
Discount Department Stores	11%
Supermarkets	7%
Home Improvement	7%
Family Apparel	6%
Electronics stores	4%
Restaurants	4%
Women's Apparel	3%
Other	58%
	100%

The Manhattan retail sites include six operating properties containing 127,000 square feet, including 43,000 square feet of new retail space at 435 Seventh Avenue leased to Hennes & Mauritz. The seventh property, 4 Union Square South, is currently under development.

The following tables set forth the occupancy rate and the average annual base rent per square foot for the retail properties at the end of each of the past five years.

STRIP SHOPPING CENTERS:

Average Annual

As of December 31,	Rentable Square Feet	Occupancy Rate	Base Rent Per Square Foot
2002	9,295,000	85.7%	$ 11.11
2001	9,008,000	89.0%	10.60
2000	9,000,000	91.1%	10.72
1999	8,212,000	91.0%	10.20
1998	8,332,000	91.1%	9.87

REGIONAL AND SUPER REGIONAL MALLS:

			Average Annual Base Rent Per Square Foot	
As of December 31,	Rentable Square Feet	Occupancy Rate	Mall Tenants	Total
2002	2,875,000	95.4%	$ 27.79	$ 17.15
2001	2,293,000	98.7%	34.04	16.02
2000	2,293,000	95.5%	32.05	14.84
1999	2,293,000	95.5%	31.66	14.50
1998	2,293,000	95.2%	29.40	13.90

The aggregate occupancy rate for the 12.5 million square feet of retail properties at December 31, 2002 is 88.3%. The occupancy rate includes leases for 490,000 square feet at five locations (4%) which have not commenced at December 31, 2002. Three of these locations aggregating 268,000 square feet are ground leased to Lowe's which plans to demolish the existing buildings and construct its own stores at the sites and two locations containing 223,000 square feet are leased to Wal-Mart, which plans to demolish an existing building and construct its own store at one of the sites and occupy the existing store at the other site. All of these redevelopment projects are subject to governmental approvals and in some cases, the relocation of existing tenants.

The Company's shopping center lease terms range from 5 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 2002. None of the tenants in the Retail Segment accounted for more than 10% of the Company's total revenues.

Below is a listing of tenants which accounted for 2% or more of the Retail property revenues in 2002:

Percentage of Square Feet 2002 Retail
Properties Percentage of Tenant Leased

Revenues Revenues Total Revenues ------ -
------------ ---------- -----------------
-- ---------------- Stop & Shop
Companies, Inc. (Stop &
Shop)......................... 981,000 $
12,772,000 9.7% .9% The Home Depot,
Inc....................... 630,000
6,987,000 5.3% .5% The TJX Companies,
Inc.................... 414,000 5,288,000
4.0% .4%
Kohl's..................................
697,000 4,250,000 3.2% .3% Wal-Mart/Sam's
Wholesale................. 959,000
3,593,000 2.7% .3% Staples,
Inc............................. 222,000
3,427,000 2.6% .2% Shop
Rite................................
381,000 3,329,000 2.5% .2% Toys "R"
Us/Kids "R" Us................... 287,000
2,697,000 2.1% .2%

FORMER BRADLEES LOCATIONS:

The Company previously leased 18 locations to Bradlees which closed all of its stores in February 2001. The leases for four former Bradlees locations were assigned by Bradlees to other retailers. The Company has re-leased nine of the other former Bradlees locations; three to Kohl's, two each to Lowe's and Haynes Furniture, and one each to Home Depot and Wal-Mart. Lowe's and Wal-Mart will demolish the existing properties and construct their own stores, subject to the receipt of various governmental approvals and the relocation of existing tenants. Of the remaining five locations which are currently vacant, two of the leases are guaranteed and the rent is being paid by Stop & Shop, a wholly-owned subsidiary of KoninKlijke Ahold NV (formerly Royal Ahold NV), an international food retailer. Stop & Shop remains contingently liable for rent at a number of the former Bradlees locations for the term of the Bradlees leases.

Property rentals for the year ended December 31, 2002, include $5,000,000 of additional rent which, effective December 31, 2002, was re-allocated to the former Bradlees locations in Marlton, Turnersville, Bensalem and Broomall and is payable by Stop & Shop, pursuant to the Master Agreement and Guaranty dated May 1, 1992. This amount is in addition to all other rent guaranteed at the former Bradlees locations. On January 8, 2003, Stop & Shop filed a complaint with the United States District Court claiming the Company has no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop 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. The additional rent provision of the guaranty expires at the earliest in 2012. The Company intends to vigorously contest Stop & Shop's position.

In February 2003, Koninklijke Ahold NV, parent of Stop & Shop, announced that it overstated its 2002 and 2001 earnings by at least $500 million and is under investigation by the U.S. Justice Department and Securities and Exchange Commission. The Company cannot predict what effect, if any, this situation may have on Stop & Shop's ability to satisfy its obligation under the Bradlees guarantees and rent for existing Stop & Shop leases aggregating approximately $10.5 million per annum.

The following table sets forth as of December 31, 2002 lease expirations for each of the next 10 years assuming that none of the tenants exercise their renewal options.

Annual Rent of
Expiring Leases
Number of Square
Feet Percentage of -

-------- Expiring of
Expiring Total
Leased Per Square
Year Leases Leases
Square Feet Total
Foot ---- ----------
- ------------ ----
---------- --------
---- ------------
2003.................
104 492,000 4.7% $
9,050,000 $ 18.39
2004.................
88 650,000 6.2%
9,798,000 15.08

2005.................	120	568,000	5.4%	11,224,000	19.77
2006.................	84	873,000	8.4%	7,583,000	8.68
2007.................	117	867,000	8.3%	11,388,000	13.14
2008.................	58	469,000	4.5%	6,225,000	13.27
2009.................	51	409,000	3.9%	6,176,000	15.09
2010.................	31	381,000	3.7%	4,781,000	13.34
2011.................	33	712,000	6.8%	5,082,000	9.12
2012.................	14	350,000	3.4%	3,254,000	9.31

During 2002, approximately 902,000 square feet of retail space was leased at a weighted average rent per square foot of $13.58, a 33.8% increase over the weighted average rent per square foot of $10.15 for the expiring leases and 1,117,000 square feet of land was ground leased to retailers at a weighted average rent per square foot of $6.69. Following is the detail by property:

Location	2002 Leases Square Feet	Average Initial Rent Per Square Foot (1)
Space Leases:		
Valley Stream......................	171,000	$ 21.49
East Brunswick.....................	142,000	14.00
Hackensack..........................	115,000	16.14
Levittown...........................	105,000	6.10
Middletown..........................	101,000	10.29
Turnersville........................	89,000	6.10
Dundalk.............................	40,000	6.09
Manalapan...........................	38,000	14.50
Hanover Conrans....................	36,000	18.26
Newington...........................	19,000	12.25
Bricktown...........................	16,000	17.10
East Hanover.......................	10,000	9.96
Morris Plains......................	7,000	25.57
North Bergen.......................	3,000	31.10
Towson..............................	3,000	24.00
Allentown...........................	3,000	17.50
North Plainfield...................	2,000	15.50
Cherry Hill........................	2,000	12.73

Total...............................	902,000	13.58
	========	
Land Leases:		
Rochester...........................	205,000	3.08
Lancaster...........................	170,000	2.50
Jersey City (2).....................	170,000	7.54
Dover (2)...........................		

169,000 7.67 Union
(2)............................
159,000 15.15
Newington...........................
132,000 4.92 Chicopee
(2)........................ 112,000
6.93 ----------- 1,117,000 6.69
===========

----
(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
(2) Lowe's will demolish the existing buildings and construct its own buildings in Jersey City, Dover and Union and Wal-Mart will demolish the existing building and construct its own building in Chicopee. These leases are expected to commence within the next 12 to 24 months upon receipt of various governmental approvals, and the relocation of existing tenants.

Retail Properties

The following table sets forth the Retail Properties as of December 31, 2002:

APPROXIMATE LEASABLE
BUILDING SQUARE FOOTAGE -

----- OWNED BY OWNED/
TENANT ON LAND LEASED BY
LEASED FROM PERCENT
ENCUMBRANCES LOCATION
COMPANY COMPANY LEASED
(IN THOUSANDS)(2) -------
---- ------------ -------
--------- --------- -----
------------ NEW JERSEY
Bordentown................
179,000 -- 95.0% $ 8,111
Bricktown.................
260,000 3,000 95.7%
16,390 Cherry
Hill...............
231,000 64,000 70.6%
15,075
Delran....................
169,000 3,000 100.0%
6,461
Dover.....................
173,000 -- 98.7% 7,388
East
Brunswick............
221,000 10,000 100.0%
22,887 East Hanover
I............ 271,000 --
97.6% 20,579 East Hanover
II........... 77,000 --
99.2% 6,860
Hackensack................
209,000 60,000 100.0%
25,144 Jersey
City...............
222,000 3,000 95.7%
19,249
Kearny....................
40,000 66,000 100.0%
3,758
Lawnside..................
142,000 3,000 100.0%
10,651
Lodi......................
171,000 -- 100.0% 9,439
Manalapan.................
196,000 2,000 57.2%
12,597
Marlton...................
174,000 7,000 86.6%
12,249
Middletown................
180,000 52,000 91.9%
16,535 Monmouth Mall (50%
interest).............
743,000 -- 96.3% 135,000

Morris
Plains.............
176,000 1,000 100.0%
12,104 North
Bergen..............
7,000 55,000 100.0% 3,985
North Plainfield
(1)...... 219,000 --
89.9% 10,942
Totowa....................
178,000 139,000 100.0%
29,694
Turnersville..............
89,000 7,000 100.0% 4,108
Union.....................
263,000 -- 82.6% 33,722
Vineland..................
143,000 5.6% --
Watchung..................
50,000 116,000 98.2%
13,606
Woodbridge................
231,000 4,000 50.9%
22,227 ---------- -------
--- ---------- Total New
Jersey....... 5,014,000
595,000 90.1% 478,761 ---
------- ---------- ------
---- NEW YORK Manhattan:
1135 Third
Avenue......... 25,000 --
100.0% -- 4 Union Square
South (in
development).......
230,000 -- --(4) -- 424
Sixth Avenue..........
10,000 -- 100.0% -- 435
Seventh Avenue........
43,000 -- 100.0% -- 484
Eighth Avenue.........
14,000 -- 100.0% -- 715
Lexington Avenue......
32,000 -- 72.3%(4) -- 825
Seventh Avenue........
3,000 -- 100.0% -- Other:
Albany
(Menands)..........
140,000 -- 74.0% 6,251
Buffalo (Amherst)
(1)..... 185,000 112,000
81.1% 7,044
Freeport..................
167,000 -- 100.0% 14,879
New Hyde Park
(1)......... 101,000 --
100.0% 7,510 North
Syracuse............
98,000 -- 100.0% --
Rochester.................
-- 205,000 100.0% --
Rochester (Henrietta) (1)
148,000 -- 0.0% -- Valley
Stream (Green Acres)
(1).............
1,535,000 61,000 97.1%
150,717 ---------- ------
---- ---------- Total New
York......... 2,731,000
378,000 89.8% 186,401 ---
------- ---------- ------
---- PENNSYLVANIA
Allentown.................
267,000 354,000 98.1%
23,367
Bensalem..................
118,000 8,000 98.4% 6,457
Bethlehem.................
159,000 -- 74.4% 4,087
Broomall..................
147,000 22,000 100.0%
9,827
Glenolden.................
102,000 -- 10.1% 7,370
Lancaster.................
58,000 170,000 93.6% --
Levittown.................

105,000 -- 100.0% -- 10th and Market Streets, Philadelphia.. 271,000 -- 73.7% 9,001 Upper Moreland............ 122,000 -- 100.0% 6,986 York...................... 111,000 -- 24.6% 4,132 -- -------- ---------- ----- ----- Total Pennsylvania..... 1,460,000 554,000 84.3% 71,227 ---------- ------- --- ----------

APPROXIMATE LEASABLE BUILDING SQUARE FOOTAGE - ------------------------ ----- OWNED BY OWNED/ TENANT ON LAND LEASED BY LEASED FROM PERCENT ENCUMBRANCES LOCATION COMPANY COMPANY LEASED (IN THOUSANDS)(2) ------- ---- ----------- ------- --------- --------- ----- ------------ MARYLAND Baltimore (Belair Rd.) (3) -- -- -- -- Baltimore (Towson)........ 152,000 -- 79.3% 11,451 Baltimore (Dundalk)....... 181,000 3,000 81.9% 6,205 Glen Burnie............... 65,000 56,000 100.0% 5,893 Hagerstown................ 149,000 -- 35.5% 3,302 -- -------- ---------- ----- ----- Total Maryland......... 547,000 59,000 73.4% 26,851 ----- ----- ---------- -------- -- CONNECTICUT Newington................. 43,000 140,000 100.0% 6,581 Waterbury................. 146,000 -- 64.8% -- ----- ----- ---------- -------- -- Total Connecticut...... 189,000 140,000 84.4% 6,581 ----- ----- ---------- -------- -- MASSACHUSETTS Chicopee.................. 112,000 4,000 100.0% -- Milford (1)............... 83,000 -- 100.0% -- Springfield............... 8,000 117,000 100.0% 3,142 ---------- -------- -- ---------- Total Massachusetts.... 203,000 121,000 100.0% 3,142 ---- ------ ---------- ------- --- PUERTO RICO (SAN JUAN) Montehiedra Mall.......... 554,000 -- 91.8% 59,638 Las Catalinas Mall........ 354,000 -- 96.6% 67,692 - --------- ---------- ---- ------ Total.................. 908,000 -- 93.6% 127,330 ---------- ---------- --- ------- Total Shopping Centers....... 11,052,000 1,847,000 88.8% $ 900,293 ========== ==========

========== VORNADO'S
OWNERSHIP INTEREST.
10,681,000 1,847,000
88.3% $ 832,793
========= =========
==========

(1) These properties are ground leased.
(2) See note 6 to the consolidated financial statements in this annual report on Form 10-K for further details.
(3) On January 9, 2003, this property was sold for $4.5 million, which resulted in a gain of $2.6 million to be recognized in the first quarter of 2003.
(4) Under development.

MERCHANDISE MART SEGMENT

The Merchandise Mart Properties are a portfolio of 9 properties containing an aggregate of 8.6 million square feet.

Below is a breakdown of square feet by location and use as of December 31, 2002.

Showroom --------------

Temporary Total Office
Total Permanent Trade
Show Retail ----------
----------- ----------
----------- ----------
- -------- Chicago,
Illinois Merchandise
Mart.............
3,453,000 1,150,000
2,149,000 1,862,000
287,000 154,000 350 N.
Orleans...............
1,149,000 862,000
287,000 287,000 -- --
33 N.
Dearborn...............
326,000 314,000 -- -- -
- 12,000 ---------- ---
------- ---------- ----
------ -------- -------
- Total Chicago,
Illinois..........
4,928,000 2,326,000
2,436,000 2,149,000
287,000 166,000 -------
--- ---------- --------
-- ---------- --------
-------- HighPoint,
North Carolina Market
Square Complex........
1,747,000 -- 1,747,000
1,113,000 634,000 --
National Furniture
Mart...... 259,000 --
259,000 259,000 -- -- -
--------- ---------- --
-------- ---------- ---
----- -------- Total
HighPoint, North
Carolina.. 2,006,000 --
2,006,000 1,372,000
634,000 -- ---------- -
--------- ---------- --
-------- -------- -----
--- L.A.
Mart....................
757,000 -- 757,000
757,000 -- -- ---------
- ---------- ----------
---------- -------- ---
----- Total Los
Angeles, California....
757,000 -- 757,000
757,000 -- -- ---------
- ---------- ----------
---------- -------- ---

----- Washington, D.C.................. Washington Design Center..... 387,000 58,000 329,000 329,000 -- -- Washington Office Center..... 396,000 360,000 -- -- -- 36,000 South Capitol 94,000 94,000 -- -- -- -- ---- ------ ---------- ----- ----- ---------- ------ -- -------- Total Washington, D.C............ 877,000 512,000 329,000 329,000 -- 36,000 ---------- -- -------- ---------- --- ------- -------- ------ -- Total Merchandise Mart Properties 8,568,000 2,838,000 5,528,000 4,607,000 921,000 202,000 ========== ========== ========== ========== ======== ======== Occupancy rate................... 89.2% 95.2% 83.9% ========== ========== ========

OFFICE SPACE

The following table sets forth the percentage of the Merchandise Mart Properties office revenues by tenants' industry during 2002:

Industry	Percentage
Government.........................	33%
Service............................	24%
Telecommunications................	13%
Banking............................	12%
Insurance..........................	10%
Pharmaceutical.....................	4%
Other..............................	4%

The average lease term ranges from three to five 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 submetered 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. None of the tenants in the Merchandise Mart Properties segment accounted for more than 10% of the Company's total revenue. Below is a listing of the Merchandise Mart Properties office tenants which accounted for 2% or more of the Merchandise Mart Properties' revenues in 2002:

Tenant	Square Feet Leased	2002 Revenues	Percentage of Segment Revenues	Percentage of Total Company Revenues
General Services Administration...	307,000	$ 10,247,000	4.8%	.7%
Ameritech.........................	234,000	6,533,000	3.2%	.5%
Bankers Life and Casualty	303,000	5,861,000	2.7%	.4%
Bank of America...................				

	202,000	4,299,000	2.0%	.3%
Chicago Transit Authority.........	251,000	4,247,000	2.0%	.3%

On December 30, 2002, the Company entered into a lease modification agreement with Bankers Life and Casualty ("Bankers") to (i) extend the term for 107,000 square feet from November 30, 2008 (the date it was scheduled to expire) to November 30, 2018, (ii) maintain 70,000 square feet through November 30, 2008, (iii) surrender 83,000 square feet on March 1, 2003, (which the Company has re-leased to RBC Mortgage Company for a 15-year term) and (iv) vacate the remaining 43,000 square feet. Bankers is not part of the bankruptcy filing of its parent company, Conseco.

On November 25, 2002, the Chicago Transit Authority notified the Company that it is exercising its right to terminate its lease as of November 30, 2004, which was scheduled to expire on November 30, 2007. In connection with the termination, the Company received a payment of $794,000 in November 2002 and will receive an additional $750,000 in 2004.

The following table sets forth the occupancy rate and the average escalated rent per square foot for the Merchandise Mart Properties' office space at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2002..........	2,838,000	89.2%	$ 24.00
2001..........	2,841,000	89.2%	23.84
2000..........	2,869,000	90.2%	23.52
1999..........	2,414,000	93.3%	20.12
1998..........	2,274,000	96.9%	19.68

The following table sets forth as of December 31, 2002 office lease expirations for each of the next 10 years assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Total Leased Square Feet	Annual Escalated Rent of Expiring Leases Total	Per Square Foot
2003.....................	12	37,000	1.6%	$ 953,000	$ 25.82
2004.....................	19	349,000	14.9%	7,043,000	20.15
2005.....................	17	176,000	7.5%	4,214,000	23.90
2006.....................	11	101,000	4.3%	2,492,000	24.75

2007......................	14 223,000	9.5%	5,192,000	23.25
2008......................	12 552,000	23.6%	11,716,000	21.22
2009......................	5 276,000	11.8%	6,058,000	21.98
2010......................	2 357,000	15.2%	11,893,000	33.36
2011......................	1 193,000	8.3%	5,620,000	29.07
2012......................	12 77,000	3.3%	1,851,000	23.93

During 2002, 164,000 square feet of office space was leased at a weighted average initial rent per square foot of $26.97, an increase of 1.2% over the weighted average escalated rent per square foot of $26.66 for the leases expiring. Following is the detail by building:

2002 Leases	Square Feet	Average Initial Rent Per Square Foot (1)
33 North Dearborn Street..............	80,000	$ 24.67
Washington Office Center..............	56,000	31.11
Merchandise Mart......................	14,000	17.42
Washington Design Center..............	14,000	33.41
Total...............................	164,000	26.97

----

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

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, gifts, carpet, residential furnishings, building products, crafts, apparel and design industries. Merchandise Mart Properties own and operate five of the leading furniture and gifts trade shows including the contract furniture industry's largest annual trade show, NeoCon, which attracts over 50,000 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 11,500,000 square feet in the High Point, North Carolina region.

The following table sets forth the percentage of the Merchandise Mart properties showroom revenues by tenants' industry during 2002:

Industry	Percentage
Residential Design.........	25%
Gift.......................	19%
Residential Furnishings....	16%
Contract Furnishings.......	15%
Market Suites..............	15%
Apparel....................	4%
Casual Furniture...........	4%
Building Products..........	2%

The following table sets forth the occupancy rate and the average escalated rent per square foot for this space at the end of each of the past five years.

As of December 31,	Rentable Square Feet	Occupancy Rate	Average Annual Escalated Rent Per Square Foot
2002	5,528,000	95.2%	$ 21.46
2001	5,532,000	95.5%	22.26
2000	5,044,000	97.6%	22.85
1999	4,174,000	98.1%	21.29
1998	4,266,000	95.3%	21.97

The following table sets forth as of December 31, 2002 showroom lease expirations for each of the next 10 years assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Total Leased Square Feet	Annual Escalated Rent of Expiring Leases Total	Annual Escalated Rent of Expiring Leases Per Square Foot
2003	296	614,000	14.9%	$ 14,073,000	$ 22.91
2004	281	736,000	17.9%	14,757,000	20.04
2005	254	690,000	16.8%	15,343,000	22.22
2006	168	581,000	14.1%	13,593,000	23.41
2007	158	768,000	18.7%	15,588,000	20.29
2008	36	202,000	4.9%	5,693,000	28.18
2009	37	161,000	3.9%	4,546,000	28.17
2010	31	174,000	4.2%	4,826,000	27.82
2011	20	121,000	3.0%	2,893,000	23.89
2012	19	61,000	1.5%	1,204,000	19.66

In 2002, 911,000 square feet of showroom space was leased at a weighted average initial rent per square foot of $18.99, a 2.0% increase over the weighted average escalated rent per square foot of $18.63 for the leases expiring. Following is the detail by building:

2002 Leases ---------------------------------
Average Initial Rent Per
Square Feet Square Foot(1) -------------
----- ----------------- Market

Square Complex	430,000	$ 14.97
Merchandise Mart	199,000	29.39
L.A. Mart	233,000	16.01
Washington Design Center	25,000	29.05
350 North Orleans	24,000	23.29
Total	911,000	18.99

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

RETAIL STORES

The Merchandise Mart Properties' portfolio also contains approximately 202,000 square feet of retail stores which was 83.9% occupied at December 31, 2002.

Merchandise Mart Properties:

The following table sets forth the Merchandise Mart Properties owned by the Company as of December 31, 2002:

LOCATION	APPROXIMATE LEASABLE BUILDING SQUARE FEET	PERCENT LEASED	ENCUMBRANCES (IN THOUSANDS)(1)
ILLINOIS			
Merchandise Mart, Chicago	3,435,000	94.9%	$ --
350 North Orleans, Chicago	1,149,000	83.8%	--
33 North Dearborn Street, Chicago	325,000	88.2%	18,926
Other	19,000	76.7%	25,821
Total Illinois	4,928,000		44,747
WASHINGTON, D.C.			
Washington Office Center	396,000	98.7%	44,924
Washington Design Center	388,000	96.4%	48,542
Other	93,000	62.0%	--
Total Washington, D.C.	877,000		93,466
HIGH POINT, NORTH CAROLINA			
Market Square Complex	2,006,000	99.4%	115,206
CALIFORNIA			
L.A. Mart	757,000	86.7%	--
TOTAL MERCHANDISE MART PROPERTIES	8,568,000	93.6%	$ 253,419

----
(1) See Note 6 to the consolidated financial statements in this annual report on Form 10-K for further details.

TEMPERATURE CONTROLLED LOGISTICS SEGMENT

The Company has a 60% interest in Vornado Crescent Portland Partnership ("the Landlord") that owns 88 cold storage warehouses, through a wholly-owned subsidiary (AmeriCold Realty Trust), with an aggregate of approximately 441.5 million cubic feet. AmeriCold Logistics leases all of the partnerships' facilities. The Temperature Controlled Logistics segment is headquartered in Atlanta, Georgia.

AmeriCold Logistics provides the food industry with refrigerated warehousing and transportation management services. Refrigerated warehouses are comprised of production, distribution and public facilities. Production facilities typically serve one or a small number of customers, generally food processors which are located nearby. These customers store large quantities of processed or partially processed products in the 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. A breakdown of AmeriCold Logistics' largest customers during 2002 include:

	% of 2002 Revenue
H.J. Heinz & Co.	16%
Con-Agra Foods, Inc.	11%
Philip Morris Companies, Inc.	8%
Sara Lee Corp.	5%
Tyson Foods, Inc.	5%
General Mills	4%
McCain Foods, Inc.	4%
J.R. Simplot	3%
Flowers Industries, Inc.	3%
Farmland Industries, Inc.	2%
Other	39%
	100%

On December 31, 2002, AmeriCold Logistics sold its Carthage, Missouri and Kansas City, Kansas quarries for $20,000,000 in cash (appraised value) to a joint venture owned 44% by the Company and 56% by Crescent Real Estate Equities.

Temperature Controlled Logistics Properties

The following table sets forth certain information for the Temperature Controlled Logistics properties as of December 31, 2002:

PROPERTY	CUBIC FEET (IN MILLIONS)	SQUARE FEET (IN THOUSANDS)
ALABAMA		
Birmingham	2.0	85.6
Montgomery	2.5	142.0
Gadsden (1)	4.0	119.0
Albertville	2.2	64.5
	10.7	411.1
ARIZONA		
Phoenix	2.9	111.5
ARKANSAS		
Fort Smith	1.4	78.2
West Memphis	5.3	166.4
Texarkana	4.7	137.3
Russellville	5.6	164.7
Russellville	9.5	279.4
Springdale	6.6	194.1
	33.1	1,020.1
CALIFORNIA		
Ontario (1)	8.1	279.6

Burbank..................
0.8 33.3 Fullerton
(1)........... 2.8 107.7
Pajaro (1)...............
1.4 53.8
Turlock..................
2.5 108.4 Watsonville
(1)......... 5.4 186.0
Turlock..................
3.0 138.9
Ontario..................
1.9 55.9 -------- --------
-- 17.8 684.0 -------- ---
------- COLORADO
Denver...................
2.8 116.3 -------- -------
--- FLORIDA
Tampa....................
0.4 22.2 Plant
City............... 0.8
30.8
Bartow...................
1.4 56.8
Tampa....................
2.9 106.0 Tampa
(1)................ 1.0
38.5 -------- ----------
6.5 254.3 -------- -------
--- GEORGIA
Atlanta..................
11.1 476.7
Atlanta..................
2.9 157.1
Augusta..................
1.1 48.3
Atlanta..................
11.4 334.7
Atlanta..................
5.0 125.7
Montezuma................
4.2 175.8
Atlanta..................
6.9 201.6
Thomasville..............
6.9 202.9 -------- -------
--- 49.5 1,722.8 --------
---------- IDAHO
Burley.....................
10.7 407.2
Nampa......................
8.0 364.0 -------- -------
--- 18.7 771.2 -------- --
-------- ILLINOIS
Rochelle...................
6.0 179.7 East
Dubuque.............. 5.6
215.4 -------- ----------
11.6 395.1 -------- ------
---- INDIANA
Indianapolis...............
9.1 311.7 -------- -------
--- IOWA Fort
Dodge................. 3.7
155.8
Bettendorf.................
8.8 336.0 -------- -------
--- 12.5 491.8 -------- --
-------- KANSAS
Wichita....................
2.8 126.3 Garden
City................ 2.2
84.6 -------- ----------
5.0 210.9 -------- -------
--- KENTUCKY
Sebree.....................
2.7 79.4 -------- --------
-- MAINE
Portland...................
1.8 151.6 -------- -------
--- MASSACHUSETTS
Gloucester.................
1.9 95.5
Gloucester.................
0.3 13.6
Gloucester.................
2.8 95.2

Gloucester.................
2.4 126.4
Boston.....................
3.1 218.0 -------- -------
--- 10.5 548.7 -------- --
-------- MISSOURI
Marshall...................
4.8 160.8
Carthage...................
42.0 2,564.7 -------- ----
------ 46.8 2,725.5 ------
-- ---------- MISSISSIPPI
West
Point................. 4.7
180.8 -------- ----------
NEBRASKA
Fremont....................
2.2 84.6 Grand
Island............... 2.2
105.0 -------- ----------
4.4 189.6 -------- -------
--- NEW YORK
Syracuse...................
11.8 447.2 -------- ------

CUBIC FEET SQUARE FEET
PROPERTY (IN MILLIONS) (IN
THOUSANDS) ---------------
------- ------------ -----
--------- NORTH CAROLINA
Charlotte................
1.0 58.9
Charlotte................
4.1 164.8
Tarboro..................
4.9 147.4 -------- --------
-- 10.0 371.1 -------- ----
------ 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
Brooks...................
4.8 184.6
Ontario..................
8.1 238.2 -------- --------
-- 40.4 1,678.4 -------- --
-------- 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 Ft.
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..................
441.5 17,509.1 ========
==========

----
(1) Leasehold interest

ALEXANDER'S PROPERTIES

The Company owns 33.1% of Alexander's outstanding common shares. The following table shows the location, approximate size and leasing status of each of the properties owned by Alexander's as of December 31, 2002.

APPROXIMATE LEASABLE SQUARE
APPROXIMATE FOOTAGE/ AREA IN
SQUARE NUMBER PERCENT LOCATION
FEET OR ACREAGE OF FLOORS LEASED
-------- ---------------- -----
----------- -------- OPERATING
PROPERTIES NEW YORK: Kings Plaza
Regional Shopping Center--
Brooklyn......................
24.3 acres 759,000/2 and 4(1)(2)
98% Rego Park I--
Queens..................... 4.8
acres 351,000/3(1) 100%
Flushing--Queens
(3).................... 44,975
SF 177,000/4(1) 0% NEW JERSEY:
Paramus--New
Jersey..................... 30.3
acres --(4) 100% ---------
1,287,000 ========= DEVELOPMENT
PROPERTIES NEW YORK: 59th Street
and Lexington Avenue--Manhattan
(see
below)..........................
84,420 SF 1,297,000/55 Rego Park
II--Queens...................
6.6 acres --

- ----------
(1) Excludes parking garages.
(2) Excludes 339,000 square foot Macy's store, owned and operated by Federated

Department Stores, Inc.
(3) Leased by Alexander's through January 2027. Classified as an asset held for sale by Alexander's at December 31, 2002.
(4) Ground leased to IKEA.

The development plans at Lexington Avenue consist of an approximately 1.3 million square foot multi-use building. The building will contain approximately 154,000 net rentable square feet of retail (45,000 square feet of which has been leased to Hennes & Mauritz), approximately 878,000 net rentable square feet of office (695,000 square of which has been leased to Bloomberg L.P.) and 248,000 square feet of residential condominium units (through a taxable REIT subsidiary). Construction is expected to be completed in 2004. On July 3, 2002 Alexander's finalized a $490,000,000 loan with HVB Real Estate Capital (Hypo Vereinsbank) to finance the construction of the Lexington Avenue property (the "Construction Loan"). The estimated construction costs in excess of the construction loan of approximately $140,000,000 will be provided by Alexander's. The Construction Loan has an interest rate of LIBOR plus 2.5% (currently 3.94%) and a term of forty-two months subject to two one-year extensions. Alexander's received an initial funding of $55,500,000 under the Construction Loan of which $25,000,000 was used to repay the Alexander's term loan to a bank in the amount of $10,000,000 and a secured note in the amount of $15,000,000. Of the total construction budget of approximately $630,000,000, $162,000,000 has been spent to date and an additional $184,000,000 has been committed. Pursuant to the Construction Loan, the Company has agreed to guarantee among other things, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated loan budget, if not funded by Alexander's (the "Completion Guarantee"). The $6,300,000 estimated fee payable by Alexander's to the Company for the Completion Guarantee is 1% of construction costs (as defined). In addition, if the Company should advance any funds under the Completion Guarantee in excess of the $26,000,000 currently available under the secured line of credit, interest on those advances is at 15% per annum.

On August 30, 2002, Alexander's sold its Third Avenue property located in the Bronx, New York. The 173,000 square foot property was sold for $15,000,000 resulting in a gain of $10,366,000, of which the Company's share was $3,524,000.

THE NEWKIRK MASTER LIMITED PARTNERSHIP

In 1998, the Company and affiliates of Apollo Real Estate Investment Fund III, L.P. ("Apollo") formed a joint venture to acquire general and limited partnership interests in the Newkirk real estate partnerships. Since its formation, the joint venture has acquired equity interests in 91 partnerships which own approximately 19.6 million square feet of real estate and first and second mortgages secured by a portion of these properties. The Company owned a 30% interest in the joint venture with the balance owned by Apollo. On January 1, 2002, the Newkirk partnerships were merged into The Newkirk Master Limited Partnership (the "MLP") to create a vehicle to enable the partners to have greater access to capital and future investment opportunities. In connection with the merger, the Company received limited partner interests in the MLP equal to an approximate 21.1% interest and Apollo received limited partner interests in the MLP equal to an approximate 54.5% interest. At December 31, 2002, the Company has a 21.7% interest in the MLP and Apollo has a 55.9% interest. Further, the joint venture is the general partner of the MLP.

Simultaneously, the MLP completed a $225,000,000 secured financing collateralized by its interests in the entities that own the properties, subject to the existing first and certain second mortgages on those properties. The loan bears interest at LIBOR plus 5.5% with a LIBOR floor of 3% (8.5% at December 31, 2002) and matures on January 31, 2005, with two one-year extension options. As a result of the financing, on February 6, 2002 the MLP repaid approximately $28,200,000 of existing joint venture debt and distributed approximately $37,000,000 to the Company.

The Company's equity investment in the joint venture at December 31, 2002 was comprised of:

Investments in limited partnerships...	$ 134,200,000
Mortgages and loans receivable........	39,511,000
Other................................	8,754,000
	$ 182,465,000

The Company's share of the joint venture debt was approximately $312,679,000 at December 31, 2002.

The following table sets forth a summary of the real estate owned by the

MLP:

	Number of Properties	Square Feet
Office	35	8,075,000
Retail	169	6,447,000
Other	34	5,082,000
	238	19,604,000

As of December 31, 2002, the occupancy rate of the properties is 99.9%.

The 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 on the properties. In addition, tenants generally have multiple renewal options, with rents, on average, below market.

Below is a listing of tenants which accounted for 2% or more of the MLP's revenues in 2002:

Tenant	Square Feet Leased	2002 Revenues	Percentage
Raytheon	2,286,000	$ 38,665,000	12.6%
Albertson's Inc.	2,763,000	27,060,000	8.8%
The Saint Paul Co.	530,000	25,410,000	8.3%
Kaiser Alum & Chemical Corp (1)	911,000	23,794,000	7.8%
Honeywell	728,000	19,420,000	6.3%
Cummins Engine Company, Inc.	390,000	14,405,000	4.7%
Federal Express	592,000	13,546,000	4.4%
Owens-Illinois	707,000	13,363,000	4.4%
Entergy Gulf States	490,000	12,089,000	3.9%
Stater Bros Markets	734,000	10,354,000	3.4%

----

(1) On February 12, 2002, Kaiser Aluminum, which leases an office building located in Oakland, California, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. To date, this lease has not been assumed or rejected.

The following table sets forth lease expirations for each of the next 10 years, as of December 21, 2002, assuming that none of the tenants exercise their renewal options.

Year	Number of Expiring Leases	Square Feet of Expiring Leases	Percentage of Leased Square Feet	Annual Escalated Rent of Expiring Leases Total	Annual Escalated Rent of Expiring Leases Per Square Foot
2003	3	158,000	0.8%	$ 2,149,000	$ 13.60
2004	6	280,000	1.4%	6,281,000	

22.43
2005.......................
29 1,310,000 6.9%
7,935,000 6.06
2006.......................
31 2,420,000 12.8%
32,398,000 13.39
2007.......................
33 2,992,000 15.8%
38,021,000 12.07
2008.......................
101 7,797,000 41.2%
94,083,000 17.51
2009.......................
30 2,678,000 14.1%
72,195,000 26.96
2010.......................
1 821,000 4.3% 2,780,000
3.39
2011.......................
2 155,000 0.8% 2,177,000
14.05
2012.......................
2 325,000 1.7% 2,038,000
6.27

Newkirk Master Limited Partnership Properties

The following table sets forth The Newkirk Master Limited Partnership Properties
as of December 31, 2002:

APPROXIMATE
LEASABLE BUILDING
SQUARE LOCATION
FOOTAGE ---------
------------ ----

OFFICE: ARKANSAS
Little
Rock.......
36,000 Pine
Bluff........
27,000 ----------
-- 63,000 -------
----- CALIFORNIA
El Segundo
(1).... 185,000
El Segundo
(1).... 959,000
El Segundo
(1).... 185,000
Oakland
(1).......
911,000 Walnut
Creek (1)..
55,000 ----------
-- 2,295,000 ----
-------- COLORADO
Colorado
Springs.. 71,000

FLORIDA Orlando
(1).......
184,000 Orlando
(1).......
357,000 ---------
--- 541,000 -----
------- INDIANA
Columbus
(1)...... 390,000

MARYLAND
Baltimore
(1)..... 530,000

FLORIDA Bridgeton
(1)..... 54,000 -
----------- NEW
JERSEY
Carteret..........

96,000 Elizabeth
(1)..... 30,000
Morris Township
(1) 225,000
Morris Township
(1) 50,000 Morris
Township (1)
137,000 Morris
Township...
141,000
Morristown
(1).... 316,000
Plainsboro
(1).... 2,000 ---
--------- 997,000

NEVADA Las
Vegas.........
282,000 ---------
--- OHIO
Miamisburg
(1).... 61,000
Miamisburg
(1).... 86,000
Toledo
(1)........
707,000 ---------
--- 854,000 -----

PENNSYLVANIA
Allentown.........
71,000 ----------
-- TENNESSEE
Johnson
City...... 64,000
Kingport..........
43,000 Memphis
(1).......
521,000 ---------
--- 628,000 -----
------- TEXAS
Beaumont
(1)...... 426,000
Beaumont
(1)...... 50,000
Bedford
(1).......
207,000 Dallas
(1)........
185,000
Dallas...........
152,000 Garland
(1).......
279,000 ---------
--- 1,299,000 ---
--------- -------
----- Total
Office.........
8,075,000 -------

APPROXIMATE
LEASABLE BUILDING
LOCATION SQUARE
FOOTAGE ---------
------------ ----

RETAIL: ALABAMA
Dothan
(1)........
54,000 Hunstville
(1).... 60,000
Huntsville
(1).... 58,000
Montgomery
(1).... 56,000
Montgomery........
66,000 Tuscaloosa
(1).... 56,000 --

350,000 ---------
--- ARIZONA
Bisbee
(1)........
30,000 Tucson
(1)........
37,000 ----------

-- 67,000 -------
----- CALIFORNIA
Anaheim
(1)....... 26,000
Barstow...........
30,000
Beaumont..........
29,000
Calimesa..........
29,000
Colton............
73,000
Colton............
26,000 Corona
(1)........
33,000 Corona
(1)........ 9,000
Costa Mesa
(1).... 18,000
Costa Mesa
(1).... 17,000
Desert Hot
Springs
(1)..............
29,000
Downey............
39,000
Fontana...........
26,000 Garden
Grove (1)..
26,000 Glen Avon
Heights
(1)..............
42,000 Huntington
Beach.. 44,000
Indio
(1).........
10,000
Lancaster.........
42,000 Livermore
(1)..... 53,000
Lomita
(1)........
33,000 Mammoth
Lakes (1). 44,000
Mojave
(1)........
34,000 Ontario
(1)....... 24,000
Orange
(1)........
26,000 Pinole
(1)........
58,000
Pleasanton........
175,000 Rancho
Cucamonga..
24,000
Rialto............
29,000
Rubidoux..........
39,000 San
Bernadino.....
30,000 San
Bernadino.....
40,000 San Diego
(1)..... 226,000
Santa Ana
(1)..... 26,000
Santa
Monica......
150,000 Santa
Rosa (1)....
22,000 Simi
Valley (1)...
40,000
Sunnymead.........
30,000 Ventura
(1)....... 40,000
Westminster.......
26,000
Yucaipa...........
31,000 ----------
-- 1,748,000 ----
-------- COLORADO
Aurora

(1)........
41,000
Aurora...........
29,000
Aurora...........
42,000
Aurora...........
24,000
Littleton.........
29,000
Littleton.........
39,000 ----------
-- 204,000 ------

APPROXIMATE
LEASABLE BUILDING
SQUARE LOCATION
FOOTAGE ---------
------------ ----

RETAIL-CONTINUED
FLORIDA Bradenton
(1)..... 60,000
Cape
Coral........
30,000
Casselberry
(1)... 68,000
Gainsville........
41,000
Largo.............
54,000
Largo.............
40,000
Largo.............
30,000 Orlando
(1)....... 58,000
Pinellas
Park..... 60,000
Port Richey
(1)... 54,000
Stuart
(1)........
54,000
Tallahassee
(1)... 54,000
Venice
(1)........
42,000 ----------
- 645,000 -------
---- GEORGIA
Atlanta
(1)....... 6,000
Atlanta
(1)....... 4,000
Chamblee
(1)...... 5,000
Cumming
(1)....... 14,000
Duluth
(1)........ 9,000
Forest Park
(1)... 15,000
Jonesboro
(1)..... 5,000
Stone Mountain
(1) 6,000 -------
---- 64,000 -----
------ IDAHO
Boise
(1).........
37,000 Boise
(1).........
43,000 ----------
- 80,000 --------
--- ILLINOIS
Champaign.........
31,000
Freeport..........
30,000 Rock
Falls........

28,000 ----------
- 89,000 --------
--- INDIANA
Carmel
(1)........
39,000 Lawrence
(1)...... 29,000

68,000 ----------
- KENTUCKY
Louisville........
10,000
Louisville........
40,000 ----------
- 50,000 --------
--- LOUISIANA
Baton
Rouge.......
58,000
Minden............
35,000 ----------
- 93,000 --------
--- MONTANA
Billings
(1)...... 41,000
Bozeman
(1)....... 21,000

62,000 ----------
- NORTH CAROLINA
Jacksonville......
23,000 Jefferson
(1)..... 23,000
Lexington
(1)..... 23,000 -
---------- 69,000

NEBRASKA
Omaha.............
73,000
Omaha.............
66,000
Omaha.............
67,000 ----------
- 206,000 -------
---- NEW JERSEY
Garwood
(1)....... 52,000
----------- NEW
MEXICO
Albuquerque
(1)... 35,000 Las
Cruces (1)....
30,000 ----------
- 65,000 --------
--- NEVADA Las
Vegas.........
38,000 Las Vegas
(1)..... 60,000 -
---------- 98,000

APPROXIMATE
LEASABLE BUILDING
LOCATION SQUARE
FOOTAGE ---------
------------ ----

RETAIL-CONTINUED
NEW YORK
Portchester
(1)... 59,000 ---
--------- OHIO
Cincinnati
(1).... 26,000
Columbus
(1)...... 34,000
Franklin
(1)...... 29,000

89,000 ----------
-- OKLAHOMA
Lawton
(1)........
31,000 Oklahoma
City (1). 32,000

63,000 ----------
-- OREGON
Beaverton.........
42,000 Grants
Pass (1)...
34,000
Portland..........
42,000
Salem.............
52,000 ----------
-- 170,000 ------

PENNSYLVANIA
Doylestown........
4,000
Lansdale..........
4,000
Lima..............
4,000
Philadelphia......
50,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Philadelphia......
4,000
Richboro..........
4,000
Wayne.............
4,000 -----------
- 106,000 -------
----- SOUTH
CAROLINA Moncks
Corner (1).
23,000 ----------
-- SOUTH DAKOTA
Sioux Falls
(1)... 60,000 ---
--------- TEXAS
Allen.............
41,000 Carrolton
(1)..... 61,000
Dallas
(1)........
68,000
Ennis.............
44,000 Fort Worth
(1).... 44,000
Garland
(1)....... 40,000
Granbury
(1)...... 35,000
Grand Prairie
(1). 49,000
Greenville
(1).... 48,000
Hillsboro
(1)..... 35,000
Houston
(1)....... 52,000
Huntsville........
62,000 Lubbock
(1)....... 54,000
Midland...........
60,000
Rockdale..........
44,000
Rockwell..........
43,000
Taylor............
62,000 Texarkana
(1)..... 46,000
Waxahachie........

62,000
Woodville.........
44,000 ----------
-- 994,000 ------
------ UTAH
Bountiful
(1)..... 50,000
Sandy
(1).........
42,000 ----------
-- 92,000 -------
----- VIRGINIA
Staunton
(1)...... 23,000

APPROXIMATE
LEASABLE BUILDING
SQUARE LOCATION
FOOTAGE ---------
------------ ----

RETAIL-CONTINUED
TENNESSEE
Chattanooga
(1)... 42,000
Memphis
(1)....... 75,000
Las Vegas
(1)..... 38,000
Reno
(1)..........
42,000 ----------
- 197,000 -------
---- WASHINGTON
Bothell
(1)....... 28,000
Edmonds
(1)....... 35,000
Everett
(1)....... 35,000
Federal
Way....... 42,000
Graham
(1)........
45,000
Kent.............
42,000 Milton
(1)........
45,000 Port
Orchard (1)..
28,000 Redmond
(1)....... 45,000
Spokane..........
42,000 Spokane
(1)....... 39,000
Woodinville
(1)... 30,000 ---
-------- 456,000

WYOMING
Cheyenne..........
12,000 Cheyenne
(1)...... 31,000
Douglas...........
12,000
Evanston..........
28,000
Evanston..........
10,000
Torrington........
12,000 ----------
- 105,000 -------
---- ----------
Total Retail
6,447,000 -------

APPROXIMATE
LEASABLE BUILDING
LOCATION SQUARE
FOOTAGE ---------
------------ ----

OTHER ALABAMA
Florence
(1)...... 42,000

ARIZONA Flagstaff
(1)..... 114,000
Flagstaff
(1)..... 10,000
Sun City
(1)...... 10,000

134,000 ---------
-- CALIFORNIA
Colton............
668,000 Long
Beach (1)....
478,000 Long
Beach (1)....
201,000 Palo Alto
(1)..... 123,000

1,470,000 -------
---- COLORADO
Arvada
(1)........
10,000 Ft.
Collins (1)...
10,000 Lakewood
(1)...... 10,000

30,000 ----------
- FLORIDA Orlando
(1).......
205,000 ---------
-- MAINE North
Berwick.....
821,000 ---------
-- NEW MEXICO
Carlsbad
(1)...... 10,000
----------- NORTH
CAROLINA
Charlotte
(1)..... 34,000
Concord
(1)....... 32,000
Mint Hill
(1)..... 23,000
New Bern
(1)...... 21,000
Thomasville
(1)... 21,000 ---
-------- 131,000

PENNSYLVANIA New
Kingston (1)..
430,000 ---------
-- SOUTH CAROLINA
N. Myrtle Beach
(1) 37,000 ------
----- TENNESSEE
Paris
(1).........
31,000 Franklin
(1)...... 289,000
Memphis
(1).......
780,000 ---------
-- 1,100,000 ----
------- TEXAS
Lewisville........
256,000 Corpus
Christi (1)
10,000 El Paso
(1)....... 10,000
Euless
(1)........
10,000 Lewisville
(1).... 10,000
McAllen
(1)....... 10,000
Victoria
(1)...... 10,000

316,000 ---------

-- WISCONSIN	
Windsor (1).......	356,000
Total Other..........	5,082,000
GRAND TOTAL..........	19,604,000

- ---------------
(1) leasehold interest.

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.

The Hotel is dependent on tourism and was severely impacted by the events of September 11, 2001, accelerating a trend which began in the first quarter of 2001. The following table presents rental information for the Hotel:

	Year Ended December 31,			
	2002	2001	2000	1999
Average occupancy rate........	65%	63%	76%	80%
Average daily rate............	$ 89	$ 110	$ 114	$ 105
Revenue per available room....	$ 58	$ 70	$ 87	$ 84

As of December 31, 2002, the property's retail and office space was 47% and 53% occupied compared to 56% and 61% as of December 2001. 25 tenants occupy the retail and office space. Annual rent per square foot of retail and office space in 2002 was $40 and $12 compared to $50 and $21 in 2001 and $45 and $17 in 2000.

DRY WAREHOUSE/INDUSTRIAL PROPERTIES

The Company's dry warehouse/industrial properties consist of eight buildings in New Jersey containing approximately 2.0 million square feet. The average term of a tenant's lease is 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 four years.

As of December 31,	Occupancy Rate	Average Annual Rent Per Square Foot
2002.............	95%	$ 3.81
2001.............	100%	3.67
2000.............	90%	3.52
1999.............	92%	3.37

In November 2002, the Company entered into an agreement to ground lease its East Brunswick industrial property to Lowe's. Lowe's will demolish the existing warehouse containing 326,000 square feet and construct its own retail store. This lease is subject to various governmental approvals.

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 operation.

Primestone
- ----------

As previously disclosed, Primestone filed an amended counterclaim against the Company in Delaware Chancery Court on July 31, 2002, alleging, among other things, that Vornado's April 30, 2002 foreclosure on the collateral pledged by Primestone did not comply with the Uniform Commercial Code. On December 19, 2002, the Delaware Chancery Court dismissed all of Primestone's counterclaims. On January 17, 2003, Primestone filed a notice of appeal. In its brief filed on February 14, 2003, Primestone asked the Delaware Supreme Court to reverse the Delaware Chancery court's decision that (1) Vornado's foreclosure auction was held in a commercially reasonable manner, and (2) Vornado did not tortiously interfere with Primestone business relations. This litigation is continuing.

Primestone and several affiliates commenced an action against the Company on May 3, 2002 in New York Supreme Court, alleging substantially the same causes of action as in its amended counterclaim in the Delaware Chancery Court. On June 10, 2002, Vornado moved to dismiss this action. This litigation is continuing.

On May 9, 2002, five affiliates of Primestone asserted counterclaims in an action which the Company had commenced against them on March 28, 2002 in New York Supreme Court. The counterclaims are virtually identical to the claims asserted in the May 3, 2002 action. On May 29, 2002, Vornado filed an answer denying the essential allegations of the counterclaims. This litigation is continuing.

Stop & Shop
- -----------

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court 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. The additional rent provision of the guaranty expires at the earliest in 2012. The Company intends to vigorously contest Stop & Shop's position.

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, 2002.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	PRINCIPAL OCCUPATION, POSITION AND OFFICE (CURRENT AND DURING PAST FIVE YEARS WITH VORNADO UNLESS OTHERWISE STATED)
Steven Roth................	61	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 and a Director since 1989; Chairman and CEO of Vornado Operating since 1998.

Michael D. Fascitelli...... 46 President and a Trustee since December 1996; President of Alexander's Inc. since August 2000 and Director since December 1996; Director of Vornado Operating since 1998; 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.

Melvyn H. Blum............. 56 Executive Vice President--Development since January 2000; Senior Managing Director at Tishman Speyer Properties in charge of its development activities in the United States from July 1998 to January 2000; and Managing Director of Development and Acquisitions at Tishman Speyer Properties prior to July 1998.

Michelle Felman............ 40 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......... 51 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........ 39 President of the Merchandise Mart Division since September 2000; Executive Vice President of the Merchandise Mart from April 1998 to September 2000; Executive Vice President of Merchandise Mart Properties, Inc. from 1994 to April 1998. Paul Larner................ 47 Executive Vice President -- Chief Administrative Officer and Secretary since October 2002; Chief Operating Officer and Chief Financial Officer of Charles E. Smith Commercial Realty, a division of Vornado Realty Trust from January 2002 (date acquired by the Company) to October 2002; Chief Financial Officer of Charles E. Smith Commercial Realty L.P. (the predecessor to Charles E. Smith Commercial Realty) from October 1997 until January 2002. Joseph Macnow.............. 57 Executive Vice President--Finance and Administration since January 1998 and Chief Financial Officer since March 2001; Executive Vice President -- Finance and Administration of Vornado Operating since 1998; Vice President-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........... 40 Executive Vice President--Retail Real Estate since March 2002; Executive Vice President, Forest City Ratner from 1994 to February 2002. Wendy Silverstein.......... 42 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............

74 Chairman of Charles E. Smith Commercial Realty, a division of Vornado Realty Trust, and Trustee of the Company 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 AND RELATED STOCKHOLDER MATTERS

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, 2002 and 2001 were as follows:

QUARTER	YEAR ENDED DECEMBER 31, 2002			YEAR ENDED DECEMBER 31, 2001		
	HIGH	LOW	DIVIDENDS	HIGH	LOW	DIVIDENDS
1st	$ 44.90	$ 41.78	$ .66	$ 38.76	$ 34.57	$ .53
2nd	47.10	43.02	.66	39.75	34.56	.53
3rd	45.38	37.65	.66	41.60	37.95	.60
4th	39.21	34.41	.68	41.65	37.60	.97*

- ---------------

* Comprised of a regular quarterly dividend of $.66 per share and a special dividend of $.31 declared on December 18, 2001, which was necessary to avoid the Company incurring an excise tax on distributions of less than 85% of taxable income in the current year.

On March 3, 2003, there were 1,750 holders of record of the Company's common shares.

At December 31, 2002, the Company had a capital loss carryover of approximately $73,000,000. The capital loss carryover is available to offset future capital gains that would otherwise be required to be distributed as dividends to shareholders.

RECENT SALES OF UNREGISTERED SECURITIES

During 2002, 2001 and 2000 the Company issued 176,848, 6,002 and 2,357 common shares, respectively, 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.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

YEAR ENDED DECEMBER 31,	2002(2)	2001	2000	1999	1998
(in thousands, except share and per share amounts)					
OPERATING DATA					
Revenues:					
Rentals	$ 1,248,903	$ 841,999	$ 695,078	$ 591,270	$ 425,496
Expense reimbursements	159,978	133,114	120,056	96,842	74,737
Other income	26,189	10,660	10,838	8,251	9,627
Total Revenues	1,435,070	985,773	825,972	696,363	509,860
Expenses:					
Operating	541,596	398,969	318,360	282,118	207,171
Depreciation and amortization	205,826	123,862	99,846	83,585	59,227
General and administrative	98,458	72,572	47,911	40,151	28,610
Amortization of officer's deferred compensation expense	27,500	--	--	--	--
Costs of acquisitions and development not consummated	6,874	5,223	--	--	--
Total Expenses	880,254	600,626	466,117	405,854	295,008
Operating Income	554,816	385,147	359,855	290,509	214,852
Income applicable to Alexander's	29,653	25,718	17,363	11,772	3,123
Income from partially-owned entities	44,458	80,612	86,654	78,560	32,025
Interest and other investment income	31,685	54,385	32,926	18,359	24,074
Interest and debt expense	(239,525)	(173,076)	(171,398)	(141,683)	(114,686)
Net (loss) gain on disposition of wholly-owned and partially-owned assets other than real estate	(17,471)	(8,070)	--	--	9,649
Minority interest: Perpetual preferred unit distributions	(72,500)	(70,705)	(62,089)	(19,254)	(756)
Minority limited partnership earnings	(64,899)	(39,138)	(38,320)	(33,904)	(14,822)
Partially-owned entities	(3,185)	(2,520)	(1,965)	(1,840)	(605)
Income before gains on sales of real estate and cumulative effect of change in accounting principle	263,032	252,353	223,026	202,519	152,854
Gains on sale of real estate	--	15,495	10,965	--	--
Cumulative effect of change in accounting principle	(30,129)	(4,110)	--	--	--
Net income	232,903	263,738	233,991	202,519	152,854
Preferred share dividends	(23,167)	(36,505)	(38,690)	(33,438)	(21,690)
Net income applicable to common shares	$ 209,736	$ 227,233	$ 195,301	$ 169,081	$ 131,164
Income per share--basic	$ 1.98	$ 2.55	$ 2.26	$ 1.97	$ 1.62
Income per share--diluted	$ 1.91	$ 2.47	$ 2.20	$ 1.94	$ 1.59
Cash dividends declared for common shares	$ 2.66	$ 2.63	$ 1.97	$ 1.80	$ 1.64
BALANCE SHEET DATA					
Total assets	$ 9,018,179	$ 6,777,343	$ 6,403,210	$ 5,479,218	$ 4,425,779
Real estate, at cost	7,559,694	4,690,211	4,354,392	3,921,507	3,315,891
Accumulated depreciation					

737,426 506,225 393,787 308,542 226,816 Debt
....
4,071,320 2,477,173 2,688,308 2,048,804 2,051,000
Shareholders' equity
.... 2,627,356
2,570,372 2,078,720 2,055,368 1,782,678

YEAR ENDED DECEMBER 31, ------------------------
--- (in
thousands) 2002(2) 2001(2)(3) 2000(3) 1999 1998
----------- ----------- ----------- -----------
------------ OTHER DATA Funds from
operations(1): Net income applicable to common
shares .... $ 209,736 $ 227,233 $
195,301 $ 169,081 $ 131,164 Cumulative effect of
change in accounting principle
.... 30,129 4,110
-- -- -- Depreciation and amortization of real
property
....
195,808 119,568 97,744 82,216 58,277 Straight-
lining of property rentals for rent escalations
....
(27,295) (24,314) (28,893) (22,881) (14,531)
Amortization of below market leases, net
.... (12,634) -- -- -- -- Leasing
fees received in excess of income recognized
....
1,318 1,954 1,259 1,705 1,339 Net gain on sale
of real estate .... --
(12,445) (10,965) -- -- Net gain from insurance
settlement and condemnation proceedings
.... -- (3,050) -- --
(9,649) Appreciation/(depreciation) of
securities held in officer's deferred
compensation trust .... -- 3,023 4,765
(340) 340 Gains on sale of securities available
for sale .... -- -- -- (383) (898)
Proportionate share of adjustments to equity in
income of partially-owned entities to arrive at
funds from operations: Temperature Controlled
Logistics 36,500 34,531
35,565 31,400 41,988 Alexander's
....
(2,825) (5,980) 93 1,324 4,023 Partially-owned
office buildings 2,847
1,913 2,926 50 3,561 Hotel Pennsylvania
.... -- -- 5,779
4,866 4,083 Charles E. Smith Commercial Realty
L.P. .... -- 17,917 15,767 12,024
2,974 Other
....
12,763 10,538 9,448 7,463 219 Minority interest
in partially owned entities in excess of
preferential distributions ....
(45,324) (16,810) (16,445) (9,020) (3,991)
Dilutive effect of Series A Preferred Share
dividends
....
6,150 19,505 21,689 16,268 -- ----------- ------
----- ----------- ----------- ------------ Funds
from operations(1)
.... $ 407,173 $
377,693 $ 334,033 $ 293,773 $ 218,899
=========== =========== =========== ==========
============ Cash flow provided by (used in):
Operating activities
.... $ 499,825 $
387,685 $ 249,921 $ 176,895 $ 189,406 Investing
activities ....
(24,117) (79,722) (699,375) (494,204)
(1,257,367) Financing activities
.... (533,092)
(179,368) 473,813 262,131 879,815

- ----------
(1) Funds from operations does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated

Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by the National Association of Real Estate Investment Trusts ("NAREIT"). Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust primarily for (i) the effect of straight-lining of property rentals for rent escalations and leasing fee income and (ii) the exclusion of income arising from the amortization of below market leases net of above market leases.

(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. See Supplemental Information, page 82 for condensed Pro Forma Operating Results for the year ended December 31, 2001 giving effect to the CESCR acquisition as if it had occurred on January 1, 2001.

(3) Funds from operations as previously reported for the year ended December 31, 2001 and 2000 have been revised to include income from the early extinguishment of debt of $1,170 in 2001 and expense from the early extinguishment of debt of $1,125 in 2000 because such items are no longer treated as extraordinary items in accordance with Generally Accepted Accounting Principles.

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

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company's consolidated financial statements for the years ended December 31, 2002, 2001 and 2000.

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. See Supplemental Information, page 82, for Condensed Pro Forma Operating Results for the year ended December 31, 2001 giving effect to the CESCR acquisition as if it had occurred on January 1, 2001.

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, 2002, the Company's carrying amount of its real estate, net of accumulated depreciation is $6.8 billion. Maintenance and repairs are charged to operations as incurred. Depreciation requires an estimate by management of the useful life of each property 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, tenant improvements and acquired above and below market leases and the origination cost of acquired in-place leases in accordance with SFAS No. 141) and acquired liabilities, and allocate 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 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 financial statements.

NOTES AND MORTGAGE LOANS RECEIVABLE

The Company evaluates the collectibility of both interest and principal of each of its notes and mortgage loans receivable ($86.6 million as of December 31, 2002) if circumstances warrant to determine whether it is impaired. If the Company fails to identify that the investee or borrower are unable to perform, the Company's bad debt expense may be different.

PARTIALLY-OWNED ENTITIES

The Company accounts for its investments in partially-owned entities ($997.7 million as of December 31, 2002) under the equity method when the Company's ownership interest is more than 20% but less than 50% and the Company does not exercise direct or indirect control. When partially-owned investments are in partnership form, the 20% threshold may be reduced. Factors that the Company considers in determining whether or not it exercises control include substantive participating rights of partners on significant business decisions, including dispositions and acquisitions of assets, financing and operating and capital budgets, board and management representation and authority and other contractual rights of its partners. To the extent that the Company is deemed to control these entities, these entities would have to be consolidated and therefore impact the balance sheet, operations and related ratios. On a periodic basis the Company evaluates whether there are any indicators that the value of the Company's investments in partially-owned entities are impaired. An investment is impaired if management's estimate of the value of the investment is less than the carrying amount. The ultimate realization of the Company's investment in partially-owned entities is dependent on a number of factors including the performance of the investee and market conditions. If the Company determines that a decline in the value of its investee is other than temporary, then an impairment charge would be recorded.

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 agreement. 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. If estimates differ from actual results this would impact reported results.

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 free 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 SAB 101, 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 Reimbursement Income -- income 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 income is accrued in the same periods as the expenses are incurred.

Before the Company recognizes revenue, it assesses among other things, its collectibility. If the Company incorrectly determines the collectibility of its revenue, its net income and assets could be overstated.

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, it would fail to qualify as a REIT and substantial adverse tax consequences may result.

Below is a summary of Net income and Adjusted EBITDA(1) by segment for the years ended December 31, 2002, 2001 and 2000. Prior to 2001, income from the Company's preferred stock affiliates ("PSAs") was included in income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its PSAs and converted these entities to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the year ended December 31, 2000 have been reclassified to give effect to the consolidation of these entities, as if consolidated as of January 1, 2000 (see page 64 for the details of the reclassifications by line item). In addition, the Company has revised Adjusted EBITDA as previously reported for the year ended December 31, 2001 and 2000 to include income from the early extinguishment of debt of $1,170,000 in 2001 and expense from the early extinguishment of debt of $1,125,000 in 2000 because such items are no longer treated as extraordinary items in accordance with Generally Accepted Accounting Principles.

($ in thousands) December 31, 2002

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 1,248,903	$ 867,938	$ 127,561	$ 195,899	$ --	$ 57,505
Expense reimbursements	159,978	89,890	51,750	14,754	--	3,584
Other income	26,189	21,221	1,653	2,951	--	364
Total revenues	1,435,070	979,049	180,964	213,604	--	61,453
Operating expenses	541,596	343,723	65,455	86,022	--	46,396
Depreciation and amortization	205,826	146,746	15,507	26,716	--	16,857
General and administrative	98,458	34,346				

5,036 20,382 -- 38,694 Costs of acquisitions and development not consummated............................... 6,874 -- -- -- -- 6,874 Amortization of officer's deferred compensation expense...................................... 27,500 -- -- -- -- 27,500 ----------- ----------- --------- ---------- -------- ----------- Total expenses .... 880,254 524,815 85,998 133,120 -- 136,321 ----------- ----------- --------- ----------- -------- ----------- Operating income 554,816 454,234 94,966 80,484 -- (74,868) Income applicable to Alexander's................. 29,653 -- -- -- -- 29,653 Income from partially-owned entities............. 44,458 1,966 (687) (339) 9,707 33,811 Interest and other investment income 31,685 6,472 323 507 -- 24,383 Interest and debt expense (239,525) (141,044) (56,643) (22,948) -- (18,890) Net (loss) gain on disposition of wholly-owned and partially-owned assets other than real estate (17,471) -- -- 2,156 -- (19,627) Minority interest................................. (140,584) (119,910) (13,736) (23,910) 2,093 14,879 ----------- ---------- --------- ----------- -------- ----------- Income before gains on sale of real estate and cumulative effect of change in accounting principle..................................... 263,032 201,718 24,223 35,950 11,800 (10,659) Gains on sale of real estate .... -- -- -- -- -- -- Cumulative effect of change in accounting principle...................................... (30,129) -- -- -- (15,490) (14,639) ----------- ---------- --------- ---------- -------- ----------- Net income 232,903 201,718 24,223 35,950 (3,690) (25,298) Cumulative effect of change in accounting principle...................................... 30,129 -- -- -- 15,490 14,639 Interest and debt expense(3)..................... 302,009 139,157 58,409 23,461 25,617 55,365 Depreciation and amortization(3).................. 257,707 149,361 17,532 27,006 34,474 29,334 ----------- ----------- --------- ---------- -------- ----------- EBITDA.. 822,748 490,236 100,164 86,417 71,891 74,040 Adjustments: Minority interest 140,584 119,910 13,736 23,910 (2,093) (14,879) Gains (losses) on sale of real estate(3).......... (1,405) -- -- -- 2,026 (3,431) Straight-lining of rents(3) (29,837) (24,352) (1,863) (1,772) -- (1,850) Amortization of below market leases, net .... (12,634) (12,469) -- -- -- -- Other .... 1,549 -- 860 323 -- 366 ----------- ----------- --------- ---------- -------- ----------- Adjusted EBITDA(1)............................... $ 921,005 $ 573,325 $ 112,732 $ 108,878 $ 71,824 $ 54,246 =========== =========== ========= ========== ======== ===========

- ---------------
See Notes on page 65.

($ in thousands) December 31, 2001 -------- -- ------------------------- Temperature Merchandise Controlled Total Office Retail Mart Logistics Other(2) ----------- ----------- --------- ----------- ----------- ----------- Rentals .... $ 841,999 $ 461,606 $ 121,023 $ 197,668 $ -- $ 61,702 Expense reimbursements .... 133,114 67,470 49,436 13,801 -- 2,407 Other income .... 10,660 3,775 1,154 3,324 -- 2,407 ---------

-- ----------- --------- ---------- ------
---- ----------- Total revenues
.... 985,773
532,851 171,613 214,793 -- 66,516 ---------
-- ----------- --------- ---------- ------
---- ----------- Operating expenses
.... 398,969
217,581 56,547 83,107 -- 41,734
Depreciation and amortization
.... 123,862 71,425 14,767
25,397 -- 12,273 General and administrative
.... 72,572 12,421 3,576
18,081 -- 38,494 Costs of acquisitions not
consummated
.... 5,223 -
- -- -- -- 5,223 ----------- ----------- --
------- ----------- ---------- -----------
Total expenses
.... 600,626
301,427 74,890 126,585 -- 97,724 ----------
- ----------- --------- ---------- -------
--- ----------- Operating income
.... 385,147
231,424 96,723 88,208 -- (31,208) Income
applicable to Alexander's
.... 25,718
-- -- -- -- 25,718 Income from partially-
owned entities
....
80,612 32,746 1,914 149 17,447(4) 28,356
Interest and other investment income
....
54,385 6,866 608 2,045 -- 44,866 Interest
and debt expense ....
(173,076) (54,667) (55,358) (33,354) --
(29,697) Net (loss) gain on disposition of
wholly-owned and partially-owned assets
other than real estate
.... (8,070) -- -- 160
-- (8,230) Minority interest
.... (112,363)
(55,932) (16,562) (15,650) (10,968)
(13,251) ----------- ----------- ---------
----------- ---------- ----------- Income
before gains on sales of real estate and
cumulative effect of change in accounting
principle 252,353
160,437 27,325 41,558 6,479 16,554 Gains on
sale of real estate ....
15,495 12,445 3,050 -- -- -- Cumulative
effect of change in accounting principle
.... (4,110) -- -- --
-- (4,110) ----------- ----------- --------
- ----------- ---------- ----------- Net
income
....
263,738 172,882 30,375 41,558 6,479 12,444
Cumulative effect of change in accounting
principle 4,110
-- -- -- -- 4,110 Interest and debt
expense(3) 266,784
92,410 57,915 33,354 26,459 56,646
Depreciation and amortization(3)
.... 188,859
91,085 18,957 25,397 33,815 19,605 --------
--- ----------- --------- ---------- -----
----- ----------- EBITDA
....
723,491 356,377 107,247 100,309 66,753
92,805 Adjustments: Gains on sale of real
estate(3) .... (21,793)
(12,445) (3,050) -- -- (6,298) Minority
interest ....
112,363 55,932 16,562 15,650 10,968 13,251
Net gain on disposition of wholly-owned and
partially-owned assets other than real
estate .... (160) -- --
(160) -- -- Straight-lining of rents(3)
.... (26,134) (20,064)
727 (4,997) -- (1,800) Other
....
(2,715) -- (2,337) -- 716 (1,094) ---------
-- ----------- --------- ---------- ------
----- ----------- Adjusted EBITDA(1)
.... $ 785,052 $
379,800 $ 119,149 $ 110,802 $ 78,437 $

96,864 =========== =========== =========
=========== ========== ===========

- ---------------
See Notes on page 65.

($in thousands) December 31, 2000
(after giving effect to consolidation
of PSA's - see reclassifications below
) -------------------------------------

------- Temperature Merchandise
Controlled Total Office Retail Mart
Logistics Other(2) ----------- -------
---- --------- ----------- -------- --
--------- Rentals
....
$ 788,469 $ 406,261 $ 129,902 $
171,001 $ -- $ 81,305 Expense
reimbursements ....
120,074 60,767 45,490 10,654 -- 3,163
Other income
....
17,608 5,499 2,395 4,661 -- 5,053 ----
------- ----------- --------- --------
--- -------- ----------- Total
revenues
.... 926,151
472,527 177,787 186,316 -- 89,521 ----
------- ----------- --------- --------
--- -------- ----------- Operating
expenses ....
379,524 199,424 55,671 74,553 --
49,876 Depreciation and amortization
.... 108,109 58,074 17,464
21,984 -- 10,587 General and
administrative ....
63,468 10,401 667 16,330 -- 36,070 ---
-------- ----------- --------- -------
---- -------- ----------- Total
expenses
.... 551,101
267,899 73,802 112,867 -- 96,533 -----
------ ----------- --------- ---------
-- -------- ----------- Operating
income ....
375,050 204,628 103,985 73,449 --
(7,012) Income applicable to
Alexander's .... 17,363 -- --
-- -- 17,363 Income from partially-
owned entities
....
79,694 29,210 667 -- 28,778(4) 21,039
Interest and other investment income
....
33,798 6,162 -- 2,346 -- 25,290
Interest and debt expense
.... (180,505) (62,162)
(54,305) (38,569) -- (25,469) Minority
interest ....
(102,374) (46,917) (16,550) (12,660)
(12,483) (13,764) ----------- --------
--- --------- ----------- -------- ---
-------- Income before gains on sales
of 223,026 130,921
33,797 24,566 16,295 17,447 real
estate Gains on sales of real estate
.... 10,965 8,405 2,560 --
-- -- ----------- ----------- --------
- ----------- -------- ----------- Net
income
....
233,991 139,326 36,357 24,566 16,295
17,447 Interest and debt expense(3)
.... 260,573 96,224 55,741
38,566 27,424 42,618 Depreciation and
amortization(3) 167,268
76,696 18,522 20,627 34,015 17,408 ---
-------- ----------- --------- -------
---- -------- ----------- EBITDA
....
661,832 312,246 110,620 83,759 77,734

77,473 Adjustments: Minority interest
.... 102,374
46,917 16,550 12,660 12,483 13,764
Gains on sale of real estate(3)
.... (10,965) (8,405) (2,560)
-- -- -- Straight-lining of rents(3)
.... (30,001) (19,733)
(2,295) (5,919) (1,121) (933) Other
....
14,510 -- (1,654) 1,358 4,064(2)
10,742(5) ----------- ----------- ----
----- ----------- -------- -----------
Adjusted EBITDA(1)
.... $ 737,750 $
331,025 $ 120,661 $ 91,858 $ 93,160 $
101,046 =========== ===========
========= =========== ========
===========

- ----------
See Notes on page 65.

Prior to 2001, income from the Company's investments in preferred stock affiliates ("PSAs") was included in income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its PSAs and converted these entities to taxable REIT subsidiaries. Accordingly, the operations of the Hotel portion of the Hotel Pennsylvania and the operations of the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the year ended December 31, 2000 have been reclassified to give effect to the consolidation of these entities, as of January 1, 2000. The effect of these reclassifications in 2000 was as follows:

(i) reduction in equity in income of partially-owned entities	$ (8,599,000)
(ii) increase in rental revenues	64,501,000
(iii) increase in other income	8,325,000
(iv) increase in operating expenses	(41,233,000)
(v) increase in depreciation and amortization	(6,906,000)
(vi) increase in general and administrative expenses	(6,984,000)
(vii) increase in interest and debt expense	(9,104,000)
(viii) net impact	$ --

These reclassifications had no effect on reported Net Income or Adjusted EBITDA for the year ended December 31, 2000 and no impact to any other year.

NOTES:

(1) Adjusted EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of rent escalations, amortization of acquired below market leases net of above market leases and minority interest. Management considers Adjusted EBITDA a supplemental measure for making decisions and assessing the performance of its segments. Adjusted EBITDA should not be considered a substitute for net

income or a substitute for cash flow as a measure of liquidity. Adjusted EBITDA is presented as a measure of "operating performance" which enables the reader to identify trends from period to period and may be used to compare "same store" operating performance to other companies, as well as providing a measure for determining funds available to service debt. Adjusted EBITDA may not be comparable to similarly titled measures employed by other companies. In addition, the Company has revised Adjusted EBITDA as previously reported for the year ended December 31, 2001 and 2000 to include income from the early extinguishment of debt of $1,170 in 2001 and expense from the early extinguishment of debt of $1,125 in 2000 because such items are no longer treated as Extraordinary Items in accordance with Generally Accepted Accounting Principles.

(2) Adjusted EBITDA - Other is comprised of:

(amounts in thousands)

	For the Year Ended December 31,		
	2002	2001	2000
Newkirk Master Limited Partnership: Equity in income	$ 60,756	$ 54,695	$ 43,685
Interest and other income	8,795	8,700	7,300
Hotel Pennsylvania	7,636	16,978	26,866
Alexander's	34,381	19,362	18,330
Investment income and other	31,261	44,097	34,990
Corporate general and administrative expenses	(34,743)	(33,515)	(30,125)
Primestone foreclosure and impairment losses	(35,757)	--	--
Amortization of Officer's deferred compensation expense	(27,500)	--	--
Write-off of 20 Times Square pre-development costs (2002) and World Trade Center acquisition costs (2001)	(6,874)	(5,223)	--
Net gain on sale of marketable securities	12,346	--	--
Gain on transfer of mortgages	2,096	--	--
Net gain on sale of air rights	1,688	--	--
Palisades	161	--	--
After-tax net gain on sale of Park Laurel condominium units	--	15,657	--
Write-off of net investment in Russian Tea Room	--	(7,374)	--
Write-off of investments in technology companies	--	(16,513)	--
Total	$ 54,246	$ 96,864	$ 101,046

(3) Interest and debt expense, depreciation and amortization, straight-lining of rents and gains on sale of real estate included in the reconciliation of net income to EBITDA or Adjusted EBITDA include amounts which are netted in income from partially-owned entities.

(4) Excludes rent not recognized of $19,348, $15,281 and $9,787 for the years ended December 31, 2002, 2001 and 2000.

(5) Includes the reversal of $1,266 and $4,765 of expenses in 2001 and 2000 representing the non-cash appreciation in value of shares held in a rabbi trust in connection with a deferred compensation arrangement for the Company's President.

The following table sets forth the percentage of the Company's Adjusted EBITDA by segment for the years ended December 31, 2002, 2001 and 2000. The pro forma column gives effect to the January 1, 2002 acquisition by the Company of the remaining 66% interest in CESCR described previously as if it had occurred on January 1, 2001.

	PERCENTAGE OF ADJUSTED EBITDA			
	Year Ended December 31,			
	2002	2001 (Pro forma)	2001	2000
Office:				
New York City	33%	31%	38%	35%
CESCR	29%	26%	10%	10%
Total	62%	57%	48%	45%
Retail	12%	12%	15%	16%
Merchandise Mart Properties	12%	12%	14%	12%
Temperature Controlled Logistics	8%	8%	10%	13%
Other				

6% 11% 13% 14% ---- ---- ---- ---- 100% 100% 100%
100% ==== ==== ==== ===

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of above and below market leases acquired under SFAS No. 141, and other income, were $1,435,070,000 for the year ended December 31, 2002, compared to $985,773,000 in the year ended December 31, 2001, an increase of $449,297,000 of which $423,128,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase (decrease) by segment:

(amounts in thousands)

Date of Merchandise PROPERTY RENTALS: Acquisition Total Office Retail Mart Other - ---------------- ---------- ----- ------ ------ ---------- ----- Acquisitions, dispositions and non same store revenue: CESCR (acquisition of remaining 66% and consolidation vs. equity method accounting for 34%) .... January 2002 $ 393,506 $ 393,506 $ -- $ -- $ -- Palisades .... March 2002 4,109 -- -- -- 4,109 715 Lexington Avenue .... July 2001 976 -- 976 -- -- Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%) .... September 2002 3,108 -- 3,108 -- -- 435 Seventh Avenue (placed in service) ...... August 2002 2,541 -- 2,541 -- -- 424 Sixth Avenue .... July 2002 320 -- 320 -- -- Properties taken out of service for redevelopment .... (767) -- (767) -- -- Same Store: Hotel activity .... (7,645)(1) -- -- -- (7,645)(1) Trade Shows activity .... (3,908)(2) -- -- (3,908)(2) -- Leasing activity (3) .... 14,664 12,826 360 2,139 (661) --------- --------- --------- --------- --------- Total increase (decrease) in property rentals .... 406,904 406,332 6,538 (1,769) (4,197) --------- --------- --------- --------- --------- TENANT EXPENSE REIMBURSEMENTS: Increase due to acquisitions .... 15,319 14,398 921 -- -- Same Store .... 11,545 8,022 1,393 953 1,177 --------- --------- --------- --------- --------- Total increase (decrease) in tenant expense reimbursements .... 26,864 22,420 2,314 953 1,177 --------- --------- --------- --------- --------- OTHER INCOME: Increase due to acquisitions .... 15,379 15,224 11 -- 144 Same Store .... 150 2,222 488 (373) (2,187) ---------

--------- --------- --------- -------
-- Total increase (decrease) in other
income
....
15,529 17,446 499 (373) (2,043) -----
---- --------- --------- --------- --
------- Total increase (decrease) in
revenues
....
$ 449,297 $ 446,198 $ 9,351 $ (1,189)
(5,063) ========= ========= =========
========= =========

- ---------------
(1) Average occupancy and REVPAR for the Hotel Pennsylvania were 65% and $58 for the year ended December 31, 2002 compared to 63% and $70 for the prior year.
(2) Reflects a decrease of $3,580 resulting from the rescheduling of two trade shows from the fourth quarter in which they were previously held to the first quarter of 2003.
(3) See supplemental information on page 81, for details of leasing activity and corresponding changes in occupancy.

EXPENSES

The Company's expenses were $880,254,000 for the year ended December 31, 2002, compared to $600,626,000 in the year ended December 31, 2001, an increase of $279,628,000 of which $202,852,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase by segment:

(amounts in thousands)

Merchandise Total Office Retail Mart Other ----
----- --------- --------- ---------- ---------
Operating: Acquisitions: CESCR (acquisition of
remaining 66% and consolidation vs. equity
method accounting for 34%)
....
$ 114,438 $ 114,438 $ -- $ -- $ -- Palisades
....
5,158 -- -- -- 5,158 715 Lexington Avenue
.... 588 -- 588
-- -- 435 Seventh Avenue
.... 198 --
198 -- -- 424 Sixth Avenue
.... 50 --
50 -- -- Las Catalinas (acquisition of
remaining 50% and consolidation vs. equity
method accounting for 50%)
....
1,341 -- 1,341 -- -- Hotel activity
.... 503
-- -- -- 503 Trade Shows activity
.... (2,108) --
-- (2,108)(3) -- Same store operations
.... 22,459
11,704(1) 6,731(2) 5,023 (4) (999) --------- --
------ --------- --------- --------- 142,627
126,142 8,908 2,915 4,662 --------- -------- --
------- --------- --------- Depreciation and
amortization: Acquisitions
....
71,435 67,470 1,015 -- 2,950 Same store
operations ....
10,529 7,851 (275) 1,319 1,634 --------- ------
-- --------- --------- --------- 81,964 75,321
740 1,319 4,584 --------- -------- --------- --
------- --------- General and administrative:
Acquisitions
....
20,944 20,944 -- -- -- Other expenses
....
4,942 981 1,460 2,301(5) 200 --------- --------
--------- --------- --------- Total increase
(decrease) in general and administrative
....
25,886 21,925 1,460 2,301 200 --------- -------
- --------- --------- --------- Amortization of
officer's deferred compensation expense
....
27,500 -- -- -- 27,500 --------- -------- -----

---- --------- --------- Costs of acquisitions
and development not consummated
....
1,651 -- -- -- 1,651(6) --------- -------- ----
----- --------- --------- $ 279,628 $ 223,388 $
11,108 $ 6,535 $ 38,597 ========= =========
========= ========= =========

- ---------------

(1) Results primarily from (i) a $9,725 increase in insurance, security and real estate taxes, largely reimbursed by tenants, and (ii) $2,639 for an allowance for straight-line rent receivables.
(2) Results primarily from (i) increases in insurance costs which are reimbursed by tenants, (ii) a $402 payment of Puerto Rico taxes related to the prior year, (iii) $2,280 in bad debt allowances for accounts receivable and receivables arising from the straight-lining of rents in 2002 and (iv) lease termination fees and real estate tax refunds netted against expenses in 2001, which aggregated $1,500.
(3) Results primarily from the rescheduling of two trade shows from the fourth quarter in which they were previously held to the first quarter of 2003.
(4) Reflects (i) increased insurance costs of $1,366, (ii) a charge of $312 from the settlement of a 1998 utility assessment, and (iii) an increase in real estate taxes of $1,725.
(5) Reflects a charge of $954 in connection with the termination of a contract and the write-off of related deferred costs.
(6) Reflects a charge in 2002 of $6,874 for the write-off of pre-development costs at the 20 Times Square project and a charge in 2001 of $5,223 in connection with the World Trade Center 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 $29,653,000 in the year ended December 31, 2002, compared to $25,718,000 in the year ended December 31, 2001, an increase of $3,935,000. This increase resulted from (i) $6,915,000 of development and commitment fees in connection with Alexander's Lexington Avenue development project, (ii) the Company's $3,524,000 share of Alexander's gain on sale of its Third Avenue property, partially offset by (iii) the Company's $6,298,000 share of Alexander's gain on the sale of its Fordham Road property in the prior year.

INCOME FROM PARTIALLY-OWNED ENTITIES

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who has shared board and management representation and authority and substantive participating rights on all significant business decisions, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the year ended December 31, 2002 as compared to the prior year:

(amounts in thousands) Temperature Newkirk
Las Controlled Joint Catalinas Total
CESCR(1) Logistics Venture Mall(2) --------
-- ---------- ---------- --------- ------
--- YEAR ENDED DECEMBER 31, 2002:
Revenues.......................... $
480,225 $ 117,663 $ 295,369 $ 10,671
Expenses: Operating, general and
administrative................ (46,098)
(7,904) (8,490) (3,102)
Depreciation.................... (106,287)
(59,328) (34,010) (1,482) Interest
expense................ (180,431) (42,695)
(121,219) (3,643) Other,
net...................... (12,505) (2,150)
(9,790) (802) ---------- --------- --------
-- --------- Net
income/(loss)................. $ 135,042 $
5,586 $ 121,860 $ 1,642 =========
======== ========= ======== Vornado's
interest................. 60% 22% 50%
Equity in net income/(loss)........ $
29,872 $ 3,352 $ 26,500 $ 851 Interest and
other income.......... 8,306 306 8,000 --
Fee income........................ 6,280
6,049 -- -- ---------- --------- ----------
--------- Income from partially-owned

entities........................ $ 44,458 $
--(1) $ 9,707 $ 34,500 $ 851 ==========
========== ========= ========== =========
YEAR ENDED DECEMBER 31, 2001:
Revenues.......................... $
747,902 $ 382,502 $ 126,957 $ 179,551 $
14,377 Expenses: Operating, general and
administrative................ (180,337)
(135,133) (8,575) (13,630) (2,844)
Depreciation.................... (141,594)
(53,936) (58,855) (20,352) (2,330) Interest
expense................. (236,996)
(112,695) (44,988) (65,611) (5,705) Other,
net...................... 11,059 1,975
2,108 4,942 -- ---------- --------- ------
--- ---------- --------- Net
income......................... $ 200,034 $
82,713 $ 16,647 $ 84,900 $ 3,498 =========
========== ========= ========== =========
Vornado's interest................ 34% 60%
30% 50% Equity in net income/(loss)........
$ 67,679 $ 28,653 $ 9,988 $ 25,470 $ 1,749
Interest and other income.......... 7,579 -
- 2,105 5,474 -- Fee
income......................... 5,354 --
5,354 -- -- ---------- ---------- ---------
---------- --------- Income from partially-
owned entities....................... $
80,612 $ 28,653 $ 17,447 $ 30,944 $ 1,749
========== ========== ========= ==========
========= (DECREASE) INCREASE IN INCOME
FROM PARTIALLY-OWNED ENTITIES.... $
(36,154) $ (28,653)(1) $ (7,740) $ 3,556 $
(898)(2) ========== ========== =========
========== =========
(amounts in thousands) Starwood Partially-
Ceruzzi Owned Monmouth Joint Office Mall
(3) Venture Buildings Other --------- -----
---- --------- --------- YEAR ENDED
DECEMBER 31, 2002:
Revenues..................................
$ 5,760 $ 695 $ 50,205 Expenses: Operating,
general and administrative..... (2,510)
(2,265) (21,827)
Depreciation............................
(943) (1,430) (9,094) Interest
expense......................... (1,520) -
- (11,354) Other,
net............................... 48
(200) 389 --------- --------- --------- Net
income/(loss).......................... $
835 $ (3,200) $ 8,319 ========= =========
========= Vornado's
interest......................... 50% 80%
24% Equity in net
income/(loss)................ $ 791(4) $
(2,560) $ 1,966 $ (1,028) Interest and
other income.................. -- -- -- --
Fee
income................................
231 -- -- -- --------- --------- ---------
--------- Income from partially-owned
entities........ $ 1,022 $ (2,560) $ 1,966
$ (1,028) ========= ========= =========
========= YEAR ENDED DECEMBER 31, 2001:
Revenues..................................
$ 1,252 $ 43,263 Expenses: Operating,
general and administrative..... (820)
(19,335)
Depreciation............................
(501) (5,620) Interest
expense......................... --
(7,997) Other,
net.............................. 275
1,759 --------- --------- Net
income................................. $
206 $ 12,070 ========= ========= Vornado's
interest......................... 80% 34%
Equity in net
income/(loss)................ $ 165 $
4,093 $ (2,439) Interest and other
income.................. -- -- -- Fee
income................................. --
-- -- --------- --------- --------- -------
-- Income from partially-owned
entities........ $ -- $ 165 $ 4,093 $

(2,439)

(DECREASE) INCREASE IN INCOME FROM PARTIALLY-OWNED ENTITIES	$ 1,022(3)	$ (2,725)(5)	$ (2,127)(6)	$ 1,411(7)

- ----------

(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.

(2) On September 20, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store that it did not previously own. Accordingly, Las Catalinas is consolidated for the period from September 20, 2002 to December 31, 2002.

(3) On October 10, 2002, a joint venture, in which the Company has a 50% interest, acquired the Monmouth Mall.

(4) Vornado's interest in the equity in net income of the Monmouth Mall includes a preferred return of $748 for the year ended December 31, 2002.

(5) The prior year includes $1,394 for the Company's share of a gain on sale of a property.

(6) The year ended December 31, 2002 excludes 570 Lexington Avenue which was sold in May 2001.

(7) The prior year includes $2,000 for the Company's share of equity in loss of its Russian Tea Room ("RTR") investment. In the third quarter of 2001, the Company wrote-off its entire net investment in RTR based on the operating losses and an assessment of the value of the real estate.

INTEREST AND OTHER INVESTMENT INCOME

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was $31,685,000 for the year ended December 31, 2002, compared to $54,385,000 in the year ended December 31, 2001, a decrease of $22,700,000. This decrease resulted primarily from a decrease of (i) $12,347,000 due to the non-recognition of income on the mortgage loan to Primestone, which was foreclosed on April 30, 2002, (ii) $4,626,000 due to a lower yield on the investment of the proceeds received from the May 2002 repayment of the Company's loan to NorthStar Partnership L.P. (22% yield in 2001) and (iii) $2,269,000 due to the non-recognition of income on the loan to Vornado Operating.

INTEREST AND DEBT EXPENSE

Interest and debt expense was $239,525,000 for the year ended December 31, 2002, compared to $173,076,000 in the year ended December 31, 2001, an increase of $66,449,000. This increase was comprised of (i) $100,013,000 from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations, partially offset by (ii) a $32,035,000 savings from a 202 basis point reduction in weighted average interest rates of the Company's variable rate debt and (iii) lower average outstanding debt balances.

NET (LOSS) 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, 2002 and 2001:

For the Year Ended December 31, (amounts in thousands)	2002	2001
Wholly-owned Assets:		
Gain on transfer of mortgages	$ 2,096	$ --
Gain on sale of Kinzie Park condominiums units	2,156	--
Net gain on sale of air rights	1,688	--
Net gain on sale of marketable securities	12,346	--
Primestone foreclosure and impairment losses	(35,757)	--
Write-off of investments in technology companies	--	(16,513)
Partially-owned Assets:		
After-tax net gain on sale of Park Laurel condominium units	--	15,657
Write-off of net investment in Russian Tea Room	--	(7,374)
Other	--	160
	$ (17,471)	$ (8,070)

GAIN ON TRANSFER OF MORTGAGES

In the year ended December 31, 2002, the Company recorded a net gain of $2,096,000 resulting from payments to the Company by third parties that assumed certain of the Company's mortgages. Under these transactions the Company paid to the third parties that assumed the Company's obligations the outstanding amounts due under the mortgages and the third parties paid the Company for the benefit of assuming the mortgages. The Company has been released by the creditors underlying these loans.

GAIN ON SALE OF KINZIE PARK CONDOMINIUM UNITS

The Company recognized a gain of $2,156,000 during 2002, from the sale of residential condominiums in Chicago, Illinois.

NET GAIN ON SALE OF AIR RIGHTS

The Company recognized a net gain of $1,688,000 in the year ended December 31, 2002. See Note 3 to the consolidated financial statements in this annual report on form 10-K for further details.

PRIMESTONE FORECLOSURE AND IMPAIRMENT LOSSES

On September 28, 2000, the Company made a $62,000,000 loan to Primestone Investment Partners, L.P. ("Primestone"). The Company received a 1% up-front fee and was entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The loan bore interest at 16% per annum. Primestone defaulted on the repayment of this loan on October 25, 2001. The loan was subordinate to $37,957,000 of other debt of the borrower that liened the Company's collateral. On October 31, 2001, the Company purchased the other debt for its face amount. The loans were secured by 7,944,893 partnership units in Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and the partnership units are exchangeable for the same number of common shares of PGE. The loans are also guaranteed by affiliates of Primestone.

On November 19, 2001, the Company sold, pursuant to a participation agreement with a subsidiary of Cadim inc., a Canadian pension fund, a 50% participation in both loans at par for approximately $50,000,000 reducing the Company's net investment in the loans at December 31, 2001 to $56,768,000 including unpaid interest and fees of $6,790,000. The participation did not meet the criteria for "sale accounting" under SFAS 140 because Cadim was not free to pledge or exchange the assets. Accordingly, the Company was required to account for this transaction as a borrowing secured by the loan, rather than as a sale of the loan by classifying the participation as an "Other Liability" and continuing to report the outstanding loan balance at 100% in "Notes and Mortgage Loans Receivable" on the balance sheet. Under the terms of the participation agreement, cash payments received shall be applied (i) first, to the reimbursement of reimbursable out-of-pocket costs and expenses incurred in connection with the servicing, administration or enforcement of the loans after November 19, 2001, and then to interest and fees owed to the Company through November 19, 2001, (ii) second, to the Company and Cadim, pro rata in proportion to the amount of interest and fees owed following November 19, 2001 and (iii) third, 50% to the Company and 50% to Cadim as recovery of principal.

On April 30, 2002, the Company and Cadim acquired the 7,944,893 partnership units at a foreclosure auction. The price paid for the units by application of a portion of Primestone's indebtedness to the Company and Cadim was $8.35 per unit, the April 30, 2002 closing price of shares of PGE on the New York Stock Exchange. On June 28, 2002, pursuant to the terms of the participation agreement, the Company transferred 3,972,447 of the partnership units to Cadim.

In the second quarter, in accordance with foreclosure accounting, the Company recorded a loss on the Primestone foreclosure of $17,671,000 calculated based on (i) the acquisition price of the units and (ii) its valuation of the amounts realizable under the guarantees by affiliates of Primestone, as compared with the net carrying amount of the investment at April 30, 2002. In the third quarter of 2002, the Company recorded a $2,229,000 write-down on its investment based on costs expended to realize the value of the guarantees. Further, in the fourth quarter of 2002, the Company recorded a $15,857,000 write-down of its investment in Prime Group consisting of (i) $14,857,000 to adjust the carrying amount of the Prime Group units to $4.61 per unit, the closing price of PGE shares on the New York Stock Exchange at December 31, 2002 and (ii) $1,000,000 for estimated costs to realize the value of the guarantees. The Company considered the decline in the value of the units which are convertible into stock to be other than temporary as of December 31, 2002, based on the fact that the market value of the stock has been less than its cost for more than six months, the severity of the decline, market trends, the financial condition and near-term prospects of Prime Group and other relevant factors.

At December 31, 2002, the Company's carrying amount of the investment was $23,908,000, of which $18,313,000 represents the carrying amount of the 3,972,447 partnership units owned by the Company ($4.61 per unit), $6,100,000 represents the amount expected to be realized under the guarantees, partially offset by $1,005,000 representing the Company's share of Prime Group Realty's net loss through September 30, 2002 (see Note 4. Investments in and Advances to Partially-Owned Entities).

At February 3, 2003, the closing price of PGE shares on the New York Stock Exchange was $5.30 per share. The ultimate realization of the Company's investment will depend upon the future performance of the Chicago real estate market and the performance of PGE, as well as the ultimate realizable value of the net assets supporting the guarantees and the Company's ability to collect under the guarantees. In addition, the Company will continue to monitor this investment to determine whether additional write-downs are required based on (i) declines in value of the shares of PGE (for which the partnership units are exchangeable) which are "other than temporary" as used in accounting literature and (ii) the amount expected to be realized under the guarantees.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Upon the adoption of SFAS No. 142 - Goodwill and Other Intangible Assets, on January 1, 2002, the Company wrote-off all of the goodwill associated with the Hotel Pennsylvania and the Temperature Controlled Logistics businesses aggregating $30,129,000. This write-off was reflected as a cumulative effect of a change in accounting principle in 2002.

MINORITY INTEREST

Minority interest was $140,584,000 for the year ended December 31, 2002 compared to $112,363,000 for the prior year, an increase of $28,221,000. This increase is primarily due to operating partnership units issued in connection with acquisitions.

ADJUSTED EBITDA

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

($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Year ended December 31, 2001..........	$ 785,052	$ 379,800	$ 119,149	$ 110,802	$ 78,437	$ 96,864
2002 Operations:						
Same store operations(1)...........	1,811	18,165	(3,131)(3)	(1,354)(5)	(6,613)(6)	(5,256)(7)
Acquisitions, dispositions and non-recurring income and expenses.........................	134,142	175,360	(3,286)(4)	(570)	--	(37,362)(8)
Year ended December 31, 2002..........	$ 921,005	$ 573,325(2)	$ 112,732	$ 108,878	$ 71,824	$ 54,246
% increase (decrease) in same store operations.................	.2%	4.8%(2)	(2.6%)(3)	(1.2%)(5)	(8.4%)(6)	(5.4%)(7)

- ----------

(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.

(2) Adjusted EBITDA and the same store percentage increase was $303,368 and 5.0% for the New York City office portfolio and $269,957 and 4.1% for the CESCR portfolio.

(3) Primarily due to lower occupancy and increases in allowances for bad debt expense as a result of the K-Mart and other bankruptcies and the expiration of the Stop & Shop guarantees of several former Bradlees locations. Average occupancy for the year ended December 31, 2002 was 88.3% (84.0% excluding leases which have not commenced as described in the following sentences) as compared to 92% at December 31, 2001. The 88.3% occupancy rate includes leases for 490,000 square feet at five locations which have not commenced as of December 31, 2002. Three of these locations aggregating 268,000 square feet are ground leased to Lowe's which plans to demolish the existing buildings and construct its own stores at the sites and two locations containing 223,000 square feet are leased to Wal-Mart, which plans to demolish an existing building and construct its own store at one of the sites and occupy the existing store at the other site. All of these redevelopment projects are subject to governmental approvals and in some cases, the relocation of existing tenants.

(4) Primarily due to the Company's share of losses from the Starwood Ceruzzi venture in 2002 of $1,416 (before depreciation) from properties placed in service, as compared to a gain of $1,394 from the sale of one of the

venture's assets in 2001. Adjusted EBITDA aggregating $2,600 from the acquisitions in the fourth quarter of 2002 of a 50% interest in the Monmouth Mall and the remaining 50% interest in the Las Catalinas Mall the Company did not previously own, was offset by lease termination fees and other refunds in the fourth quarter of 2001.

(5) The net of a $1,685 or 1.5% same store increase in the core portfolio and a $3,300 or a 66% decline at the LA Mart as a result of rent reductions and increased marketing expenditures.

(6) The Company reflects its 60% share of Vornado Crescent Portland Partnership's ("the Landlord") rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. The Company did not recognize its $19,349 share of the rent the joint venture was due for the year ended December 31, 2002. The tenant has advised the Landlord that (i) its revenue for the year ended December 31, 2002 from the warehouses it leases from the Landlord, is lower than last year by .1%, and (ii) its gross profit before rent at these warehouses for the corresponding period decreased by $614 (a .001% decrease). The decrease in revenue is primarily attributable to a reduction in customer inventory turns, a rate reduction with a significant customer and temporary plant shut-downs. The decrease in gross profit is primarily attributable to higher insurance and workers' compensation. In addition, the tenant's cash requirements for capital expenditures, debt service and a non-recurring pension funding were $8,293 higher in the current year than in the prior year, which impacted the ability of the tenant to pay rent.

(7) The decrease in same store operations was primarily due to (i) a $14,973 reduction in investment income and (ii) a $9,342 reduction in operating results at the Hotel Pennsylvania, partially offset by (iii) additional development and commitment fees from Alexander's and (iv) income from the Newkirk MLP. The reduction in investment income is primarily due to the reinvestment of the proceeds received from the repayment of the Company's $75,000 loan to NorthStar Partnership LP. in May 2002 at lower yields (1.5% vs. 22%) and not recognizing income on the Company's foreclosed loan to Primestone and outstanding loan to Vornado Operating. The Hotel Pennsylvania's operating results reflect a reduction in average occupancy and REVPAR to 65% and $58 for the year ended December 31, 2002, compared to 63% and $70 for the year ended December 31, 2001.

(8) Reflects net non-recurring items included in Adjusted EBITDA (see page 65 footnote 2 for details)

YEARS ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2000

REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements and other income, were $985,773,000 in the year ended December 31, 2001 compared to $926,151,000 in the prior year, an increase of $59,622,000. These increases by segment resulted from:

Date of Merchandise ($ in thousands)
Acquisition Total Office Retail Mart
Other - ---------------- -----------
----- ------ ------ ---------- -----
Property Rentals: Acquisitions: 7
West 34th Street.................
November 2000 $ 12,162 $ 12,162 $ --
$ -- $ -- 33 North Dearborn
Street........... September 2000
3,928 -- -- 3,928 -- L.A.
Mart..........................
October 2000 8,622 -- -- 8,622 -- 715
Lexington Avenue............... July
2001 861 -- 861 -- -- Plaza Suites on
Main Street expansion September 2001
2,784 -- -- 2,784 --
Dispositions..........................
(8,343) (8,343)(1) Hotel
Activity........................
(18,234) -- -- -- (18,234)(3) Trade
Show Activity...................
4,490 -- -- 4,490 -- Leasing
activity...................... 47,260
43,183 (1,397)(4) 6,843 (1,369)(2) --
------- -------- ------- ---------- -
------- Total increase in property
rentals.... 53,530 55,345 (8,879)
26,667 (19,603) --------- -------- --
----- ---------- -------- Tenant
expense reimbursements: Increase in
tenant expense reimbursements due to
acquisitions/dispositions.........
5,730 2,502 624 2,604 --

Other...............................
7,310 4,201 3,322 543 (756) ---------
-------- ------- ---------- --------
Total increase in tenant expense
reimbursements........... 13,040
6,703 3,946 3,147 (756) --------- ---
----- ------- ---------- --------
Other
income...........................
(6,948) (1,724) (1,241) (1,337)
(2,646) --------- -------- ------- --
-------- -------- Total increase in
revenues............. $ 59,622 $
60,324 $ 6,174) $ 28,477 $(23,005)
========= ======== ======= =========
========

\- ----------
(1) Results primarily from the 14th Street and Union Square property being taken out of service for redevelopment on February 9, 2001 and the sale of the Company's Texas properties on March 2, 2000.
(2) Results primarily from the termination of the Sports Authority lease at the Hotel Pennsylvania in January 2001.
(3) Average occupancy and REVPAR for the Hotel Pennsylvania were 63% and $70 for the year ended December 31, 2001 and 76% and $87 for the year ended December 31, 2000.
(4) Reflects a decrease of $2,514 in property rentals arising from the straight-lining of rent escalations.

See Supplemental Information on page 81 for details of leasing activity.

EXPENSES

The Company's expenses were $600,626,000 in the year ended December 31, 2001, compared to $551,101,000 in the prior year, an increase of $49,525,000. This increase by segment resulted from:

($ in thousands)
Merchandise Total Office
Retail Mart Other ----------
---------- ---------- ------
----- ---------- Operating:
Acquisitions, dispositions
and non-recurring items
.... $
8,938 $ 5,115 $ (253) $
6,199 $ (2,123) Hotel
activity
....
(3,331)(1) -- -- -- (3,331)
Same store operations
.... 13,838
13,042 1,129 2,355 (2,688) -
--------- ---------- -------
--- ---------- ----------
19,445 18,157 876 8,554
(8,142) ---------- ---------
\- ---------- ---------- ----
------ Depreciation and
amortization: Acquisitions,
dispositions and non-
recurring items
.... 1,206
2,563 (2,859) 1,502 -- Hotel
activity
....
1,121 -- -- -- 1,121 Same
store operations
.... 13,426
10,788 162 1,911 565 -------
--- ---------- ---------- --
-------- ---------- 15,753
13,351 (2,697) 3,413 1,686
General and Administrative:
Other expenses
....
8,815 2,020 2,909 1,751
2,135 Donations to Twin
Towers Fund and NYC
Fireman's Fund
.... 1,250 --

-- -- 1,250 Hotel activity
(1,605) -- -- -- (1,605)
Appreciation in value of
Vornado shares and other
securities held in officer's
deferred compensation trust
.... 644 -- -- --
644 ---------- ---------- --
-------- ---------- --------
-- 9,104 2,020 2,909 1,751
2,424 ---------- ----------
---------- ---------- ------
---- Costs of acquisitions
and development not
consummated
....
5,223 -- -- -- 5,223 -------
--- ---------- ---------- --
-------- ---------- $ 49,525
$ 33,528 $ 1,088 $ 13,718 $
1,191 ========== ==========
========== ==========
==========

- ----------
(1) Includes $1,900 for the collection of a receivable from a commercial tenant of the Hotel in 2001 which was previously fully reserved.

INCOME APPLICABLE TO ALEXANDER'S

Income applicable to Alexander's (loan interest income, management, leasing and development fees, and equity in income) was $25,718,000 in the year ended December 31, 2001, compared to $17,363,000 in the prior year, an increase of $8,355,000. This increase resulted primarily from the Company's share of Alexander's gain on sale of its Fordham Road property on January 12, 2001.

INCOME FROM PARTIALLY-OWNED ENTITIES

In accordance with generally accepted accounting principles, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who has shared board and management representation and authority and substantive participating rights on all significant business decisions, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income from partially-owned entities for the year ended December 31, 2001 as compared to the prior year:

($ in thousands)

Temperature
Newkirk Las
Controlled Joint
Catalinas Total
CESCR Logistics
Venture Mall ----
------- ---------
-- ----------- --
-------- --------
--- YEAR ENDED
DECEMBER 31,
2001: Revenues
....
$ 747,902 $
382,502 $ 126,957
$ 179,551 $
14,377 Expenses:
Operating,
general and
administrative
.... (180,337)
(135,133) (8,575)
(13,630) (2,844)
Depreciation
....
(141,594)
(53,936) (58,855)
(20,352) (2,330)
Interest expense
....
(236,996)

(112,695)
(44,988) (65,611)
(5,705) Other,
net
....
6,181 1,975 2,108
4,942 -- --------
--- ----------- -
---------- ------
----- -----------
Net Income
....
$ 195,156 $
82,713 $ 16,647 $
84,900 $ 3,498
===========
===========
===========
===========
===========
Vornado's
interest ....
34% 60% 30% 50%
Equity in net
income ...... $
67,679 $ 28,653 $
9,988 $ 25,470 $
1,749 Interest
and other income
. 7,579 -- 2,105
5,474 -- Fee
income
....
5,354 -- 5,354 --
-- ----------- --
--------- -------
---- -----------

Income from
partially-owned
entities
....
$ 80,612 $ 28,653
$ 17,447 $ 30,944
$ 1,749
===========
===========
===========
===========
=========== YEAR
ENDED DECEMBER
31, 2000:
Revenues
....
$ 698,712 $
344,084 $ 154,467
$ 143,272 $
14,386 Expenses:
Operating,
general and
administrative
.... (175,135)
(129,367) (9,029)
(10,652) (3,817)
Depreciation
....
(126,221)
(42,998) (57,848)
(14,786) (2,277)
Interest expense
....
(218,234)
(98,565) (46,639)
(58,284) (4,812)
----------- -----
------ ----------
- ----------- ---
-------- Other,
net
....
2,113 3,553
(3,667) 2,557 ---
-------- --------
--- ----------- -
---------- ------
----- Net Income

....
$ 181,235 $
76,707 $ 37,284 $
62,107 $ 3,480
===========
===========
===========
===========
===========
Vornado's
interest ....
34% 60% 30% 50%
Equity in net
income ...... $
67,392 $ 25,724 $
22,370 $ 18,632 $
1,817 Interest
and other income
. 6,768 -- 874
5,894 -- Fee
income
....
5,534 -- 5,534 --
-- ----------- --
--------- -------
---- -----------

Income from
partially-owned
entities
....
$ 79,694 $ 25,724
$ 28,778 $ 24,526
$ 1,817
===========
===========
===========
===========
===========
INCREASE
(DECREASE) IN
INCOME FROM
PARTIALLY-OWNED
ENTITIES. $ 918 $
2,929 $ (11,331)
$ 6,418 $ (68)
===========
===========
===========
===========
===========
Starwood
Partially-
Ceruzzi Owned
Joint Office
Venture Buildings
Other -----------
----------- -----
------ YEAR ENDED
DECEMBER 31,
2001: Revenues
....
$ 1,252 $ 43,263
$ -- Expenses:
Operating,
general and
administrative
.... (820)
(19,335) --
Depreciation
....
(501) (5,620) --
Interest expense
.... --
(7,997) -- Other,
net
....
275 1,759 (4,878)
----------- -----
------ ----------
- Net Income
....
$ 206 $ 12,070 $
(4,878)
===========
===========

===========
Vornado's
interest ....
80% 34% 50%
Equity in net
income ...... $
165 $ 4,093 $
(2,439) Interest
and other income
. -- -- -- Fee
income
....
-- -- -- --------
--- ----------- -
---------- Income
from partially-
owned entities
....
$ 165 $ 4,093 $
(2,439)
===========
===========
=========== YEAR
ENDED DECEMBER
31, 2000:
Revenues
....
$ 303 $ 42,200 $
-- Expenses:
Operating,
general and
administrative
.... (1,740)
(20,530) --
Depreciation
....
(153) (8,159) --
Interest expense
.... --
(9,934) -- ------
----- -----------

Other, net
.... --
2,561 (2,891) ---
-------- --------
--- -----------
Net Income
....
$ (1,590) $ 6,138
$ (2,891)
===========
===========
===========
Vornado's
interest ....
80% 46% 98%
Equity in net
income ...... $
(1,150) $ 2,832 $
(2,833) Interest
and other income
. -- -- -- Fee
income
....
-- -- -- --------
--- ----------- -
---------- Income
from partially-
owned entities
....
$ (1,150) $ 2,832
$ (2,833)
===========
===========
===========
INCREASE
(DECREASE) IN
INCOME FROM
PARTIALLY-OWNED
ENTITIES. $ 1,315
$ 1,261 $ 394
===========
===========
===========

INTEREST AND OTHER INVESTMENT INCOME

Interest and other investment income (interest income on mortgage loans receivable, other interest income, dividend income and net gains on marketable securities) was $54,385,000 for the year ended December 31, 2001, compared to $33,798,000 in the prior year, an increase of $20,587,000. This increase resulted primarily from the acquisition of NorthStar subordinated unsecured debt (22% effective rate) on September 19, 2000 and a loan to Primestone Investment Partners, L.P. on September 28, 2000 (20% effective rate).

On September 28, 2000, the Company made a $62,000,000 loan to Primestone Investment Partners, L.P. The Company received a 1% upfront fee and is entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The loan bears interest at 16% per annum. Primestone Investment Partners, L.P. defaulted on the repayment of this loan on October 25, 2001. The Company's loan was subordinate to $37,957,000 of other debt of the borrower that liened the Company's collateral. On October 31, 2001, the Company purchased the other debt for its face amount. The loans are secured by 7,944,893 partnership units in Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE), which units are exchangeable for the same number of shares of PGE. The loans are also guaranteed by affiliates of the borrower. The Company has commenced foreclosure proceedings with respect to the collateral.

On November 19, 2001 the Company sold, pursuant to a participation agreement with a subsidiary of Cadim inc., a Canadian pension fund, a 50% participation in both loans at par for approximately $50,000,000 reducing the Company's net investment in the loans at December 31, 2001 to $56,768,000 including unpaid interest and fees of $6,790,000. Under the terms of the participation agreement, cash payments received shall be applied (i) first, to the reimbursement of reimbursable out-of-pocket costs and expenses incurred in connection with the servicing, administration or enforcement of the loans after November 19, 2001, (ii) second, to the Company and Cadim pro rata in proportion to the amount of interest and fees owed to them (all of such fees and interest accrued through November 19, 2001 are for the account of Vornado and all of such fees and interest accrued after November 19, 2001 accrue on a 50/50 basis to the Company and Cadim) and (iii) third, 50% to the Company and 50% to Cadim. The Company has agreed that in the event the Company acquires the collateral in a foreclosure proceeding it will, upon the request of Cadim, deliver 50% of such collateral to Cadim.

For financial reporting at December 31, 2002, purposes, the gross amount of the loan, $106,768,000, is included in "Notes and mortgage loans receivable" and Cadim's 50% participation, $50,000,000, is reflected in "Other liabilities". The Company did not recognize income on these loans for the period from November 19, 2001 through December 31, 2001, and will not recognize income until such time that cash is received or foreclosure proceedings have been consummated.

Included in interest and other investment income for the year ended December 31, 2001, is $2,422,000 of interest income from the $31,424,000 note receivable the Company has from Vornado Operating. Vornado Operating has only one significant asset, its investment in AmeriCold Logistics and does not generate positive cash flow sufficient to cover all of its expenses. Accordingly, commencing January 1, 2002, the Company will no longer recognize the interest income due on the $31,424,000 loan until Vornado Operating is cash flow positive in an amount sufficient to fund the interest due to the Company.

INTEREST AND DEBT EXPENSE

Interest and debt expense was $173,076,000 for the year ended December 31, 2001, compared to $180,505,000 in the prior year, a decrease of $7,429,000. This decrease resulted primarily from a $36,270,000 savings from a 289 basis point reduction in weighted average interest rate on variable rate debt partially offset by interest on higher average outstanding loan balances. Interest and debt expense includes amortization of debt issuance costs of $8,458,000 and $8,423,000 for the years ended December 31, 2001 and 2000.

NET LOSS ON DISPOSITION OF WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS OTHER THAN DEPRECIABLE REAL ESTATE

The following table sets forth the details of net loss on disposition of wholly-owned and partially-owned assets other than depreciable real estate for the year ended December 31, 2001 (no gains/losses in 2000):

($ in thousands)
WHOLLY-OWNED ASSETS:

Write-off of investments in technology companies..........	$	(16,513)
PARTIALLY-OWNED ASSETS:		
After-tax net gain on sale of Park Laurel condominium units		15,657
Write-off of net investment in the Russian Tea Room ("RTR")		(7,374)
Other..		160
	$	(8,070)

WRITE-OFF INVESTMENTS IN TECHNOLOGY COMPANIES

In the first quarter of 2001, the Company recorded a charge of $4,723,000 resulting from the write-off of an equity investment in a technology company. In the second quarter of 2001, the Company recorded an additional charge of $13,561,000 resulting from the write-off of all of its remaining equity investments in technology companies due to both the deterioration of the financial condition of these companies and the lack of acceptance by the market of certain of their products and services. In the fourth quarter of 2001, the Company recorded $1,481,000 of income resulting from the reversal of a deferred rent liability relating to the termination of an agreement permitting one of the technology companies access to its properties.

AFTER-TAX NET GAIN ON SALE OF PARK LAUREL CONDOMINIUM UNITS

In the third and fourth quarters of 2001, the Park Laurel Joint Venture (69% interest owned by the Company) completed the sale of 52 condominium units of the total 53 units and received proceeds of $139,548,000. The Company's share of the after tax net gain was $15,657,000 and is after a charge of $3,953,000 (net of tax benefit of $1,826,000) for awards accrued under the venture's incentive compensation plan.

WRITE-OFF OF NET INVESTMENT IN RTR

In the third quarter of 2001, the Company wrote-off its entire net investment of $7,374,000 in RTR based on the operating losses and an assessment of the value of the real estate.

GAINS ON SALE OF REAL ESTATE

In September 1998, Atlantic City condemned the Company's property. In the third quarter of 1998, the Company recorded a gain of $1,694,000, which reflected the condemnation award of $3,100,000, net of the carrying value of the property of $1,406,000. The Company appealed the amount and on June 27, 2001, was awarded an additional $3,050,000, which has been recorded as a gain in the quarter ended June 30, 2001.

On August 6, 2001, the Company sold its leasehold interest in 550/600 Mamaroneck Avenue for $22,500,000, which approximated its net book value.

On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for $60,000,000, resulting in a gain of $12,445,000.

During 2000, the Company sold (i) its three shopping centers located in Texas for $25,750,000, resulting in a gain of $2,560,000 and (ii) its Westport, Connecticut office property for $24,000,000, resulting in a gain of $8,405,000.

OTHER

The Company recorded the cumulative effect of a change in accounting principle of $4,110,000 in the first quarter of 2001. The Company had previously marked-to-market changes in the value of stock purchase warrants through accumulated other comprehensive loss. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, those changes are recognized through earnings, and accordingly, the Company has reclassified $4,110,000 from accumulated other comprehensive loss to the consolidated statement of income as of January 1, 2001. Future changes in value of such securities will be recorded through earnings.

Minority interest was $112,363,000 for the year ended December 31, 2001, compared to $102,374,000 for the prior year, an increase of $9,989,000. This increase is primarily due to an increase in perpetual preferred units distributions for units issued in 2000 and 2001.

ADJUSTED EBITDA

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

($ in thousands)

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Year ended December 31, 2000	$ 737,750	$ 331,025	$ 120,661	$ 91,858	$ 93,160	$ 101,046
2001 Operations:						
Same store operations(1)........	32,485	37,731	3,305	7,508	(14,723)(3)	(1,336)
Acquisitions, dispositions and non-recurring income and expenses......................	14,817	11,044	(4,817)	11,436	--	(2,846)
Year ended December 31, 2001	$ 785,052	$ 379,800(2)	$ 119,149	$ 110,802	$ 78,437	$ 96,864(4)
% increase (decrease) in same store operations..............	4.4%	11.4%(2)	2.7%	8.2%	(15.8%)(3)	(1.3%)(4)

- ----------
(1) Represents operations which were owned for the same period in each year.

(2) Adjusted EBITDA and the same store percentage increase was $295,222 and 13.7% for the New York City office portfolio and $84,943 and 3.6% for the CESCR portfolio.

(3) The tenant has reported that (i) its revenue for the year ended December 31, 2001 from the warehouses it leases from the Landlord, is lower than last year by 4.2% and (ii) its gross profit before rent at these warehouses for the corresponding period is lower than last year by $26,764 (a 14.4% decline). This decrease is attributable to a reduction in total customer inventory stored at the warehouses and customer inventory turns.

Based on the Landlord's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize $15,281 and $8,606 of the rent it was due in the years ended December 31, 2001 and 2000. On December 31, 2001 the Landlord released the tenant from its obligation to pay $39,812 of deferred rent of which the Company's share was $23,887. This amount equals the rent which was not recognized as income by the Company and accordingly had no profit and loss effect to the Company.

(4) Included in "Other" is $2,422 of interest income from the $31,424 note receivable the Company has from Vornado Operating. Vornado Operating has only one significant asset, its investment in AmeriCold Logistics and does not generate positive cash flow sufficient to cover all of its expenses. Accordingly, commencing January 1, 2002, the Company no longer recognizes interest income due on the $31,424 loan until Vornado Operating is cash flow positive in an amount sufficient to fund the interest due to the Company.

SUPPLEMENTAL INFORMATION

THREE MONTHS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

Below is a summary of Net Income and Adjusted EBITDA by segment for the three months ended December 31, 2002 and 2001.

For The Three Months Ended December 31, 2002

($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals......................................	$ 317,475	$ 217,807	$ 35,033	$ 47,579	$ --	$

17,056 Expense
reimbursements......................... 41,540
21,500 14,561 4,885 -- 594 Other
income..................................
7,816 6,640 558 554 -- 64 --------- ---------
--------- --------- ---------- --------- Total
revenues...............................
366,831 245,947 50,152 53,018 -- 17,714 ------
--- --------- --------- --------- ---------- -
-------- Operating
expenses............................ 144,095
89,600 19,636 21,491 -- 13,368 Depreciation
and amortization................. 55,388
39,755 4,740 6,435 -- 4,458 General and
administrative.................... 26,115
7,535 1,258 5,090 -- 12,232 Cost of
acquisitions and development not
consummated............................
6,874 -- -- -- -- 6,874 Amortization of
officer's deferred compensation
expense...................................
6,875 -- -- -- -- 6,875 --------- --------- --
------- --------- ---------- --------- Total
expenses...............................
239,347 136,890 25,634 33,016 -- 43,807 ------
--- --------- --------- --------- ---------- -
-------- Operating
income.............................. 127,484
109,057 24,518 20,002 -- (26,093) Income
applicable to Alexander's............... 7,044
-- -- -- -- 7,044 Income from partially-owned
entities........... 14,312 92 116 (119)
3,920(4) 10,303 Interest and other investment
income........... 5,702 1,401 78 83 -- 4,140
Interest and debt
expense..................... (60,595)
(35,384) (15,499) (3,789) -- (5,923) Net loss
on disposition of wholly-owned and partially-
owned assets other than real
estate.....................................
(16,295) -- -- -- -- (16,295) Minority
interest............................
(32,773) (30,824) (3,661) (7,477) (1,558)
10,747 --------- --------- --------- ---------
---------- --------- Net
income...................................
44,879 44,342 5,552 8,700 2,362 (16,077)
Cumulative effect of change in accounting
principle...................................
-- -- -- -- -- -- Interest and debt
expense(3).................. 76,861 35,079
15,499 4,022 6,223 16,038 Depreciation and
amortization(3).............. 69,250 41,020
5,202 6,725 8,832 7,471 --------- --------- --
------- --------- ---------- ---------
EBITDA.......................................
190,990 120,441 26,253 19,447 17,417 7,432
Adjustments: Minority
interest............................ 32,773
30,824 3,661 7,477 1,558 (10,747) Straight-
lining of rents net of a $4,071 allowance for
uncollectible rents(3) .... (2,357)
(3,448) 481 1,065 -- (455) Amortization of
below market leases, net ...... (3,283)
(3,118) (165) -- -- --
Other..
(1,454) -- -- -- 103 (1,557) --------- -------
-- --------- --------- ---------- ---------
Adjusted
EBITDA(1)............................ $
216,669 $ 144,699 $ 30,230 $ 27,989 $ 19,078 $
(5,327) ========= ========= =========
========= ========== =========

See notes on following page.

($ in thousands) For The Three Months
Ended December 31, 2001 ----------------

------------------------ Temperature
Merchandise Controlled Total Office

Retail Mart Logistics Other(2) ---------
-- ----------- ---------- ----------- -
---------- ----------- Rentals
....
$ 213,488 $ 117,107 $ 30,445 $ 52,151 $
13,785 Expense reimbursements
.... 30,263 11,327
14,147 3,635 -- 1,154 Other income
.... 3,072
1,588 (488) 882 -- 1,090 ----------- ---
-------- ----------- ---------- -------
---- ----------- Total revenues
.... 246,823
130,022 44,104 56,668 -- 16,029 --------
--- ---------- ----------- -----------
----------- ----------- Operating
expenses ....
99,533 52,988 15,557 20,680 -- 10,308
Depreciation and amortization
.... 32,636 18,659 4,374
7,141 -- 2,462 General and
administrative ....
20,866 3,665 263 4,795 -- 12,143 Costs
of acquisitions and development
.... not consummated
.... 223 -- -- --
-- 223 ----------- ----------- ---------
-- ----------- ----------- -----------
Total expenses
.... 153,258
75,312 20,194 32,616 -- 25,136 ---------
-- ----------- ---------- ----------- -
---------- ----------- Operating income
.... 93,565
54,710 23,910 24,052 -- (9,107) Income
applicable to Alexander's ....
3,126 -- -- -- -- 3,126 Income from
partially-owned entities ....
18,538 8,057 (1,095) (70) 4,538(4) 7,108
Interest and other investment income
.... 10,454 1,100 88 268 -- 8,998
Interest and debt expense
.... (36,633) (10,550)
(13,983) (7,488) -- (4,612) Net gain on
disposition of wholly-owned and
partially-owned assets other than real
estate 3,719 -- -- 160 -- 3,559 Minority
interest ....
(28,432) (13,997) (4,176) (4,240)
(2,674) (3,345) ----------- -----------
----------- ----------- ----------- ----
------- Net income
....
64,337 39,320 4,744 12,682 1,864 5,727
Minority interest
.... 28,432
13,997 4,176 4,240 2,674 3,345 Net gain
on disposition of wholly-owned and
partially-owned assets other than real
estate (160) -- -- (160) -- -- Interest
and debt expense(3) ....
64,180 20,663 14,592 7,488 6,261 15,176
Depreciation and amortization(3)
.... 52,386 24,012 5,066 7,141
8,604 7,563 Straight-lining of rents(3)
.... (3,458) (3,817)
1,871 (1,126) -- (386) Other
....
(3,697) 218 -- -- 494 (4,409) ----------
- ----------- ----------- ----------- --
--------- ----------- Adjusted EBITDA(1)
.... $ 202,020 $
94,393 $ 30,449 $ 30,265 $ 19,897 $
27,016 =========== ===========
=========== =========== ===========
=========== - ----------

(1) Adjusted EBITDA represents EBITDA adjusted for gains or losses on sales of depreciable real estate, the effect of straight-lining of rent escalations, amortization of acquired below market leases net of above market leases and minority interest. Management considers Adjusted EBITDA a supplemental measure for making decisions and assessing the performance of its segments. Adjusted EBITDA is presented as a measure of "operating performance" which enables the reader to identify trends from period to period and may be used to compare "same store" operating performance to other companies, as well as providing a measure for determining funds

available to service debt. Adjusted EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Adjusted EBITDA - Other is comprised of:

($ in thousands)	2002	2001
Newkirk Joint Ventures (30% interest):		
Equity in income of limited partnerships......................	$ 14,827	$ 14,238
Interest and other income....................................	2,124	4,155
Alexander's (33.1% interest).................................	7,832	3,417
Hotel Pennsylvania...	3,015	2,671
Net gain on sale of condominium units........................	30	1,788
Corporate general and administrative expenses................	(11,183)	(12,143)
Investment income and other..................................	6,288	12,890
Primestone impairment loss...................................	(15,857)	--
Officer's deferred compensation..............................	(6,875)	--
Palisades..	1,346	--
Write-off of 20 Times Square pre-development costs...........	(6,874)	--
Total..	$ (5,327)	$ 27,016

(3) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA or Adjusted EBITDA reflects amounts which are netted in income from partially-owned entities.

(4) Net of $6,987 and $7,630 of rent not recognized as income for the fourth quarter of 2002 and 2001,
respectively.

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

($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended December 31, 2001.........	$ 202,020	$ 94,393	$ 30,449	$ 30,265	$ 19,897	$ 27,016
2002 Operations:						
Same store operations(1)..	(4,899)	3,558	(1,519)(3)	(1,794)(5)	(819)	(4,325)(6)
Acquisitions, dispositions and non-recurring income and expenses............	19,548	46,748	1,300(4)	(482)	--	(28,018)(7)
Three months ended December 31, 2002.........	$ 216,669	$ 144,699(2)	$ 30,230	$ 27,989	$ 19,078	$ (5,327)
% (decrease) increase in same store operations........	(2.4%)	3.8%(2)	(5.0%)(3)	(5.9%)(5)		

(4.1%) (16.0%)
========= =========
========== =========
========== ========

- ----------
(1) Represents operations, which were owned for the same period in each year.
(2) Adjusted EBITDA and same store percentage increase was $75,303 and 3.8% for the New York City office portfolio and $69,396 and 3.6% for the CESCR portfolio.
(3) Primarily due to lower occupancy and increases in allowances for bad debt expense as a result of the K-Mart and other bankruptcies and the expiration of the Stop & Shop guarantees of several former Bradlees locations. Average occupancy for the quarter ended December 31, 2002 was 86%, (82% excluding leases which have not commenced) as compared to 92% at December 31, 2001.
(4) Primarily due to Adjusted EBITDA aggregating $2,600 from the acquisitions in the fourth quarter of 2002 of a 50% interest in the Monmouth Mall and the remaining 50% interest in the Las Catalinas Mall the Company did not previously own, offset by lease termination fees and other refunds in the fourth quarter of 2001.
(5) Primarily due to rescheduling of two trade shows from the fourth quarter of 2002 to the first quarter of 2003.
(6) Primarily due to the reinvestment of the proceeds received from the repayment of the Company's $75,000 loan to NorthStar Partnership L.P. in May 2002 at lower yields and from not recognizing income on the Company's foreclosed loan to Primestone and loan to Vornado Operating.
(7) Reflects net non-recurring items included in Adjusted EBITDA.

In comparing the financial results of the Company's segments on a quarterly basis, the following should be noted:

- The third quarter financial results of the Office and Merchandise Mart segments have historically been impacted by higher net utility costs than in each other quarter of the year;

- The fourth quarter financial results of the Retail segment have historically been higher than the first three quarters due to the recognition of percentage rental income in that quarter; and

- The second and fourth quarter financial results of the Merchandise Mart segment have historically been higher than the first and third quarters due to major trade shows occurring in those quarters.

Below are the details of the changes by segment in Adjusted EBITDA for the three months ended December 31, 2002 compared to the three months ended September 30, 2002:

($ in thousands)
Temperature
Merchandise
Controlled Total
Office Retail Mart
Logistics Other ----
----- ---------- ---
----- ----------- --
--------- ----------
Three months ended
September 30,
2002........ $
230,599 $ 140,248 $
29,277 $ 23,424 $
14,864 $ 22,786 2002
Operations: Same
store
operations(1)..
10,537 5,851 (2,047)
3,331 (2) 4,214(3)
(812) Acquisitions,
dispositions and
non-recurring income
and
expenses............
(24,467) (1,400)
3,000 1,234 --
(27,301) --------- -
--------- -------- -
--------- ---------
---------- Three
months ended
December 31,
2002......... $
216,669 $ 144,699 $
30,230 $ 27,989 $
19,078 $ (5,327)
========= =========

======== ==========
========= ==========
% increase
(decrease) in same
store
operations........
4.6% 4.2%(1) (7.0%)
14.2%(2) 28.4%(3)
(3.6%) =========
========== ========
========== =========
==========

- ----------
(1) Adjusted EBITDA and same store percentage increase was $75,303 and 6.1% for the New York City office portfolio and $69,396 and 2.2% for the CESCR portfolio.
(2) Reflects higher income due to timing of trade shows.
(3) Primarily due to seasonality of tenant's operations.

LEASING ACTIVITY

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity:

(square feet and cubic feet in
thousands) Office Merchandise Mart
------------------- -------------
------ Temperature AS OF DECEMBER
31, 2002: New York Controlled City
CESCR Retail Office Showroom
Logistics -------- ------- -------
- ------- ------- --------- Square
feet.............................
14,304 13,395 12,528 2,838 5,528
17,509 Cubic
feet..............................
-- -- -- -- -- 441,500 Number of
properties.................... 21
53 62 9 9 88 Occupancy
rate..........................
95.9% 93.6% 88.3% 89.2% 95.2%
78.5% Leasing Activity: Quarter
ended December 31, 2002: Square
feet....................... 138
516 890 63 121 -- Initial
rent(1).................... $
44.15 $ 30.21 $ 11.17 $ 30.20 $
22.89 -- Rent per square foot on
relet space: Square
feet....................... 124
419 776 63 121 -- Initial rent
(1).................. $ 44.58 $
30.79 $ 11.43 $ 30.20 $ 22.89 --
Prior escalated rent.............
$ 36.10 $ 29,22 $ 8.67 $ 31.85 $
21.68 -- Percentage increase
(decrease).... 23.5% 5.4% 31.8%
(5.2%) 5.6% -- Rent per square
foot on space previously vacant:
Square feet......................
14 97 114 -- -- -- Initial rent
(1).................. $ 41.94 $
31.01 $ 9.46 -- -- -- Year Ended
December 31, 2002: Square
feet....................... 579
2,342 1,960 164 911 -- Initial
rent(1).................... $
44.82 $ 31.01 $ 9.73 $ 26.97 $
18.99 -- Rent per square foot on
relet space: Square
feet....................... 457
2,025 1,339 164 911 -- Initial
Rent(1).................. $ 44.34
$ 31.29 $ 12.17 $ 26.97 $ 18.99 --
Prior escalated rent.............
$ 34.11 $ 29.66 $ 9.19 $ 26.66 $
18.63 -- Percentage
increase.............. 30.0% 5.5%
32.4% 1.2% 2.0% -- Tenant
improvements per square foot $
39.00 $ 14.23 -- $ 18.74 $ 2.65 --

Leasing commissions per square foot $ 16.47 $ 3.39 -- $ 5.08 -- -- Rent per square foot on space previously vacant: Square feet...................... 122 317 621(2) -- -- -- Initial rent (1)................. $ 46.80 $ 29.21 $ 4.48 -- -- -- AS OF DECEMBER 31, 2001: Square feet............................ 14,300 4,386 11,301 2,841 5,532 17,695 Cubic feet.............................. -- -- -- -- -- 445,200 Number of properties.................... 22 52 55 9 9 89 Occupancy rate.......................... 97.4% 94.8% 92.0% 89.2% 95.5% 80.7% AS OF DECEMBER 31, 2000: Square feet............................ 14,396 4,248 11,293 2,869 5,044 17,495 Cubic feet.............................. -- -- -- -- -- 438,900 Number of properties.................... 22 51 55 9 9 88 Occupancy rate.......................... 96.3% 97.9% 92.0% 90.2% 97.6% 82.0%

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

In addition to the above, 48,000 square feet of retail space included in the NYC office properties was leased at an initial rent of $112.01 per square foot for the year ended December 31, 2002. Further, the Company leased 140,000 square feet of garage space at a weighted average initial rent per square foot of $19.02.

PRO FORMA OPERATING RESULTS - CESCR ACQUISITION

Below is a summary of net income, Adjusted EBITDA and funds from operations for the years ended December 31, 2002 and 2001, giving effect to the following transactions as if they had occurred on January 1, 2001: (i) the acquisition of the remaining 66% of CESCR on January 1, 2002 and (ii) the Company's November 21, 2001 sale of 9,775,000 common shares and the use of proceeds to repay indebtedness.

Year Ended December 31, --------------------------------- (amounts in thousands, 2001 except per share amounts) 2002 (Pro Forma) ------------ ------------ Revenues... $ 1,435,070 $ 1,384,933 ============ ============ Net income.. $ 232,903 $ 295,805 Preferred share dividends.. (23,167) (36,505) ------------ ------------ Net income applicable to common shares............................ $ 209,736 $ 259,300 ============ ============ Net income per common share - diluted............................. $ 1.91 $ 2.55 ============ ============ Adjusted EBITDA.. $ 921,005 $ 949,613 ============ ============ Funds from operations(1).. $ 407,173 $ 427,426 ============ ============ Shares used for determining funds from operations per share........ 112,600 109,494 ============ ============

----
(1) See page 91 for further details on funds from operations.

SENIOR UNSECURED DEBT COVENANT COMPLIANCE RATIOS

The following ratios as of and for the three months ended December 31, 2002, are computed pursuant to the covenants and definitions of the Company's senior unsecured notes due 2007.

	Actual	Required
Total Outstanding Debt/Total Assets	48%	Less than 60%
Secured Debt/Total Assets	43%	Less than 55%
Interest coverage (Annualized Combined EBITDA to Annualized Interest Expense)	2.97	Greater than 1.50
Unencumbered Assets/ Unsecured Debt	674%	Greater than 150%

The covenants and definitions of the Company's senior unsecured notes due 2007 are described in Exhibit 4.2 to the quarterly report on Form 10-Q for the three months ended September 30, 2002.

RELATED PARTIES

LOAN AND COMPENSATION AGREEMENTS

At December 31, 2002, the loan due from Mr. Roth, in accordance with his employment arrangement, was $13,122,500 ($4,704,500 of which is shown as a reduction in shareholders' equity). The loan bears interest at 4.49 % per annum (based on the applicable Federal rate) and matures in January 2006. The Company also provided Mr. Roth with the right to draw up to $15,000,000 of additional loans on a revolving basis. Each additional loan will bear interest, payable quarterly, at the applicable Federal rate on the date the loan is made and will mature on the sixth anniversary of the loan.

On May 29, 2002, Mr. Roth replaced common shares of the Company securing the Company's outstanding loan to Mr. Roth with options to purchase common shares of the Company with a value of not less than two times the loan amount. As a result of the decline in the value of the options, Mr. Roth supplemented the collateral with cash and marketable securities.

At December 31, 2002, loans due from Mr. Fascitelli, in accordance with his employment agreement, aggregated $8,600,000. The loans, which were scheduled to mature in 2003, have been extended to 2006 in connection with the extension of Mr. Fascitelli's employment agreement (discussed below) and bear interest, payable quarterly at a weighted average interest rate of 3.97% (based on the applicable Federal rate).

Pursuant to his 1996 employment agreement, Mr. Fascitelli became entitled to a deferred payment consisting of $5 million in cash and a convertible obligation payable November 30, 2001, at the Company's option, in either 919,540 Company common shares or the cash equivalent of their appreciated value, so long as such appreciated value is not less than $20 million. The Company delivered 919,540 shares to a rabbi trust upon execution of the 1996 employment agreement. The Company accounted for the stock compensation as a variable arrangement in accordance with Plan B of EITF No. 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" as the agreement permitted settlement in either cash or common shares. Following the guidance in EITF 97-14, the Company recorded changes in fair value of its compensation obligation with a corresponding increase in the liability "Officer's Deferred Compensation". Effective as of June 7, 2001, the payment date was deferred until November 30, 2004. Effective as of December 14, 2001, the payment to Mr. Fascitelli was converted into an obligation to deliver a fixed number of shares (919,540 shares), establishing a measurement date for the Company's stock compensation obligation, accordingly the Company ceased accounting for the Rabbi Trust under Plan B of the EITF and began Plan A accounting. Under Plan A, the accumulated liability representing the value of the shares on December 14, 2001, was reclassified as a component of Shareholders' Equity as "Deferred compensation shares earned but not yet delivered." In addition, future changes in the value of the shares are no longer recognized as additional compensation expense. The fair value of this obligation was $34,207,000 at December 31, 2002. The Company has reflected this liability as Deferred Compensation Shares Not Yet Delivered in the Shareholders' Equity section of the balance sheet. For the years ended December 31, 2001 and 2000, the Company recognized approximately $4,744,000 and $3,733,000 of compensation expense of which $2,612,000 and $1,968,000 represented the appreciation in value of the shares in each period and $2,132,000 and $1,765,000 represented dividends paid on the shares.

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 January 1, 2006. The loan, which was funded on July 23, 2002, was made in conjunction with Mr. Macnow's June 2002 exercise of options to purchase 225,000 shares of the Company's common stock. The loan is collateralized by assets with a value of not less than two times the loan amount. As a result of the decline in the value of the options, Mr. Macnow supplemented the collateral with cash and marketable securities.

One other executive officer of the Company has a loan outstanding pursuant to an employment agreement totaling $1,500,000 at December 31, 2002. The loan matures in April 2005 and bears interest at the applicable Federal rate provided (4.5% at December 31, 2002).

TRANSACTIONS WITH AFFILIATES AND OFFICERS AND TRUSTEES OF THE COMPANY

Alexander's

The Company owns 33.1% 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 and the Company has made loans to Alexander's aggregating $119,000,000 at December 31, 2002. These agreements and the loans are described in Note 4 to the Company's consolidated financial statements - Investments in Partially-Owned Entities in this annual report on form 10-K.

The Company constructed a $16.3 million community facility and low-income residential housing development (the "30th Street Venture"), in order to receive 163,728 square feet of transferable development rights, generally referred to as "air rights". The Company donated the building to a charitable organization. The Company sold 106,796 square feet of these air rights to third parties at an average price of $120 per square foot. An additional 28,821 square feet of air rights was sold to Alexander's at a price of $120 per square foot for use at Alexander's 59th Street development project (the "59th Street Project"). In each case, the Company received cash in exchange for air rights. The Company identified third party buyers for the remaining 28,111 square feet of air rights related to the 30th Street Venture. These third party buyers wanted to use the air rights for the development of two projects located in the general area of 86th Street which was not within the required geographical radius of the construction site nor in the same Community Board as the low-income housing and community facility project. The 30th Street Venture asked Alexander's to sell 28,111 square feet of the air rights it already owned to the third party buyers (who could use them) and the 30th Street Venture would replace them with 28,111 square feet of air rights. In October 2002, the Company sold 28,111 square feet of air rights to Alexander's for an aggregate sales price of $3,059,000 (an average of $109 per square foot). Alexander's then sold an equal amount of air rights to the third party buyers for an aggregate sales price of $3,339,000 (an average of $119 per square foot).

Interstate Properties

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 base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the management agreement was not negotiated at arms length, the Company believes based upon comparable fees charged by other real estate companies that its terms are fair to the Company. For the years ended December 31, 2002, 2001 and 2000, $1,450,000, $1,655,000, and $1,418,000 of management fees were earned by the Company pursuant to the management agreement.

Building Maintenance Service Company ("BMS")

On January 1, 2003, the Company acquired BMS, a company which provides cleaning and related services primarily to the Company's Manhattan office properties, for $13,000,000 in cash from the estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, one of the Company's executive officers. The Company paid BMS $53,024,000, $51,280,000, and $47,493,000 for the years ended December 31, 2002, 2001 and 2000 for services rendered at 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.

Vornado Operating Company and AmeriCold Logistics

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. The Company granted Vornado Operating a $75,000,000 unsecured revolving credit facility which expires on December 31, 2004. Borrowings under the revolving credit facility bear interest at LIBOR plus 3%. The Company receives a commitment fee equal to 1% per annum on the average daily unused portion of the facility. No amortization is required to be paid under the revolving credit facility during its term. The revolving credit facility prohibits Vornado Operating from incurring indebtedness to third parties (other than certain purchase money debt and certain other exceptions) and prohibits Vornado Operating from paying dividends. As of December 31, 2002, $21,989,000 was outstanding under the revolving credit facility.

Vornado Operating has disclosed that in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring and the sale and/or financing of assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility, which may be extended. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility.

On December 31, 2002, the Company and Crescent Real Estate Equities formed a joint venture to acquire the Carthage, Missouri and Kansas City, Kansas quarries from AmeriCold Logistics, the Company's tenant at the cold storage warehouses (Temperature Controlled Logistics), for $20,000,000 in cash (appraised value). The Company contributed cash of $8,800,000 to the joint venture representing its 44% interest. AmeriCold Logistics used the proceeds from the sale to repay a portion of a loan to Vornado Operating. Vornado Operating then repaid $9,500,000 of the amount outstanding under the Company's revolving credit facility. On December 31, 2002, the joint venture purchased $5,720,000 of trade receivables from AmeriCold at a 2% discount, of which the Company's share was $2,464,000.

Other

The Company owns preferred securities in Capital Trust, Inc. ("Capital Trust") totaling $29,212,000 at December 31, 2002. Mr. Roth, the Chairman and Chief Executive Officer of Vornado Realty Trust, is a member of the Board of Directors of Capital Trust nominated by the Company.

On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue to the other venture partner, an entity controlled by the late Bernard Mendik, a former trustee and executive officer of the Company, for $60,000,000, resulting in a gain to the Company of $12,445,000. The sale was initiated by the Company's partner and was based on a competitive bidding process handled by an independent broker. The Company believes that the terms of the sale was at arm's length and were fair to the Company.

During 2002 and 2001, the Company paid approximately $147,000 and $136,000 for legal services to a firm in which one of the Company's trustees is a member.

On January 1, 2001, the Company acquired the common stock of various preferred stock affiliates which was owned by Officers and Trustees of the Company and converted the affiliates to taxable REIT subsidiaries. The total acquisition price was $5,155,000. The purchase price, which was the estimated fair value, was determined by both independent appraisal and by reference to the individuals' pro rata share of the earnings of the preferred stock affiliates during the three-year period that these investments were held.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

YEAR ENDED DECEMBER 31, 2002

Cash and cash equivalents were $208,200,000 at December 31, 2002, as compared to $265,584,000 at December 31, 2001, a $57,384,000 decrease.

Cash flow provided by operating activities of $499,825,000 was primarily comprised of (i) income of $323,447,000, (ii) adjustments for non-cash items of $322,185,000, partially offset by (iii) the net change in operating assets and liabilities of $38,239,000. The adjustments for non-cash items were comprised of (i) a cumulative effect of change in accounting principle of $30,129,000, (ii) amortization of Officer's deferred compensation expense of $27,500,000, (iii) depreciation and amortization of $205,826,000, (iv) minority interest of $140,584,000, (v) the write-off of $6,874,000 of 20 Times Square pre-development costs, (vi) impairment losses on Primestone of $35,757,000, partially offset by (vii) the effect of straight-lining of rental income of $36,478,000, (viii) equity in net income of partially-owned entities and income applicable to Alexander's of $74,111,000 and (ix) amortization of below market leases, net of $12,634,000.

Net cash used in investing activities of $24,117,000 was comprised of (i) recurring capital expenditures of $52,728,000, (ii) non-recurring capital expenditures of $42,227,000, (iii) development and redevelopment expenditures of $63,619,000, (iv) investment in notes and mortgages receivable of $56,935,000, (v) investments in partially-owned entities of $100,882,000, (vi) acquisitions of real estate of $23,665,000, (vii) cash restricted, primarily mortgage escrows of $21,471,000 partially offset by proceeds from (viii) distributions from partially-owned entities of $126,077,000, (ix) repayments on notes receivable of $124,500,000 and (x) proceeds from the sale of marketable securities of $87,896,000.

Net cash used in financing activities of $533,092,000 was primarily comprised of (i) dividends paid on common shares of $314,419,000, (ii) dividends paid on preferred shares of $23,167,000, (iii) distributions to minority partners of $146,358,000, (iv) repayments of borrowings of $731,238,000, (v) redemption of perpetual preferred units of $25,000,000, partially offset by proceeds from (vi) the issuance of common shares of $56,453,000, (vii) proceeds from borrowings of $628,335,000, of which $499,280,000 was from the issuance of the Company's senior unsecured notes on June 24, 2002, and (viii) the exercise of employee share options of $26,272,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures for the year ended December 31, 2002.

(amounts in thousands)

Capital Expenditures:	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Expenditures to maintain the assets:						
Recurring....................................	$ 27,881	$ 9,316	$ 13,686	$ 1,306	$ 2,669	$ 904
Non-recurring................................	35,270	6,840	16,455	--	11,975	--
	$ 63,151	$ 16,156	$ 30,141	$ 1,306	$ 14,644	$ 904
Tenant improvements:						
Recurring....................................	$ 24,847	$ 12,017	$ 5,842	$ 2,309	$ 4,679	--
Non-recurring................................	6,957	2,293	4,664	--	--	--
	$ 31,804	$ 14,310	$ 10,506	$ 2,309	$ 4,679	--
Leasing Commissions:						
Recurring....................................	$ 14,345	$ 8,854	$ 4,416	$ 353	$ 614	$ 108
Non-recurring................................	4,205	2,067	2,138	--	--	--
	$ 18,550	$ 10,921	$ 6,554	$ 353	$ 614	$ 108
Total Capital Expenditures and Leasing Commissions:						
Recurring....................................	$ 67,073	$ 30,187	$ 23,944	$ 3,968	$ 7,962	$ 1,012
Non-recurring................................	46,432	11,200	23,257	--	11,975	--
	$ 113,505	$ 41,387	$ 47,201	$ 3,968	$ 19,937	$ 1,012
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ........................	$ 16,750	$ --	$ --	$ --	$ --	$ 16,750
640 Fifth Avenue..............................	16,749	16,749	--	--	--	--
435 7th Avenue................................	12,353	12,353	--	--	--	--

Other	17,767	12,664	1,496	(596)(1)	1,529	2,674
	$ 63,619	$ 41,766	$ 1,496	$ (596)	$ 1,529	$ 19,424

- ----------
(1) Includes reimbursements from tenants for expenditures incurred in the prior year.

Capital expenditures 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.

ACQUISITIONS

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.

CHARLES E. SMITH COMMERCIAL REALTY L.P.

On January 1, 2002, the Company completed the combination of Charles E. Smith Commercial Realty L.P. ("CESCR") with Vornado. Prior to the combination, Vornado owned a 34% interest in CESCR. The consideration for the remaining 66% of CESCR was approximately $1,600,000,000, consisting of 15.6 million newly issued Vornado Operating Partnership units and approximately $1 billion of debt (66% of CESCR's total debt). The purchase price paid by the Company was determined based on the weighted average closing price of the equity issued to CESCR unitholders for the period beginning two business days before and ending two business days after the date the acquisition was agreed to and announced on October 19, 2001. The Company also capitalized as part of the basis of the assets acquired approximately $32,000,000 for third party acquisition related costs, including advisory, legal and other professional fees that were contemplated at the time of the acquisition. The operations of CESCR are consolidated into the accounts of the Company beginning January 1, 2002. Prior to this date the Company accounted for its 34% interest on the equity method. See page 84 for unaudited pro forma financial information for the year ended December 31, 2001.

CRYSTAL GATEWAY ONE

On July 1, 2002, the Company acquired a 360,000 square foot office building from a limited partnership, which is approximately 50% owned by Mr. Robert H. Smith and Mr. Robert P. Kogod and members of the Smith and Kogod families, trustees of the Company, in exchange for approximately 325,700 newly issued Vornado Operating Partnership units (valued at $13,679,000) and the assumption of $58,500,000 of debt. The building is located in the Crystal City complex in Arlington, Virginia where the Company already owns 24 office buildings containing over 6.9 million square feet, which it acquired on January 1, 2002, in connection with the Company's acquisition of CESCR. The operations of Crystal Gateway One are consolidated into the accounts of the Company from the date of acquisition.

BUILDING MAINTENANCE SERVICE COMPANY ("BMS")

On January 1, 2003, the Company acquired BMS, a company which provides cleaning and related services primarily to the Company's Manhattan office properties, for $13,000,000 in cash from the estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, one of the Company's executive officers.

LAS CATALINAS MALL

On September 23, 2002, the Company increased its interest in the Las Catalinas Mall located in Caguas, Puerto Rico (San Juan area) to 100% by acquiring the 50% of the mall and 25% of the Kmart anchor store it did not already own. The purchase price was $48,000,000, including $32,000,000 of indebtedness. The Las Catalinas Mall, which opened in 1997, contains 492,000 square feet, including a 123,000 square foot Kmart and a 138,000 square foot Sears owned by the tenant.

MONMOUTH MALL

On October 10, 2002, a joint venture in which the Company has a 50% interest, acquired the Monmouth Mall, an enclosed super regional shopping center located in Eatontown, New Jersey containing approximately 1.5 million square feet, including four department stores, three of which aggregating 731,000 square feet are owned by the tenants. The purchase price was approximately $164,700,000, including transaction costs of $4,400,000. The Company made a $7,000,000 common equity investment in the venture and provided it with $23,500,000 of preferred equity yielding 14%. The venture financed the purchase of the Mall with $135,000,000 of floating rate debt at LIBOR plus 2.05%, with a LIBOR floor of 2.50% on $35,000,000, a three year term and two one-year extension options. The Company's investment in the Monmouth will be accounted for under the equity method as the Company does not have unilateral control over the joint venture.

CARTHAGE, MISSOURI AND KANSAS CITY, KANSAS QUARRIES

On December 31, 2002, the Company and Crescent Real Estate Equities formed a joint venture to acquire the Carthage, Missouri and Kansas City, Kansas quarries from AmeriCold Logistics', the Company's tenant at the cold storage warehouses (Temperature Controlled Logistics) for $20,000,000 in cash (appraised value). The Company contributed cash of $8,800,000 to the joint venture representing its 44% interest.

The Company's future success will be affected by its ability to integrate the assets and businesses it acquires and to effectively manage those assets and businesses. The Company currently expects to continue to grow. However, its ability to do so will be dependent on a number of factors, including, among others, (a) the availability of reasonably priced assets that meet the Company's acquisition criteria and (b) the price of the Company's common shares, the rates at which the Company is able to borrow money and, more generally, the availability of financing on terms that, in the Company's view, make such acquisitions financially attractive.

YEAR ENDED DECEMBER 31, 2001

Cash flow provided by operating activities of $387,685,000 was primarily comprised of (i) income of $263,738,000, (ii) adjustments for non-cash items of $131,832,000, and (iii) the net change in operating assets and liabilities of $19,374,000. The adjustments for non-cash items were primarily comprised of (i) a cumulative effect of change in accounting principle of $4,110,000, (ii) the write-off of the Company's remaining equity investments in technology companies of $16,513,000, (iii) the write-off of its entire net investment of $7,374,000 in the Russian Tea Room, (iv) depreciation and amortization of $123,862,000, (v) minority interest of $112,363,000, partially offset by (vi) the effect of straight-lining of rental income of $27,230,000, and (vii) equity in net income of partially-owned entities and income applicable to Alexander's of $106,330,000.

Net cash used in investing activities of $79,722,000 was primarily comprised of (i) recurring capital expenditures of $41,093,000, (ii) non-recurring capital expenditures of $25,997,000, (iii) development and redevelopment expenditures of $145,817,000, (iv) investment in notes and mortgages receivable of $83,879,000, (v) investments in partially-owned entities of $109,332,000, (vi) acquisitions of real estate of $11,574,000, offset by, (vii) proceeds from the sale of real estate of $162,045,000, and (viii) distributions from partially-owned entities of $114,218,000.

Net cash used in financing activities of $179,368,000 was primarily comprised of (i) proceeds from borrowings of $554,115,000, (ii) proceeds from the issuance of common shares of $377,193,000, (iii) proceeds from the issuance of preferred units of $52,673,000, offset by, (iv) repayments of borrowings of $835,257,000, (v) dividends paid on common shares of $201,813,000, (vi) dividends paid on preferred shares of $35,547,000, and (vii) distributions to minority partners of $98,544,000.

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

($ in thousands) Funded by the Company --------

-- New York Merchandise CESCR Capital Expenditures: Total City Office Retail Mart Other (34% Interest) --------- ----------- ---- ----- ----------- --------- -------------
Expenditures to maintain the assets:
Recurring......................................
$ 14,423 $ 7,684 $ 1,253 $ 5,287 $ 199 $ 3,121
Non-
recurring..................................
20,751 13,635 -- 7,116 -- 6,678 --------- ----- ---- --------- --------- --------- --------- $ 35,174 $ 21,319 $ 1,253 $ 12,403 $ 199 $ 9,799 ========= ========= ========= ========= ========= ========= Tenant Improvements:
Recurring......................................
$ 26,670 $ 21,452 $ 271 $ 4,858 $ 89 $ 5,979
Non-
recurring..................................
5,246 5,246 -- -- -- 190 --------- --------- -- ------- --------- --------- --------- $ 31,916 $ 26,698 $ 271 $ 4,858 $ 89 $ 6,169 ========= ========= ========= ========= ========= ========= Leasing Commissions:
Recurring......................................
$ 19,536 $ 18,546 $ 336 $ 381 $ 273 $ 1,142
Non-
recurring..................................
7,902 7,902 -- -- -- 28 --------- --------- --- ------ --------- --------- --------- $ 27,438 $ 26,448 $ 336 $ 381 $ 273 $ 1,170 ========= ========= ========= ========= ========= ========= Total Capital Expenditures and Leasing Commissions:
Recurring......................................
$ 60,629 $ 47,682 $ 1,860 $ 10,526 $ 561 $ 10,242 Non-
recurring.................................. $ 33,899 $ 26,783 $ -- $ 7,116 $ -- $ 6,896
Development and Redevelopment Expenditures:
Palisades--Fort Lee, NJ........................
$ 66,173 $ -- $ -- $ -- $ 66,173 $ -- Market Square on Main Street................... 29,425 -- -- 29,425 -- --
Other..
50,219 25,703 6,378 4,350 13,788 14,067 ------- -- --------- --------- --------- --------- ---- ----- $ 145,817 $ 25,703 $ 6,378 $ 33,775 $ 79,961 $ 14,067 ========= ========= ========= ========= ========= =========

YEAR ENDED DECEMBER 31, 2000

Cash flow provided by operating activities of $249,921,000 was primarily comprised of (i) income of $233,991,000 and (ii) adjustments for non-cash items of $66,557,000 offset by (iii) the net change in operating assets and liabilities of $39,102,000 and (iv) the net gain on sale of real estate of $10,965,000. The adjustments for non-cash items were primarily comprised of (i) depreciation and amortization of $99,846,000 and (ii) minority interest of $102,374,000, partially offset by (iii) the effect of straight-lining of rental income of $32,206,000 and (iv) equity in net income of partially-owned entities and income applicable to Alexander's of $104,017,000.

Net cash used in investing activities of $699,375,000 was primarily comprised of (i) capital expenditures of $171,782,000, (ii) investment in notes and mortgages receivable of $144,225,000, (iii) acquisitions of real estate of $199,860,000, (iv) investments in partially-owned entities of $99,974,000, (v) cash restricted of $183,788,000, of which $173,500,000 represents funds escrowed in connection with a mortgage financing, partially offset by (vi) proceeds from the sale of real estate of $47,945,000 and distributions from partially-owned entities of $68,799,000. Below are the details of acquisitions of real estate, investments in partially-owned entities, investments in notes and mortgages receivable and capital expenditures.

($ in thousands)

Debt Value of Units Acquisitions of Real Estate: Cash Assumed Issued Investment --------- ---------- ------ ------- ------------ Student Housing Complex (90% Interest)................ $ 6,660 $ 17,640 $ -- $ 24,300 33 North Dearborn Street............................ 16,000 19,000 -- 35,000 7 West 34th

Street.................................... 128,000 -- -- 128,000 L.A. Mart... 44,000 10,000 -- 54,000 Other.. 5,200 -- -- 5,200 --------- ---------- ------------- ------------- $ 199,860 $ 46,640 $ -- $ 246,500 ========= ========== ============= ============= Investments in Partially-Owned Entities: Vornado Ceruzzi Joint Venture (80% interest).......... $ 21,940 $ -- $ -- $ 21,940 Additional investment in Newkirk Joint Ventures....... 1,334 -- 9,192 10,526 Loan to Alexander's................................. 15,000 -- -- 15,000 Alexander's - increase in investment to 33% 3,400 -- -- 3,400 Funding of Development Expenditures: Fort Lee (75% interest)............................ 10,400 -- -- 10,400 Park Laurel (80% interest)......................... 47,900 -- -- 47,900 --------- ---------- ------------- ------------- $ 99,974 $ -- $ 9,192 $ 109,166 ========= ========== ============= ============= Investments in Notes and Mortgages receivable: Loan to NorthStar Partnership L.P.................... $ 65,000 $ -- $ -- $ 65,000 Loan to Primestone Investment Partners, L.P........... 62,000 -- -- 62,000 Advances to Vornado Operating Company................ 15,251 -- -- 15,251 Other.. 1,974 -- -- 1,974 --------- ---------- ------------- ------------- $ 144,225 $ -- $ -- $ 144,225 ========= ========== ============= =============

New York Merchandise Capital expenditures: Total City Office Retail Mart Other ---------- ---------- -------- ----------- -------- Expenditures to maintain the assets....... $ 33,113 $ 15,661 $ 414 $ 11,437 $ 5,601 Tenant allowances........................ 60,850 51,017 3,307 6,301 225 ---------- --------- -------- -------- -------- Total recurring capital expenditures..... 93,963 66,678 3,721 17,738 5,826 Redevelopment and development expenditures........................... 63,348 40,124 3,600 19,624 -- Corporate................................ 14,471 -- -- -- 14,471 ---------- --------- -------- -------- -------- $ 171,782 $ 106,802 $ 7,321 $ 37,362 $ 20,297 ========== ========= ======== ======== ========

In addition to the expenditures noted above, the Company recorded leasing commissions of $26,133,000 in the year ended December 31, 2000, of which $24,333,000 was attributable to New York City Office properties, $647,000 was attributable to Retail properties and $1,153,000 was attributable to Merchandise Mart properties.

Net cash provided by financing activities of $473,813,000 was primarily comprised of (i) proceeds from borrowings of $1,195,108,000, (ii) proceeds from issuance of preferred units of $204,750,000, partially offset by, (iii) repayments of borrowings of $633,655,000, (iv) dividends paid on common shares of $168,688,000 (v) dividends paid on preferred shares of $35,815,000, and (vi) distributions to minority partners of $80,397,000.

FUNDS FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Funds from operations was $407,173,000 in the year ended December 31, 2002, compared to $377,693,000 in the prior year, an increase of $29,480,000. Funds from operations includes certain items which affect comparability totaling $41,216,000(1) and $12,903,000(1) for the years ended December 31, 2002 and 2001. Funds from operations before these items and after minority interest was $448,389,000 in the year ended December 31, 2002, compared to $390,596,000 in the prior year, a $57,793,000 increase over the prior year, or a 1.5% increase on a per share basis.

The following table reconciles funds from operations and net income:

($ in thousands)	For the Year Ended December 31,	
	2002	2001
Net income applicable to common shares	$ 209,736	$ 227,233
Cumulative effect of a change in accounting principle	30,129	4,110
Depreciation and amortization of real property	195,808	119,568
Straight-lining of property rentals for rent escalations, net of a $4,071 allowance in 2002.	(27,295)	(24,314)
Amortization of below market leases, net	(12,634)	--
Leasing fees received in excess of income recognized	1,318	1,954
Appreciation of securities held in officer's deferred compensation trust	--	3,023
Net gain on sale of 570 Lexington Avenue through a partially-owned entity	--	(12,445)
Net gain from condemnation proceeding	--	(3,050)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:		
Depreciation and amortization of real property	51,881	65,588
Net gain on sales of real estate	(3,431)	(6,298)
Other	835	(371)
Minority interest in excess of preferential distributions	(45,324)	(16,810)
	401,023	358,188
Series A preferred shares	6,150	19,505
Funds from operations--diluted (2)	407,173	377,693

The number of shares used for determining funds from operations per share is as follows:

(in thousands)	For the Year Ended December 31,	
	2002	2001
Weighted average shares used for determining diluted income per share	109,669	92,073
Series A preferred shares	2,931	7,646
Shares used for determining diluted funds from operations per share (2)	112,600	99,719

Funds from operations does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust primarily for the (i) effect of straight-lining of property rentals for rent escalations and leasing fee income and (ii) the exclusion of income arising from the amortization of acquired below market leases, net of above market leases.

(1) Certain items which affect comparability included in funds from operations above are as follows:

	For the Year Ended December 31,	
	2002	2001
Primestone foreclosure and impairment losses.....	$ (35,757)	$ --
Amortization of officer's deferred compensation..	(27,500)	--
Gains on sale of marketable securities...........	12,346	--
Gain on sale of residential condominium units....	2,156	15,657
Gains on transfer of mortgages..................	2,096	--
Gains on sale of air rights.....................	1,688	--
Write-off of investments in technology companies.	--	(16,513)
Write-off of net investment in Russian Tea Room..	--	(7,374)
Donations to Twin Towers and NYC Fireman's Funds.	--	(1,250)
Write-off of 20 Times Square pre-development costs (2002) and World Trade Center acquisition costs (2001)......................	(6,874)	(5,223)
Minority interest................................	10,629	1,800
	$ (41,216)	$ (12,903)

(2) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating funds from operations and the shares used in calculating funds from operations per share would be increased to reflect the conversion. Funds from operations per share would not change. The following table reconciles funds from operations as shown above, to the Operating Partnership's funds from operations for the years ended December 31, 2002 and 2001:

($ in thousands)	For the Year Ended December 31,	
	2002	2001
Funds from operations, as above.............	$ 407,173	$ 377,693
Addback of minority interest reflected as equity in the Operating Partnership.........	105,001	52,678
Operating Partnership funds from operations..	$ 512,174	$ 430,371

The number of shares to be used for determining Operating Partnership funds from operations per share is as follows:

(shares/units in thousands)		
Shares used for determining diluted funds from operations per share, as above.............	112,600	99,719
Convertible units:		
Non-Vornado owned Class A units..........	21,269	6,140
Class D units...........................	--	--
B-1 units...............................	822	822
B-2 units...............................	411	411
C-1 units...............................	855	855
E-1 units...............................	5,680	5,680
Shares used for determining Operating Partnership diluted funds from operations		

per share..................................	141,637	113,627
	=========	=========

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

($ in thousands) For the Year Ended December 31, --	2002	2001
Operating activities.................	$ 499,825	$ 387,685
	===========	===========
Investing activities.................	$ (24,117)	$ (79,722)
	===========	===========
Financing activities.................	$ (533,092)	$ (179,368)
	===========	===========

CERTAIN FUTURE CASH REQUIREMENTS

For 2003, the Company has budgeted approximately $197.3 million for capital expenditures (excluding acquisitions) and leasing commissions as follows:

($ and square feet in thousands)	Total	New York Office	CESCR Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Expenditures to maintain the assets..................	$ 71,900	$ 23,100	$ 21,800	$ --	$ 20,200	$ 5,700(1)	$ 1,100(2)
	=========	========	=========	========	=========	========	=======
Tenant improvements...........	$ 98,195	$ 32,500	$ 40,300	$ 5,095	$ 20,300	$ --	$ --
	=========	=========	========	=========	========	=======	
Per square foot............		$ 38.33	16.36	$ 7.34	$ 15.32		
		=========	=========	========	=========		
Leasing Commissions...........	$ 27,221	$ 15,000	$ 9,100	$ 821	$ 2,300		
	=========	========	=========	========	=========		
Per square foot............		$ 17.69	$ 3.69	--	$ 1.74		
		=========	=========	========	=========		
Total Capital Expenditures and Leasing Commissions...........	$ 197,316	$ 70,600	$ 71,200	$ 5,916	$ 42,800	$ 5,700	$ 1,100
	=========	========	=========	========	=========	========	=======
Square feet							

leased............ 848
2,463 694 1,325
========= =========
======== =========

- ----------
(1) Represents the Company's 60% share of the Vornado Crescent Portland Partnership's obligation to fund $9,500 of capital expenditures per annum.
(2) Primarily for the Hotel Pennsylvania.

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 $230.9 million to be expended as outlined in the "Development and Redevelopment Projects" section of Item 1--Business. The $230.9 million does not include amounts for other projects which are also included in the "Development and Redevelopment Projects" section of Item 1 -Business, as no budgets for them have been finalized. There can be no assurance that any of the above projects will be ultimately completed, completed on time or completed for the budgeted amount.

No cash requirements have been budgeted for the capital expenditures and amortization of debt of Alexander's, The Newkirk MLP, or any other entity that is partially owned by the Company. These investees are expected to fund their own cash requirements.

FINANCING ACTIVITIES AND CONTRACTUAL OBLIGATIONS

Below is a schedule of the Company's contractual obligations and commitments at December 31, 2002:

($ in thousands) Contractual Cash Obligations:	Total	1 Year	2 - 3 Years	4 - 5 Years	Thereafter
Mortgages and Notes Payable.......	$ 3,537,720(1)	$ 449,526(1)	$ 705,589	$ 550,321	$ 1,832,284
Senior Unsecured Notes due 2007...	533,600	--	--	533,600	--
Unsecured Revolving Credit Facility	--	--	--	--	--
Operating Leases..................	1,029,171	15,347	29,285	29,559	954,980
Total Contractual Cash Obligations	$ 5,100,491	$ 464,873	$ 734,874	$ 1,113,480	$ 2,787,264
Commitments:					
Standby Letters of Credit.........	$ 16,779	$ 16,779	$ --	$ --	$ --
Other Guarantees..................	--	--	--	--	--
Total Commitments...............	$ 16,779	$ 16,779	$ --	$ --	$ --

----
(1) Includes $153,659, which is offset by an equivalent amount of cash held in a restricted mortgage escrow amount.

The Company is reviewing various alternatives for the repayment or refinancing of debt coming due during 2003. The Company has $1 billion available under its revolving credit facility which matures in July 2003 and a number of properties which are unencumbered.

The Company's credit facility contains customary conditions precedent to borrowing such as the bring down of customary representations and warranties as well as compliance with financial covenants such as minimum interest coverage and maximum debt to market capitalization. The facility provides for higher interest rates in the event of a decline in the Company's ratings below Baa3/BBB. This facility also contains customary events of default which could give rise to acceleration and include such items as failure to pay interest or principal and breaches of financial covenants such as maintenance of minimum capitalization and minimum interest coverage.

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 do not expressly exclude coverage for hostile acts, except for acts of war. Since September 11, 2001, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. The Company has generally been unable to obtain all risk insurance which includes coverage for terrorist acts for policies it has renewed since September 11, 2001, for each of its businesses. In 2002, the Company obtained $200,000,000 of separate coverage for terrorist acts for each of its New York City Office, Washington, D.C. Office, Retail and Merchandise Mart businesses and $60,000,000 for its Temperature Controlled Logistics business. Therefore, the Company is at risk for financial loss in excess of these limits for terrorist acts (as defined), which loss could be material.

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 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. The Company has received correspondence from four lenders regarding terrorism insurance coverage, which the Company has responded to. In these letters the lenders took the position that under the agreements governing the loans provided by these lenders the Company was required to maintain terrorism insurance on the properties securing the various loans. The aggregate amount of borrowings under these loans as of December 31, 2002 was approximately $770.4 million, and there was no additional borrowing capacity. Subsequently, the Company obtained an aggregate of $360 million of separate coverage for "terrorist acts". To date, one of the lenders has acknowledged to the Company that it will not raise any further questions based on the Company's terrorism insurance coverage in place, and the other three lenders have not raised any further questions regarding the Company's insurance coverage. If lenders insist on greater coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 was signed into law. Under this new legislation, through 2004 (with a possible extension through 2005), regulated insurers must offer coverage in their commercial property and casualty policies (including existing policies) for losses resulting from defined "acts of terrorism". The Company cannot currently anticipate whether the scope and cost of such coverage will be commercially reasonable. As a result of the legislation, in February 2003 the Company obtained $300 million of per occurrence coverage for terrorist acts for its New York City Office, Washington, D.C. Office and Merchandise Mart businesses, of which $240 million is for Certified Acts, as defined in the legislation. The Company maintains $200 million and $60 million of separate aggregate coverage that it had in 2002 for each of its Retail and Temperature Controlled Logistics businesses (which has been renewed as of January 1, 2003). The Company's current Retail property insurance carrier has advised the Company that there will be an additional premium of approximately $11,000 per month through the end of the policy term (June 30, 2003) for "Acts of Terrorism" coverage, as defined in the new legislation and that the situation may change upon renewal.

In addition, many of the Company's non-recourse mortgages contain debt service covenants which if not satisfied could require cash collateral. These covenants are not "ratings" related.

In conjunction with the closing of Alexander's Lexington Avenue construction loan on July 3, 2002, the Company agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of all project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's.

CORPORATE

On June 24, 2002, the Company completed an offering of $500,000,000 aggregate principal amount of 5.625% senior unsecured notes due June 15, 2007. Interest on the notes is payable semi-annually on June 15th and December 15th, commencing December 15, 2002. The net proceeds of approximately $496,300,000 were used to repay the mortgages on 350 North Orleans, Two Park Avenue, the Merchandise Mart and Seven Skyline. On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the

$500,000,000 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 (2.5% if set on December 31, 2002).

On February 25, 2002, the Company sold 884,543 common shares to a closed-end fund and 514,200 shares to a unit investment trust based on the closing price of $42.96 on the NYSE. The net proceeds to the Company were approximately $57,042,000.

The Company has an effective shelf registration under which the Company can offer an aggregate of approximately $895,479,000 of equity securities and Vornado Realty L.P. can offer an aggregate of $500,720,000 of debt securities.

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

RECENTLY ISSUED ACCOUNTING STANDARDS

SFAS NO. 141 - BUSINESS COMBINATIONS

SFAS No. 141 - BUSINESS COMBINATIONS requires companies to account for the value of leases acquired and the costs of acquiring such leases separately from the value of the real estate for all acquisitions subsequent to July 1, 2001. Accordingly, the Company has evaluated the leases in place for (i) the remaining 66% of CESCR it did not previously own which it acquired on January 1, 2002, (ii) the remaining 50% of the Las Catalinas Mall it did not previously own which it acquired on September 23, 2002 and (iii) a 50% interest in the Monmouth Mall which it acquired on October 10, 2002; to determine whether they were acquired at market, above market or below market. The Company's evaluations were based on (i) the differences between contractual rentals and the estimated market rents over the applicable lease term discounted back to the date of acquisition utilizing a discount rate adjusted for the credit risk associated with the respective tenants and (ii) the estimated cost of acquiring such leases giving effect to the Company's history of providing tenant improvements and paying leasing commissions.

As a result of its evaluations, as of December 31, 2002, the Company has recorded a deferred credit of $48,430,000 representing the value of acquired below market leases, deferred charges of $15,976,000 for the value of acquired above market leases and $3,621,000 for origination costs. In addition, in the year ended December 31, 2002 the Company has recognized property rentals of $12,634,000 for the amortization of below market leases net of above market leases, and depreciation expense of $1,214,000 for the amortization of the lease origination costs and additional building depreciation resulting from the reallocation of the purchase price of the applicable properties.

SFAS NO. 142 - GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. SFAS No. 142 provides specific guidance for impairment testing of these assets and removes them from the scope of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS. The Company's goodwill balance on December 31, 2001 of $30,129,000 consisted of $14,639,000 related to the Hotel Pennsylvania acquisition and $15,490,000 related to the acquisition of the Temperature Controlled Logistics businesses.

Prior to January 1, 2002, the Company performed impairment testing in accordance with SFAS 121. The Company reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. Given the decrease in the estimated market values and the deteriorating performance of Hotel Pennsylvania and Temperature Controlled Logistics, the Company performed a review for recoverability estimating the future cash flows expected to result from the use of the assets and their eventual disposition. As of December 31, 2001, the sum of the expected cash flows (undiscounted and without interest charges) exceeded the carrying amounts of goodwill, and therefore no impairments were recognized.

Upon adoption of SFAS 142 on January 1, 2002, the Company tested the goodwill for impairment at the reporting level unit utilizing the prescribed two-step method. The first step compared the fair value of the reporting unit (determined based on a discounted cash flow approach) with its carrying amount. As the carrying amount of the reporting unit exceeded its fair value, the second step of the impairment test was performed to measure the impairment loss. The second step compared the implied fair value of goodwill with the carrying amount of the goodwill. As the carrying amounts of the goodwill exceeded the fair values, on January 1, 2002 the Company wrote-off all of the goodwill of the Hotel and the Temperature Controlled Logistics business as an impairment loss totaling $30,129,000. The write-off has been reflected as a cumulative effect of change in accounting principle on the income statement. Earnings allocable to the minority interest has been reduced by their pro-rata share of the write-off of goodwill.

Previously reported "Income before gains on sale of real estate and cumulative effect of change in accounting principle" and "Net income applicable to common shares" for the year ended December 31, 2001 would have been approximately $972,000 higher, or $2.35 and $2.48 per diluted share, if such goodwill was not amortized in the prior year.

SFAS NO. 143 - ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS AND SFAS NO. 144 - - ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

In August 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (effective January 1, 2003) and SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supersedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The adoption of these statements did not have a material effect on the Company's financial statements; however under SFAS No. 144, if the Company were to dispose of a material operating property, such property's results of operations will have to be separately disclosed as discontinued operations in the Company's financial statements.

SFAS NO. 145 - RESCISSION OF SFAS NO. 4, 44, AND 64, AMENDMENT OF SFAS NO. 13, AND TECHNICAL CORRECTIONS

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF SFAS NO. 4, 44, AND 64, AMENDMENT OF SFAS NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 requires, among other things, (i) that the modification of a lease that results in a change of the classification of the lease from capital to operating under the provisions of SFAS No. 13 be accounted for as a sale-leaseback transaction and (ii) the reporting of gains or losses from the early extinguishment of debt as extraordinary items only if they met the criteria of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS. The rescission of SFAS No. 4 is effective January 1, 2003. The amendment of SFAS No. 13 is effective for transactions occurring on or after May 15, 2002. The adoption of this statement did not have a material effect on the Company's financial statements.

SFAS NO. 146 - ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In July 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES (effective January 1, 2003). SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company does not anticipate that the adoption of this statement will have a material effect on the Company's financial statements.

SFAS NO. 148 - ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE - AN AMENDMENT OF FASB STATEMENT NO. 123

On August 7, 2002, the Company announced that beginning January 1, 2003, it will expense the cost of employee stock options in accordance with the SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. In December 2002, the FASB issued SFAS No. 148 - ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE - AN AMENDMENT OF FASB STATEMENT NO. 123 to amend the transition and disclosure provisions of SFAS No. 123. Specifically, SFAS No. 123, as amended, would permit two additional transition methods for entities that adopt the fair value method of accounting for stock based employee compensation. The Company will adopt SFAS No. 123 prospectively by valuing and accounting for employee stock options granted in 2003 and thereafter. The Company will utilize a binomial valuation model and appropriate market assumptions to determine the value of each grant. Stock-based compensation expense will be recognized on a straight-line basis over the vesting period of the respective grants.

FASB Interpretation No. 45 - GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS.

In November 2002, the FASB issued Interpretation No. 45 - GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, Including Indirect Guarantees of Indebtedness of Others, which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company believes that the adoption of this interpretation will not have a material effect to the Company's financial statements.

FASB Interpretation No. 46 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation No. 46 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES, which requires the consolidation of an entity by an enterprise (i) if that enterprise, known as a "primary beneficiary", has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both and (ii) if the entity is a variable interest entity, as defined by Interpretation No. 46. An entity is a variable interest entity if (a) the total equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (b) the equity investors do not have the characteristics of a controlling financial interest in the entity. Interpretation No. 46 applies immediately to all variable interest entities created after January 31, 2003. For variable interest entities created by public companies before February 1, 2003, Interpretation No. 46 must be applied no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The initial determination of whether an entity is a variable interest entity shall be made as of the date at which a primary beneficiary becomes involved with the entity and reconsidered as of the date one of three triggering events described by Interpretation No. 46 occur. The Company does not believe that the adoption of this Interpretation will have a material effect on its financial statements.

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, 2002 the Company has entered into an interest rate swap 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 wholly-owned and partially-owned debt (all of which arises out of non-trading activity) is as follows:

($ in thousands, except per share amounts)

2002 2001 ------------------

--- Weighted Effect of 1%
Weighted December 31,
Average Change In December
31, Average Balance Interest
Rate Base Rates Balance
Interest Rate ------------ -
------------ ------------ --
---------- ------------
Wholly-owned debt: Variable
rate.................. $
1,358,126(1) 2.69% $
12,045(2) $ 1,182,605 3.39%
Fixed
rate......................
2,713,194 7.17% -- 1,294,568
7.53% ------------ ---------
--- ------------ $ 4,071,320
5.61% 12,045 $ 2,477,173
=========== ------------
============ Debt of
partially-owned entities:
Variable
rate.................. $
131,100 4.54% 1,310(3) $
85,516 5.63% Fixed
rate......................
917,008 8.41% -- 1,234,019
8.29% ------------ ---------
--- ------------ $ 1,048,108

7.92% 1,310 $ 1,319,535
============ ------------
============ Minority
interest.....................
(2,805) ------------ Total
decrease in the Company's
annual net income......... $
10,550 ============ Per
share-
diluted................ $
.10 ============

- ----------
(1) Includes $533,600 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 (2.18% if set on December 31, 2002). In accordance with SFAS 133, as amended, accounting for these swaps requires the Company to fair value the debt at each reporting period. At December 31, 2002, the fair value adjustment was $34,245, and is included in the balance of the senior unsecured notes above.

(2) The effect of a 1% change in wholly-owned debt base rates shown above excludes $153,659 of variable rate mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office properties, as the proceeds are held in a restricted mortgage escrow account which bears interest at the same rate as the loans.

(3) The effect of a 1% change in partially-owned debt base rates shown above is calculated after including $45,229 representing the Company's 14.9% share of Prime Group Realty L.P.'s ("PGE") outstanding variable rate debt as at September 30, 2002. PGE has not filed its annual report on Form 10-K for the year ended December 31, 2002, prior to the filing of this annual report on Form 10-K.

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 $178,566,000 at December 31, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

PAGE ----

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedules listed in the Index at Item 15. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 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.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets."

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 6, 2003

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,	2002	2001
(Amounts in thousands, except share and per share amounts)		
ASSETS		
Real estate, at cost:		
Land	$ 1,491,808	$ 895,831
Buildings and improvements	5,948,255	3,480,249
Development costs and construction in progress	51,965	258,357
Leasehold improvements and equipment	67,666	55,774
Total	7,559,694	4,690,211
Less accumulated depreciation and amortization	(737,426)	(506,225)
Real estate, net	6,822,268	4,183,986
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $33,393 and $15,235	208,200	265,584
Escrow deposits and restricted cash	263,125	204,463
Marketable securities	42,525	126,774
Investments and advances to partially-owned entities, including Alexander's of $193,879 and $188,522	997,711	1,270,195
Due from officers	20,643	18,197
Accounts receivable, net of allowance for doubtful accounts of $13,887 and $8,831	65,754	47,406
Notes and mortgage loans receivable	86,581	258,555
Receivable arising from the straight-lining of rents, net of allowance of $4,071 in 2002	240,449	202,754
Other assets	270,923	199,429
	$ 9,018,179	$ 6,777,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 3,537,720	$ 2,477,173
Senior Unsecured Notes due 2007, at fair value ($34,245 in excess of accreted note balance in 2002)	533,600	--
Revolving credit facility	--	--
Accounts payable and accrued expenses	202,756	179,597
Officers compensation payable	16,997	6,708
Deferred credit	59,362	11,940
Other liabilities	3,030	51,895
Total liabilities	4,353,465	2,727,313
Minority interest of unitholders in the Operating Partnership	2,037,358	1,479,658
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 70,000,000 shares;		
Series A: liquidation preference $50.00 per share; issued and outstanding 1,450,623 and 5,520,435 shares	72,535	276,024
Series B: liquidation preference $25.00 per share; issued and outstanding 3,400,000 shares	81,805	81,805
Series C: liquidation preference $25.00 per share; issued and outstanding		

4,600,000 shares.. 111,148 111,148 Common shares of beneficial interest: $.04 par value per share; authorized, 200,000,000 shares; issued and outstanding 108,629,736 and 99,035,023 shares....... 4,320 3,961 Additional capital... 2,481,414 2,162,512 Distributions in excess of net income.. (169,629) (95,647) ----------- ----------- 2,581,593 2,539,803 Deferred compensation shares earned but not yet delivered........................... 66,660 38,253 Deferred compensation shares issued but not yet earned............................. (2,629) -- Accumulated other comprehensive loss.. (13,564) (2,980) Due from officers for purchase of common shares of beneficial interest............... (4,704) (4,704) ----------- ----------- Total shareholders' equity... 2,627,356 2,570,372 ----------- ----------- $ 9,018,179 $ 6,777,343 =========== ===========

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, -- --- 2002 2001 2000 ------------ ------------ ------------ (Amounts in thousands, except per share amounts) Revenues: Rentals .... $ 1,248,903 $ 841,999 $ 695,078 Expense reimbursements .... 159,978 133,114 120,056 Other income (including fee income from related parties of $1,450, $1,655, and $1,418) .... 26,189 10,660 10,838 ------------ ------------ ------------ Total revenues .... 1,435,070 985,773 825,972 ------------ ------------ ------------ Expenses: Operating .... 541,596 398,969 318,360 Depreciation and amortization .... 205,826 123,862 99,846 General and administrative .... 98,458 72,572 47,911 Amortization of officer's deferred compensation expense .... 27,500 -- -- Costs of acquisitions and development not consummated .... 6,874 5,223 -- -- ---------- ------------ ------------ Total expenses .... 880,254 600,626 466,117 ------------ ------------ ------------ Operating income .... 554,816 385,147 359,855 Income applicable to Alexander's .... 29,653 25,718 17,363 Income from partially-owned entities .... 44,458 80,612 86,654 Interest and other investment income .... 31,685 54,385 32,926 Interest and debt expense (including amortization of deferred financing costs of $8,339, $8,458, and $7,298) .... (239,525) (173,076) (171,398) Net loss on disposition of wholly-owned and partially-owned assets other than real estate .... (17,471) (8,070) -- Minority interest: Perpetual preferred unit distributions .... (72,500) (70,705) (62,089) Minority limited partnership earnings .... (64,899) (39,138) (38,320) Partially-owned entities .... (3,185) (2,520) (1,965) ------------ ------------ ------------ Income before gains on sale of real estate and cumulative effect of change in accounting principle .... 263,032 252,353 223,026 Gains on sale of real estate .... -- 15,495 10,965 Cumulative effect of change in accounting principle .... (30,129) (4,110) -- ------------ ------------ ------------ Net income .... 232,903 263,738 233,991 Preferred share dividends (including accretion of issuance expenses of $958 in 2001 and $2,875 in 2000) .... (23,167) (36,505) (38,690) ------------ ------------ ------------ NET INCOME applicable to common shares .... $ 209,736 $

227,233 $ 195,301 ============ ============ ============ INCOME PER COMMON SHARE - BASIC: Income before gains on sale of real estate and cumulative effect of change in accounting principle .... $ 2.26 $ 2.42 $ 2.14 Gains on sale of real estate .... -- .17 .12 Cumulative effect of change in accounting principle .... (.28) (.04) -- ------------ ------------ ------------ Net income per common share .... 1.98 2.55 2.26 ============ ============ ============ INCOME PER COMMON SHARE - DILUTED: Income before gains on sale of real estate and cumulative effect of change in accounting principle .... $ 2.18 $ 2.34 $ 2.08 Gains on sale of real estate .... -- .17 .12 Cumulative effect of change in accounting principle .... (.27) (.04) -- ------------ ------------ ------------ Net income per common share .... $ 1.91 $ 2.47 $ 2.20 ============ ============ ============

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DISTRIBUTIONS PREFERRED COMMON ADDITIONAL IN EXCESS OF SHARES SHARES CAPITAL NET INCOME --- -------- ---------- ---------- ------------ (Amounts in thousands, except per share amounts) BALANCE JANUARY 1, 2000 .... $ 478,585 $ 3,453 $ 1,696,557 $ (116,979) Net Income .... - - -- -- 233,991 Dividends paid on Preferred Shares Series A Preferred Shares ($3.25 per share) .... -- -- -- (21,689) Series B Preferred Shares ($2.125 per share) .... -- -- -- (7,225) Series C Preferred Shares ($2.125per share) .... -- -- -- (9,776) Dividends paid on common shares ($1.97 per share) .... -- -- -- (168,688) Common shares issued under employees' share plan .... -- 15 9,913 -- Redemption of units for common shares .... -- 3 1,789 -- Accretion of issuance expenses on preferred shares .... 2,875 -- -- -- Common shares issued in connection with dividend reinvestment plan .... -- 1 1,025 -- Change in unrealized net loss on securities available for sale .... -- -- -- -- Appreciation of securities held in officer's deferred compensation trust .... -- -- -- -- Forgiveness of amount due from officers .... -- -- -- -- ----------- ---------- ---------- ---- ------- BALANCE, DECEMBER 31, 2000 .... 481,460 3,472 1,709,284 (90,366) Net Income .... - - -- -- 263,738 Dividends paid on Preferred Shares Series A Preferred Shares ($3.25 per share) .... -- -- -- (19,505) Series B Preferred Shares ($2.125 per share) .... -- -- -- (7,225) Series C Preferred Shares ($2.125 per share) .... -- -- -- (9,775) Dividends paid on common shares ($2.32 per share) .... -- -- -- (201,813) Dividends payable on common shares ($.31 per share) .... -- -- -- (30,701) Common shares issued, net of shelf registration costs of $260

.... -- 391 376,542 --
Common shares issued under employees' share
plan .... -- 12
9,947 -- Conversion of Series A Preferred
Shares to common shares
.... (13,441)
15 13,426 -- Redemption of units for common
shares .... -- 70 52,017 --
Accretion of issuance expenses on preferred
shares ....
958 -- -- -- Common shares issued in
connection with dividend reinvestment plan
.... -- 1 1,296 -- Change in
unrealized net loss on securities available
for sale .... -- -- -- --
Deferred compensation shares earned but not
yet delivered ....
-- -- -- -- Pension obligations -- -- -- -- --
--------- ---------- ---------- ----------
BALANCE, DECEMBER 31, 2001
.... $ 468,977 $ 3,961
$ 2,162,512 $ (95,647) ========== ==========
========== ==========
ACCUMULATED OTHER COMPREHENSIVE SHAREHOLDERS'
COMPREHENSIVE LOSS OTHER EQUITY INCOME -------
------ ---------- ------------- ------------
(Amounts in thousands, except per share
amounts) BALANCE JANUARY 1, 2000
.... $ (1,448) $
(4,800) $ 2,055,368 Net Income
.... -
- -- 233,991 $ 233,991 Dividends paid on
Preferred Shares Series A Preferred Shares
($3.25 per share)
.... -- --
(21,689) -- Series B Preferred Shares ($2.125
per share) .... --
-- (7,225) -- Series C Preferred Shares
($2.125per share)
.... -- --
(9,776) -- Dividends paid on common shares
($1.97 per share)
.... -- --
(168,688) -- Common shares issued under
employees' share plan
.... -- -- 9,928 --
Redemption of units for common shares
.... -- -- 1,792 -- Accretion of
issuance expenses on preferred shares
.... -- --
2,875 -- Common shares issued in connection
with dividend reinvestment plan
.... -- -- 1,026 -- Change in
unrealized net loss on securities available
for sale .... (18,399) --
(18,399) (18,399) Appreciation of securities
held in officer's deferred compensation trust
....
(579) -- (579) (579) Forgiveness of amount due
from officers
.... -- 96
96 -- ----------- ---------- ---------- ----
------- BALANCE, DECEMBER 31, 2000
.... (20,426) (4,704)
2,078,720 $ 215,013 ========== Net Income
.... -
- -- 263,738 $ 263,738 Dividends paid on
Preferred Shares Series A Preferred Shares
($3.25 per share)
.... -- --
(19,505) -- Series B Preferred Shares ($2.125
per share) .... --
-- (7,225) -- Series C Preferred Shares
($2.125 per share)
.... -- -- (9,775)
-- Dividends paid on common shares ($2.32 per
share) .... --
-- (201,813) -- Dividends payable on common
shares ($.31 per share)
.... -- --
(30,701) -- Common shares issued, net of shelf
registration costs of $260
.... -- -- 376,933 --
Common shares issued under employees' share
plan .... -- --
9,959 -- Conversion of Series A Preferred

Shares to common shares
.... -- -- --
-- Redemption of units for common shares
.... -- -- 52,087 -- Accretion of
issuance expenses on preferred shares
.... -- -- 958
-- Common shares issued in connection with
dividend reinvestment plan
.... -- -- 1,297 -- Change in
unrealized net loss on securities available
for sale .... 18,178 -- 18,178
18,178 Deferred compensation shares earned but
not yet delivered
.... -- 38,253
38,253 -- Pension obligations
.... (732) --
(732) (732) ----------- ----------- ----------
- ----------- BALANCE, DECEMBER 31, 2001
.... $ (2,980) $
33,549 $ 2,570,372 $ 281,184 ===========
=========== =========== ===========

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DISTRIBUTIONS PREFERRED COMMON ADDITIONAL IN
EXCESS OF SHARES SHARES CAPITAL NET INCOME --
--------- ---------- ---------- -----------
-- (Amounts in thousands, except per share
amounts) BALANCE, DECEMBER 31, 2001
.... $ 468,977 $
3,961 $ 2,162,512 $ (95,647) Net Income
....
-- -- -- 232,903 Dividends paid on Preferred
Shares Series A Preferred Shares ($3.25 per
share) .... --
-- -- (6,167) Series B Preferred Shares
($2.125 per share)
.... -- -- --
(7,225) Series C Preferred Shares ($2.125 per
share) .... --
-- -- (9,775) Net proceeds from issuance of
common shares
....
-- 56 56,397 -- Conversion of Series A
Preferred shares to common shares
.... (203,489) 225
203,264 -- Deferred compensation shares
earned but not yet delivered
.... -- 2
2,627 -- Dividends paid on common shares
($2.97 per share, including $.31 for 2001)
.... -
- -- -- (314,419) Reversal of dividends
payable on common shares in 2001 ($.31 per
share) .... -- -- -- 30,701
Common shares issued under employees' share
plan .... -- 36
24,349 -- Redemption of units for common
shares .... -- 38 30,380 --
Common shares issued in connection with
dividend reinvestment plan
.... -- 2 1,885 -- Change in
unrealized net loss on securities available
for sale .... -- -- -- --
Other non-cash changes, primarily pension
obligations ....
-- -- -- -- ---------- ---------- ---------
-- ----------- BALANCE, DECEMBER 31, 2002
.... $ 265,488 $
4,320 $ 2,481,414 $ (169,629) ===========
========== ========== ===========
ACCUMULATED OTHER COMPREHENSIVE SHAREHOLDERS'
COMPREHENSIVE LOSS OTHER EQUITY INCOME ------
------- ---------- ------------- -----------
-- BALANCE, DECEMBER 31, 2001
.... $ (2,980) $
33,549 $ 2,570,372 $ 281,184 =========== Net
Income

....
-- -- 232,903 $ 232,903 Dividends paid on Preferred Shares Series A Preferred Shares ($3.25 per share)
.... -- --
(6,167) -- Series B Preferred Shares ($2.125 per share) ....
-- -- (7,225) -- Series C Preferred Shares ($2.125 per share)
.... -- --
(9,775) -- Net proceeds from issuance of common shares
....
-- -- 56,453 -- Conversion of Series A Preferred shares to common shares
.... -- -- -- --
Deferred compensation shares
.... -- 25,778 28,407 -- Dividends paid on common shares ($2.97 per share, including $.31 for 2001)
.... -- -- (314,419) -- Reversal of dividends payable on common shares in 2001 ($.31 per share) .... -- -- 30,701 --
Common shares issued under employees' share plan .... -- --
24,385 -- Redemption of units for common shares .... -- -- 30,418 --
Common shares issued in connection with dividend reinvestment plan
.... -- -- 1,887 -- Change in unrealized net loss on securities available for sale ....
(8,936) -- (8,936) (8,936) Other non-cash changes, primarily pension obligations
.... (1,648) --
(1,648) (1,648) ----------- ----------- -----
------ ----------- BALANCE, DECEMBER 31, 2002
.... $ (13,564) $
59,327 $ 2,627,356 $ 222,319 ===========
=========== =========== ===========

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, -------------------------------
------------ 2002 2001 2000 ------------ ------------ --
---------- (Amounts in thousands) CASH FLOWS FROM OPERATING ACTIVITIES: Net income
....
$ 232,903 $ 263,738 $ 233,991 Adjustments to reconcile net income to net cash provided by operating activities:
Cumulative effect of change in accounting principle
.... 30,129 4,110 -- Minority interest
.... 140,584
112,363 102,374 Amortization of officer's deferred compensation .... 27,500 -- -- Net loss on dispositions of wholly-owned and partially-owned assets other than real estate .... 17,471 8,070 --
Costs of acquisitions and development not consummated
.... 6,874 5,223 -- Gains on sale of real estate
.... -- (15,495) (10,965)
Depreciation and amortization (including debt issuance costs) .. 205,826 123,862 99,846 Straight-lining of rental income .... (36,478)
(27,230) (32,206) Amortization of below market leases, net .... (12,634) -- -- Equity in income of Alexander's ....
(29,653) (25,718) (17,363) Equity in income of partially-owned entities .... (44,458)
(80,612) (86,654) Changes in operating assets and liabilities .... (38,239) 19,374
(39,102) ------------ ----------- ------------ Net cash provided by operating activities
.... 499,825 387,685 249,921 -
----------- ------------ ------------ CASH FLOWS FROM INVESTING ACTIVITIES: Development costs and construction in progress .... (63,619) (145,817)
(35,701) Acquisitions of real estate and other

.... (23,665) (11,574) (199,860) Additions to real estate .... (96,018) (67,090) (136,081) Investments in partially-owned entities .... (100,882) (109,332) (99,974) Proceeds from sale of real estate .... -- 162,045 47,945 Investments in notes and mortgage loans receivable .... (56,935) (83,879) (144,225) Repayment of notes and mortgage loans receivable .... 124,500 64,206 5,222 Cash restricted, primarily mortgage escrows .... (21,471) 9,896 (183,788) Distributions from partially-owned entities .... 126,077 114,218 68,799 Real estate deposits .... -- -- 4,819 Purchases of marketable securities .... -- (14,325) (26,531) Proceeds from sale or maturity of securities available for sale .... 87,896 1,930 -- ------------ ------------ ------------ Net cash used in investing activities .... (24,117) (79,722) (699,375) ------------ ------------ ------------ CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from borrowings .... 628,335 554,115 1,195,108 Repayments of borrowings .... (731,238) (835,257) (633,655) Costs of refinancing debt .... (3,970) (3,394) (18,445) Redemption of perpetual preferred units .... (25,000) -- -- Proceeds from issuance of preferred units .... -- 52,673 204,750 Proceeds from issuance of common shares .... 56,453 377,193 -- Dividends paid on common shares .... (314,419) (201,813) (168,688) Dividends paid on preferred shares .... (23,167) (35,547) (35,815) Distributions to minority partners .... (146,358) (98,594) (80,397) Exercise of share options .... 26,272 11,256 10,955 ------------ ------------ ------------ Net cash (used in) provided by financing activities .... (533,092) (179,368) 473,813 ------------ ------------ ------------ Net increase (decrease) in cash and cash equivalents .... (57,384) 128,595 24,359 Cash and cash equivalents at beginning of year .... 265,584 136,989 112,630 ------------ ------------ ------------ Cash and cash equivalents at end of year .... $ 208,200 $ 265,584 $ 136,989 ============ ============ ============ Supplemental Disclosure of Cash Flow Information: Cash payments for interest (including capitalized interest of $6,677, $12,171 and $12,269) .... $ 247,048 $ 171,166 $ 165,325 ============ ============ ============ NON-CASH TRANSACTIONS: Financing assumed in acquisitions .... $ 1,596,903 $ -- $ 46,640 Class A units issued in connection with acquisitions .... 625,234 18,798 9,192 Unrealized (loss) gain on securities available for sale .... 860 9,495 (18,399) (Appreciation) depreciation of securities held in officer's deferred compensation trust .... -- (3,023) (579)

See notes to consolidated financial statements.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., ("the Operating Partnership"). Vornado is the sole general partner of, and owned approximately 79% of the common limited partnership interest in, the Operating Partnership at February 3, 2003. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

The Company currently owns directly or indirectly:

OFFICE PROPERTIES ("OFFICE"):

(i) all or portions of 74 office properties aggregating approximately 27.7 million square feet in the New York City metropolitan area (primarily Manhattan) and in the Washington D.C. and Northern Virginia area;

RETAIL PROPERTIES ("RETAIL"):

(ii) 62 retail properties in six states and Puerto Rico aggregating approximately 12.5 million square feet, including 1.8 million square feet built by tenants on land leased from the Company;

MERCHANDISE MART PROPERTIES:

(iii) 8.6 million square feet of showroom and office space, including the 3.4 million square foot Merchandise Mart in Chicago;

TEMPERATURE CONTROLLED LOGISTICS:

(iv) a 60% interest in the Vornado Crescent Portland Partnership that owns 88 cold storage warehouses nationwide with an aggregate of approximately 441.5 million cubic feet of refrigerated space leased to AmeriCold Logistics;

OTHER REAL ESTATE INVESTMENTS:

(v) 33.1% of the outstanding common stock of Alexander's, Inc. ("Alexander's");

(vi) 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 .4 million square feet of retail and office space;

(vii) a 21.7% interest in The Newkirk Master Limited Partnership which owns office, retail and industrial properties net leased primarily to credit rated tenants, and various debt interests in such properties;

(viii) eight dry warehouse/industrial properties in New Jersey containing approximately 2.0 million square feet; and

(ix) other investments, including interests in other real estate, marketable securities and loans and notes receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as entities in which the Company has a 50% or greater interest, provided that the Company exercises direct or indirect control. All significant intercompany amounts have been eliminated. The Company considers the guidance in APB 18, SOP 78-9 and EITF 96-16 in determining whether it does or does not control joint ventures on a case-by-case basis, taking into account board representation, management representation and authority and the contractual and substantive participating rights of its partners/members. If 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 any real property assets, the hiring of a Chief Executive Officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of any new or additional financing secured by any assets of the joint venture, then the Company does not control the venture and therefore will not consolidate the entity, despite the fact that it may own 50% or more of the relevant entity. This is the case with respect to Temperature Controlled Logistics, Monmouth Mall, 400 North LaSalle, MartParc Orleans, MartParc Wells, 825 Seventh Avenue and Starwood Ceruzzi. If the Company is able to unilaterally make major decisions for the partially owned entity and owns an interest greater than 50%, the Company has control and therefore consolidates the entity. The Company accounts for investments under the equity method when the Company's ownership interest is more than 20% but less than 50% and the Company does not exercise direct or indirect control. When partially-owned investments are in partnership form, the 20% threshold may be reduced. For all other investments, the Company uses the cost method. Equity investments are recorded initially at cost and subsequently adjusted for the Company's share of the net income or loss and cash contributions and distributions to or from these entities.

Prior to January 1, 2001, the Company's equity interests in partially-owned entities also included investments in preferred stock affiliates (corporations in which the Company owned all of the preferred stock and none of the common equity). Ownership of the preferred stock entitled the Company to substantially all of the economic benefits in the preferred stock affiliates. On January 1, 2001, the Company acquired the common stock of the preferred stock affiliates, which was owned by the Officers and Trustees of the Company, and converted them to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated beginning January 1, 2001.

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.

RECLASSIFICATIONS: Certain prior year balances have been reclassified in order to conform to current year presentation.

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 $6,677,000, $12,171,000, and $12,269,000 for the years ended December 31, 2002, 2001, and 2000.

Upon acquisitions of real estate, the Company assesses the fair value of acquired assets (including land, buildings, tenant improvements, acquired above and below market leases and the origination cost of acquired in-place leases in accordance with SFAS No. 141) and acquired liabilities, and allocate 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 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.

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 does not include cash escrowed under loan agreements and cash restricted in connection with an officer's deferred compensation payable.

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 agreement. 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 has classified debt and equity securities which it intends to hold for an indefinite period of time (including warrants to acquire equity securities) as securities available for sale; equity securities it intends to buy and sell on a short term basis as trading securities; and 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 redeemable and 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 securities of non-publicly traded companies are reported at cost, as they are not considered marketable under SFAS No. 115.

At December 31, 2002 and 2001, marketable securities had an aggregate cost of $41,665,000 and $117,284,000 and an aggregate market value of $42,525,000 and $126,774,000 (of which $0 and $13,888,000 represents trading securities; $2,020,000 and $49,763,000 represents securities available for sale; and $40,505,000 and $63,123,000 represent securities held to maturity). Gross unrealized gains and losses were $860,000 and $0 at December 31, 2002, and $14,738,000 and $5,243,000 at December 31, 2001.

NOTES AND MORTGAGE LOANS RECEIVABLE: The Company's policy is to record mortgages and notes receivable at the stated principal amount less any discount or premiums. 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. Interest on impaired loans is recognized on a cash basis.

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: All financial instruments of the Company are reflected in the accompanying consolidated balance sheets at amounts which, in management's estimation, based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to fixed rate debt) are considered appropriate. The fair value of the Company's debt is approximately $178,566,000 in excess of the aggregate carrying amount at December 31, 2002. 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: Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (SFAS 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 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. The cumulative effect of implementing SFAS No. 133 on January 1, 2001, was $4,110,000.

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 (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. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the $500,000,000 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 (2.18% at December 31, 2002). These swaps were designated and effective as fair value hedges, with a fair value of $34,245,000 at December 31, 2002, which is included in Other Assets on the Company's balance sheet. Accounting for these swaps also requires the Company to recognize changes in the fair value of the debt during each reporting period. At December 31, 2002, the fair value adjustment of $34,245,000, based on the fair value of the swaps, is included in the balance of the Senior Unsecured Notes. Because the hedging relationship qualifies for the "short-cut" method, the hedge ineffectiveness on these fair value hedges was recognized during 2002.

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 free 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 SAB 101, 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 Reimbursement Income -- income 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 income is accrued in the same periods as the expenses are incurred. Contingent rents are not recognized until realized.

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 years ended December 31, 2002, 2001 and 2000, were characterized for Federal income tax purposes as ordinary 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. For the 2002 tax year, the total income tax is approximately $1,430,000.

The following table reconciles net income to estimated taxable income for the year ended December 31, 2002.

Net income applicable to common shares............................	$ 232,903,000
Depreciation and amortization.....................................	69,360,000
Straight-line rent adjustments....................................	(30,687,000)
Book to tax differences in earnings of partially-owned entities....	(21,958,000)
Amortization of officer's deferred compensation...................	22,916,000
Primestone impairment loss	15,071,000
Stock option expense..	(12,400,000)
Amortization of acquired below market leases, net of above market leases	10,528,000
Other...	(15,837,000)

Estimated taxable income...	$ 269,896,000

The net basis of the Company's assets and liabilities for tax purposes is approximately $2,822,000,000, lower than the amount reported for financial statement purposes.

At December 31, 2002, the Company had a capital loss carryover of approximately $73,000,000. The capital loss carryover is available to offset future capital gains that would otherwise be required to be distributed as dividends to shareholders.

AMOUNTS PER SHARE: Basic earnings per share is computed based on weighted average shares outstanding. Diluted earnings per share considers the effect of outstanding options, warrants and convertible or redeemable securities.

STOCK BASED COMPENSATION: In 2002 and prior years, the Company accounted for stock-based compensation 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 the quoted market price of the Company's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans. See Note 8 - Employees' Share Option Plan for details of the Company's outstanding employee share options and the related pro forma stock-based employee compensation cost. 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." The Company will adopt SFAS No. 123 prospectively by valuing and accounting for employee stock options granted in 2003 and thereafter. The Company will utilize a binomial valuation model and appropriate market assumptions to determine the value of each grant. Stock-based compensation expense will be recognized on a straight-line basis over the vesting period of the respective grants.

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, 2002, the Company has 250,927 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 $1,868,000 of stock-based compensation expense in 2002 for the portion of these shares that vested during the year.

RECENTLY ISSUED ACCOUNTING STANDARDS

SFAS No. 141 - BUSINESS COMBINATIONS requires companies to account for the value of leases acquired and the costs of acquiring such leases separately from the value of the real estate for all acquisitions subsequent to July 1, 2001. Accordingly, the Company has evaluated the leases in place for (i) the remaining 66% of CESCR it did not previously own which it acquired on January 1, 2002, (ii) the remaining 50% of the Las Catalinas Mall it did not previously own which it acquired on September 23, 2002 and (iii) a 50% interest in the Monmouth Mall which it acquired on October 10, 2002, to determine whether they were acquired at market, above market or below market. The Company's evaluations were based on (i) the differences between contractual rentals and the estimated market rents over the applicable lease term discounted back to the date of acquisition utilizing a discount rate adjusted for the credit risk associated with the respective tenants and (ii) the estimated cost of acquiring such leases giving effect to the Company's history of providing tenant improvements and paying leasing commissions.

As a result of its evaluations, as of December 31, 2002, the Company has recorded a deferred credit of $48,430,000 representing the value of acquired below market leases, deferred charges of $15,976,000 for the value of acquired above market leases and $3,621,000 for origination costs, of which the tenant improvements are included in buildings and improvements. In addition, in the year ended December 31, 2002 the Company has recognized property rentals of $12,634,000 for the amortization of below market leases net of above market leases and depreciation expense of $11,214,000 for the amortization of the lease origination costs and additional building depreciation resulting from the reallocation of the purchase price of the applicable properties.

SFAS NO. 142 - GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. SFAS No. 142 provides specific guidance for impairment testing of these assets and removes them from the scope of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS. The Company's goodwill balance on December 31, 2001 of $30,129,000 consisted of $14,639,000 related to the Hotel Pennsylvania acquisition and $15,490,000 related to the acquisition of the Temperature Controlled Logistics businesses.

Prior to January 1, 2002, the Company performed impairment testing in accordance with SFAS 121. The Company reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. Given the decrease in the estimated market values and the deteriorating performance of Hotel Pennsylvania and Temperature Controlled Logistics, the Company performed a review for recoverability estimating the future cash flows expected to result from the use of the assets and their eventual disposition. As of December 31, 2001, the sum of the expected cash flows (undiscounted and without interest charges) exceeded the carrying amounts of goodwill, and therefore no impairments were recognized.

Upon adoption of SFAS 142 on January 1, 2002, the Company tested the goodwill for impairment at the reporting level unit utilizing the prescribed two-step method. The first step compared the fair value of the reporting unit (determined based on a discounted cash flow approach) with its carrying amount. As the carrying amount of the reporting unit exceeded its fair value, the second step of the impairment test was performed to measure the impairment loss. The second step compared the implied fair value of goodwill with the carrying amount of the goodwill. As the carrying amounts of the goodwill exceed the fair values, on January 1, 2002 the Company wrote-off all of the goodwill of the Hotel and the Temperature Controlled Logistics businesses as an impairment loss totaling $30,129,000. The write-off has been reflected as a cumulative effect of change in accounting principle on the income statement. Earnings allocable to the minority interest have been reduced by their pro-rata share of the write-off of goodwill.

Previously reported "Income before gains on sale of real estate and cumulative effect of change in accounting principle" and "Net income applicable to common shares" for the year ended December 31, 2001 would have been approximately $972,000 higher, or $2.35 and $2.48 per share, if such goodwill was not amortized in the prior year.

SFAS NO. 143 - ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS AND SFAS NO. 144 - - ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

In August 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (effective January 1, 2003) and SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supersedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The adoption of these statements did not have a material effect on the Company's financial statements; however under SFAS No. 144, if the Company were to dispose of a material operating property, such property's results of operations will have to be separately disclosed as discontinued operations in the Company's financial statements.

SFAS NO. 145 - RESCISSION OF SFAS NO. 4, 44, AND 64, AMENDMENT OF SFAS NO. 13, AND TECHNICAL CORRECTIONS

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF SFAS NO. 4, 44, AND 64, AMENDMENT OF SFAS NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 requires, among other things, (i) that the modification of a lease that results in a change of the classification of the lease from capital to operating under the provisions of SFAS No. 13 be accounted for as a sale-leaseback transaction and (ii) the reporting of gains or losses from the early extinguishment of debt as extraordinary items only if they met the criteria of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS. The rescission of SFAS No. 4 is effective January 1, 2003. The amendment of SFAS No. 13 is effective for transactions occurring on or after May 15, 2002. The adoption of this statement did not have a material effect on the Company's financial statements.

SFAS NO. 146 - ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL

ACTIVITIES

In July 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES (effective January 1, 2003). SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company does not anticipate that the adoption of this statement will have a material effect on the Company's financial statements.

SFAS NO. 148 - ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE - AN AMENDMENT OF FASB STATEMENT NO. 123

On August 7, 2002, the Company announced that beginning January 1, 2003, it will expense the cost of employee stock options in accordance with SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. In December 2002, the FASB issued Statement No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123 to amend the transition and disclosure provisions of SFAS No. 123. Specifically, SFAS No. 123, as amended, would permit two additional transition methods for entities that adopt the fair value method of accounting for stock based employee compensation. The Company will adopt SFAS No. 123 prospectively by valuing and accounting for employee stock options granted in 2003 and thereafter. The Company will utilize a binomial valuation model and appropriate market assumptions to determine the value of each grant. Stock-based compensation expense will be recognized on a straight-line basis over the vesting period of the respective grants.

FASB INTERPRETATION NO. 45 - GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS

In November 2002, the FASB issued Interpretation No. 45 - GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS, which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company believes that the adoption of this interpretation will not have a material effect to the financial statements.

FASB INTERPRETATION NO. 46 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation No. 46 - CONSOLIDATION OF VARIABLE INTEREST ENTITIES, which requires the consolidation of an entity by an enterprise (i) if that enterprise, known as a "primary beneficiary", has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both and (ii) if the entity is a variable interest entity, as defined by Interpretation No. 46. An entity is a variable interest entity if (a) the total equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (b) the equity investors do not have the characteristics of a controlling financial interest in the entity. Interpretation No. 46 applies immediately to all variable interest entities created after January 31, 2003. For variable interest entities created by public companies before February 1, 2003, Interpretation No. 46 must be applied no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The initial determination of whether an entity is a variable interest entity shall be made as of the date at which a primary beneficiary becomes involved with the entity and reconsidered as of the date one of three triggering events described by Interpretation No. 46 occur. The Company does not believe that the adoption of this Interpretation will have a material effect on its financial statements.

3. ACQUISITIONS AND DISPOSITIONS

The Company completed approximately $1,834,600,000 of real estate acquisitions or investments in 2002 and $19,200,000 in 2001. These acquisitions were consummated through subsidiaries or preferred stock affiliates of the

Company. Acquisitions of business were recorded under the purchase method of accounting. Related net assets and results of operations have been included in these financial statements since their respective dates of acquisition. The pro forma effect of the individual acquisitions and in the aggregate other than Charles E. Smith Commercial Realty, 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:

CHARLES E. SMITH COMMERCIAL REALTY INVESTMENT ("CESCR")

On January 1, 2002, the Company completed the combination of Charles E. Smith Commercial Realty L.P. ("CESCR") with Vornado. CESCR has a dominant market position in the Washington, D.C. and Northern Virginia area, owning approximately 12.4 million square feet in 53 office properties as well as a highly competent management team. In the Company's opinion, the assets were acquired at below replacement cost and with below market leases. As a result of the combination the Company will be in position to capitalize on the favorable supply/demand characteristics of the Washington, D.C. office markets. Prior to the combination, Vornado owned a 34% interest in CESCR. The consideration for the remaining 66% of CESCR was approximately $1,600,000,000, consisting of 15.6 million newly issued Vornado Operating Partnership units and approximately $1 billion of debt (66% of CESCR's total debt). The purchase price paid by the Company was determined based on the weighted average closing price of the equity issued to CESCR unitholders for the period beginning two business days before and ending two business days after the date the acquisition was agreed to and announced on October 19, 2001. The Company also capitalized as part of the basis of the assets acquired approximately $32,000,000 for third party acquisition related costs, including advisory, legal and other professional fees that were contemplated at the time of the acquisition.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at January 1, 2002, the date of acquisition.

(Amounts in thousands)	
Land, buildings and improvements...	$1,681,000
Intangible deferred charges........	36,000
Working capital....................	41,000

Total Assets Acquired..............	1,758,000

Mortgages and notes payable........	1,023,000
Intangible deferred credit.........	62,000
Other liabilities..................	34,000

Total Liabilities Assumed..........	1,119,000

Net Assets Acquired................	$ 639,000
	==========

The Company's estimate of the weighted average useful life of acquired intangibles is approximately three years. This acquisition was recorded as a business combination under the purchase method of accounting. The purchase price was allocated to acquired assets and assumed liabilities using their relative fair values as of January 1, 2002 based on valuations and other studies. The operations of CESCR are consolidated into the accounts of the Company beginning January 1, 2002. Prior to this date the Company accounted for its 34% interest on the equity method.

The unaudited pro forma information set forth below presents the condensed consolidated statements of income for the Company for the year ended December 31, 2001 as if the following transactions had occurred on January 1, 2001, (i) the acquisition of CESCR described above and (ii) the Company's November 21, 2001 sale of 9,775,000 common shares and the use of proceeds to repay indebtedness.

Condensed Consolidated Statements of Income

(in thousands, except per share amounts)

For the Year Ended December 31, Pro Forma	2002	2001
Revenues	$ 1,435,070	$ 1,384,933
Income before gains on sale of real estate and cumulative effect of change in accounting principle	$ 263,032	$ 284,420
Gains on sale of real estate	--	15,495
Cumulative effect of change in accounting principle	(30,129)	(4,110)
Net income	232,903	295,805
Preferred share dividends	(23,167)	(36,505)
Net income applicable to common shares	$ 209,736	$ 259,300
Net income per common share - basic	$ 1.98	$ 2.62
Net income per common share - diluted	$ 1.91	$ 2.55

CRYSTAL GATEWAY ONE

On July 1, 2002, the Company acquired a 360,000 square foot office building from a limited partnership, which is approximately 50% owned by Mr. Robert H. Smith and Mr. Robert P. Kogod and members of the Smith and Kogod families, trustees of the Company, in exchange for approximately 325,700 newly issued Vornado Operating Partnership units (valued at $13,679,000) and the assumption of $58,500,000 of debt. The building is located in the Crystal City complex in Arlington, Virginia where the Company already owns 24 office buildings containing over 6.9 million square feet, which it acquired on January 1, 2002, in connection with the Company's acquisition of CESCR. The operations of Crystal Gateway One are consolidated into the accounts of the Company from the date of acquisition.

BUILDING MAINTENANCE SERVICE COMPANY

On January 1, 2003, the Company acquired the Building Maintenance Service Company for $13,000,000 in cash, which provides cleaning and related services and security services to office properties, including the Company's Manhattan office properties. This company was previously owned by the estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, one of the Company's executive officers. This acquisition was recorded as a business combination under the purchase method of accounting.

RETAIL:

LAS CATALINAS MALL

On September 23, 2002, the Company increased its interest in the Las Catalinas Mall located in Caguas, Puerto Rico (San Juan area) to 100% by acquiring the 50% of the mall and 25% of the Kmart anchor store it did not already own. The purchase price was $48,000,000, of which $16,000,000 was paid in cash and $32,000,000 was debt assumed. The Las Catalinas Mall, which opened in 1997, contains 492,000 square feet, including a 123,000 square foot Kmart and a 138,000 square foot Sears owned by the tenant. Prior to September 23, 2002, the Company accounted for its investment on the equity method. Subsequent to this date the operations of Las Catalinas are consolidated into the accounts of the Company.

MONMOUTH MALL

On October 10, 2002, a joint venture in which the Company has a 50% interest, acquired the Monmouth Mall, an enclosed super regional shopping center located in Eatontown, New Jersey containing approximately 1.5 million square feet, including four department stores, three of which aggregating 731,000 square feet are owned by the tenants. The purchase price was approximately $164,700,000, including transaction costs of $4,400,000. The Company made a $7,000,000 cash investment in the form of common equity to the venture and provided it with cash of $23,500,000 representing preferred equity yielding 14%. The venture financed the purchase of the Mall with $135,000,000 of floating rate debt at LIBOR plus 2.05%, with a LIBOR floor of 2.50% on $35,000,000, a three year term and two one-year extension options.

The Company accounts for its investment on the equity method.

OTHER:

CARTHAGE, MISSOURI AND KANSAS CITY, KANSAS QUARRIES

On December 31, 2002, the Company and Crescent Real Estate Equities formed a joint venture to acquire the Carthage, Missouri and Kansas City, Kansas quarries from AmeriCold Logistics, the Company's tenant at the cold storage warehouses (Temperature Controlled Logistics) facilities for $20,000,000 in cash (appraised value). The Company contributed cash of $8,800,000 to the joint venture representing its 44% interest. The Company accounts for its investment in the venture on the equity method.

DISPOSITIONS:

The following table sets forth the details of sales, dispositions, write-offs and other similar transactions for the years ended December 31, 2002, 2001 and 2000:

($ in thousands)	2002	2001	2000
WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS OTHER THAN DEPRECIABLE REAL ESTATE:			
WHOLLY-OWNED ASSETS:			
Gain on transfer of mortgages	$ 2,096	$ --	$ --
Net gain on sale of air rights	1,688	--	--
Gain on sale of Kinzie Park Condominium units	2,156	--	--
Net gain on sale of marketable securities	12,346	--	--
Primestone foreclosure and impairment losses	(35,757)	--	--
Write-off of investments in technology companies	--	(16,513)	--
PARTIALLY-OWNED ASSETS:			
After-tax net gain on sale of Park Laurel condominium units	--	15,657	--
Write-off of net investment in the Russian Tea Room ("RTR")	--	(7,374)	--
Other	--	160	--
Net loss on disposition of wholly-owned and partially-owned assets other than real estate	$ (17,471)	$ (8,070)	$ --
NET GAINS ON SALE OF REAL ESTATE			
Condemnation proceedings	$ --	$ 3,050	$ --
Sale of 570 Lexington Avenue	--	12,445	--
Sale of other real estate	--	--	10,965
Net gain on sale of real estate	$ --	$ 15,495	$ 10,965

GAIN ON TRANSFER OF MORTGAGES

In the year ended December 31, 2002, the Company recorded a net gain of approximately $2.1 million resulting from payments to the Company by third parties that assumed certain of the Company's mortgages. Under these transactions the Company paid to the third parties that assumed the Company's obligations the outstanding amounts due under the mortgages and the third parties paid the Company for the benefit of assuming the mortgages. The Company has been released by the creditors underlying these loans.

NET GAIN ON SALE OF AIR RIGHTS

The Company constructed a $16.3 million community facility and low-income residential housing development (the "30th Street Venture"), in order to receive 163,728 square feet of transferable development rights, generally referred to as "air rights". The Company donated the building to a charitable organization. The Company sold 106,796 square feet of these air rights to third parties at an average price of $120 per square foot. An additional 28,821 square feet of air rights was sold to Alexander's at a price of $120 per square foot for use at Alexander's 59th Street development project (the "59th Street Project"). In each case, the Company received cash in exchange for air rights. The Company identified third party buyers for the remaining 28,111 square feet of air rights of the 30th Street Venture. These third party buyers wanted to use the air rights for the development of two projects located in the general area of 86th Street which was not within the required geographical radius of the construction site nor in the same Community Board as the low-income housing and community facility project. The

30th Street Venture asked Alexander's to sell 28,111 square feet of the air rights it already owned to the third party buyers (who could use them) and the 30th Street Venture would replace them with 28,111 square feet of air rights. In October 2002, the Company sold 28,111 square feet of air rights to Alexander's for an aggregate sales price of $3,059,000 (an average of $109 per square foot). Alexander's then sold an equal amount of air rights to the third party buyers for an aggregate sales price of $3,339,000 (an average of $119 per square foot).

GAIN ON SALE OF KINZIE PARK CONDOMINIUM UNITS

The Company recognized a gain of $2,156,000 during 2002, from the sale of residential condominiums in Chicago, Illinois.

PRIMESTONE FORECLOSURE AND IMPAIRMENT LOSSES

On September 28, 2000, the Company made a $62,000,000 loan to Primestone Investment Partners, L.P. ("Primestone"). The Company received a 1% up-front fee and was entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The loan bore interest at 16% per annum. Primestone defaulted on the repayment of this loan on October 25, 2001. The loan was subordinate to $37,957,000 of other debt of the borrower that liened the Company's collateral. On October 31, 2001, the Company purchased the other debt for its face amount. The loans were secured by 7,944,893 partnership units in Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and the partnership units are exchangeable for the same number of common shares of PGE. The loans are also guaranteed by affiliates of Primestone.

On November 19, 2001, the Company sold, pursuant to a participation agreement with a subsidiary of Cadim inc., a Canadian pension fund, a 50% participation in both loans at par for approximately $50,000,000 reducing the Company's net investment in the loans at December 31, 2001 to $56,768,000 including unpaid interest and fees of $6,790,000. The participation did not meet the criteria for "sale accounting" under SFAS 140 because Cadim was not free to pledge or exchange the assets. Accordingly, the Company was required to account for this transaction as a borrowing secured by the loan, rather than as a sale of the loan by classifying the participation as an "Other Liability" and continuing to report the outstanding loan balance at 100% in "Notes and Mortgage Loans Receivable" on the balance sheet. Under the terms of the participation agreement, cash payments received shall be applied (i) first, to the reimbursement of reimbursable out-of-pocket costs and expenses incurred in connection with the servicing, administration or enforcement of the loans after November 19, 2001, and then to interest and fees owed to the Company through November 19, 2001, (ii) second, to the Company and Cadim, pro rata in proportion to the amount of interest and fees owed following November 19, 2001 and (iii) third, 50% to the Company and 50% to Cadim as recovery of principal.

On April 30, 2002, the Company and Cadim acquired the 7,944,893 partnership units at a foreclosure auction. The price paid for the units by application of a portion of Primestone's indebtedness to the Company and Cadim was $8.35 per unit, the April 30, 2002 closing price of shares of PGE on the New York Stock Exchange. On June 28, 2002, pursuant to the terms of the participation agreement, the Company transferred 3,972,447 of the partnership units to Cadim.

In the second quarter, in accordance with foreclosure accounting, the Company recorded a loss on the Primestone foreclosure of $17,671,000 calculated based on (i) the acquisition price of the units and (ii) its valuation of the amounts realizable under the guarantees by affiliates of Primestone, as compared with the net carrying amount of the investment at April 30, 2002. In the third quarter of 2002, the Company recorded a $2,229,000 write-down on its investment based on costs expended to realize the value of the guarantees. Further, in the fourth quarter of 2002, the Company recorded a $15,857,000 write-down of its investment in Prime Group consisting of (i) $14,857,000 to adjust the carrying amount of the Prime Group units to $4.61 per unit, the closing price of PGE shares on December 31, 2002 on the New York Stock Exchange and (ii) $1,000,000 for estimated costs to realize the value of the guarantees. The Company considered the decline in the value of the units which are convertible into stock to be other than temporary as of December 31, 2002, based on the fact that the market value of the units which are convertible into stock has been less than its cost for more than six months, the severity of the decline, market trends, the financial condition and near-term prospects of Prime Group and other relevant factors.

At December 31, 2002, the Company's carrying amount of the investment was $23,408,000, of which $18,313,000 represents the carrying amount of the 3,972,447 partnership units owned by the Company ($4.61 per unit), $6,100,000 represents the amount expected to be realized under the guarantees, offset by $1,005,000 representing the Company's share of Prime Group Realty's net loss through September 30, 2002 (see Note 4. Investments in and Advances to

Partially-Owned Entities). Prior to April 30, 2002, this investment was in the form of a loan and was included in Notes and Mortgage Loans Receivable on the balance sheet.

At February 3, 2003, the closing price of PGE shares on the New York Stock Exchange was $5.30 per share. The ultimate realization of the Company's investment will depend upon the future performance of the Chicago real estate market and the performance of PGE, as well as the ultimate realizable value of the net assets supporting the guarantees and the Company's ability to collect under the guarantees. In addition, the Company will continue to monitor this investment to determine whether additional write-downs are required based on (i) declines in value of the shares of PGE (for which the partnership units are exchangeable) which are "other than temporary" as used in accounting literature and (ii) the amount expected to be realized under the guarantees.

WRITE-OFF INVESTMENTS IN TECHNOLOGY COMPANIES

In the first quarter of 2001, the Company recorded a charge of $4,723,000 resulting from the write-off of an equity investment in a technology company. In the second quarter of 2001, the Company recorded an additional charge of $13,561,000 resulting from the write-off of all of its remaining equity investments in technology companies due to both the deterioration of the financial condition of these companies and the lack of acceptance by the market of certain of their products and services. In the fourth quarter of 2001, the Company recorded $1,481,000 of income resulting from the reversal of a deferred liability relating to the termination of an agreement permitting one of the technology companies access to its properties.

PARK LAUREL CONDOMINIUM PROJECT

In the third quarter of 2001, the Park Laurel joint venture (69% interest owned by the Company) completed the sale of 52 condominium units of the total 53 units and received proceeds of $139,548,000. The Company's share of the after tax net gain was $15,657,000. The Company's share of the after-tax net gain reflects $3,953,000 (net of tax benefit of $1,826,000) awards accrued under the venture's incentive compensation plan.

WRITE-OFF OF NET INVESTMENT IN RTR

In the third quarter of 2001, the Company wrote-off its entire net investment of $7,374,000 in RTR based on the operating losses and an assessment of the value of the real estate.

NET GAINS ON SALE OF REAL ESTATE:

On August 6, 2001, the Company sold its leasehold interest in 550/600 Mamaroneck Avenue for $22,500,000, which approximated book value.

In September 1998, Atlantic City condemned the Company's property. In the third quarter of 1998, the Company recorded a gain of $1,694,000, which reflected the condemnation award of $3,100,000, net of the carrying value of the property of $1,406,000. The Company appealed the amount and on June 27, 2001, was awarded an additional $3,050,000, which has been recorded as a gain in the quarter ended June 30, 2001.

On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for $60,000,000, resulting in a gain of $12,445,000.

During 2000, the Company sold (i) its three shopping centers located in Texas for $25,750,000, resulting in a gain of $2,560,000 and (ii) its Westport, Connecticut office property for $24,000,000, resulting in a gain of $8,405,000.

4. INVESTMENTS IN PARTIALLY-OWNED ENTITIES

The Company's investments in partially-owned entities and income recognized from such investments is disclosed below. Summarized financial data is provided for (i) investments in entities which exceed 10% of the Company's total assets and (ii) investments in which the Company's share of partially-owned entities pre-tax income exceeds 10% of the Company's net income.

BALANCE SHEET DATA:

($ in thousands)
COMPANY'S INVESTMENT
PERCENTAGE ----------

OWNERSHIP 2002 2001 -
---------- ------- --
---- INVESTMENTS:
Temperature
Controlled Logistics
.... 60%
$ 448,295 474,862
Charles E. Smith
Commercial Realty
L.P.(1) . 34% --(1)
347,263 Alexander's
....
33.1% 193,879 188,522
Newkirk Joint
Ventures (2)
.... 21.7%
182,465 191,534
Partially - Owned
Office Buildings (4)
...... 34% 29,421
23,346 Starwood
Ceruzzi Joint Venture
.... 80%
24,959 25,791
Monmouth Mall(3)
.... 50%
31,416 -- Park Laurel
.... 80%
3,481 (4,745)(5)
Prime Group Realty,
L.P. and other
guarantees ....
14.9% 23,408 -- Other
....
60,387 23,622 -------
---- ----------- $
997,711 1,270,195
===========
===========
($ in thousands) 100%
OF THESE ENTITIES ---

TOTAL ASSETS TOTAL
LIABILITIES TOTAL
EQUITY --------------
------------ --------
------------------ --

--- 2002 2001 2002
2001 2002 2001
INVESTMENTS:
Temperature
Controlled Logistics
.... $
1,347,382 1,379,212 $
584,510 610,727 $
731,240 $ 768,485
===========
===========
===========
===========
===========
=========== Charles
E. Smith Commercial
Realty L.P.(1) . (1)
1,308,297 (1)
1,503,057 (1) $
(307,584) ===========
===========
===========
===========
===========
Alexander's
.... $
664,770 583,339 $
596,247 538,258 $
68,665 $ 45,081
===========
===========

===========
===========
===========
=========== Newkirk Joint Ventures (2) .... $ 1,472,349 722,293 $ 1,322,719 879,840 $ 20,385 $ (157,547)
===========
===========
===========
===========
===========
=========== Partially - Owned Office Buildings (4) ...... Starwood Ceruzzi Joint Venture .... Monmouth Mall(3) .... Park Laurel .... Prime Group Realty, L.P. and other guarantees .... Other ....

----

(1) Vornado owned a 34% interest in CESCR in 2001. On January 1, 2002, the Company acquired the remaining 66% of CESCR. See Note 3 - "Acquisitions and Dispositions" for details of the acquisition.

(2) The Company's investment in and advances to Newkirk Joint Ventures is comprised of

	December 31, 2002	December 31, 2001
Investments in limited partnerships..	$ 134,200	$ 143,269
Mortgages and loans receivable.......	39,511	39,511
Other................................	8,754	8,754
	----------	----------
Total................................	182,465	191,534
	==========	==========

On January 2, 2002, the Newkirk Joint Ventures' partnership interests were merged into a master limited partnership (the "MLP") in which the Company has a 21.7% interest. In conjunction with the merger, the MLP completed a $225,000 mortgage financing collateralized by its properties, subject to the existing first and certain second mortgages on those properties. The loan bears interest at LIBOR plus 5.5% with a LIBOR floor of 3% (8.5% at February 3, 2003) and matures on January 31, 2005, with two one-year extension options. As a result of the financing on February 6, 2002, the MLP repaid approximately $28,200 of existing debt and distributed approximately $37,000 to the Company. In 2003, the Company expects to receive distributions of approximately $9,000 from the Newkirk MLP.

(3) On October 10, 2002, a joint venture in which the Company owns a 50% interest acquired the Monmouth Mall. See Note 3 - "Acquisitions and Dispositions" for further details.

(4) As at December 31, 2002, includes a 20% interest in a property which was part of the CESCR acquisition in January 2002.

(5) The credit balance at December 31, 2001, is a result of the accrual of awards under the ventures incentive compensation plan.

Below is a summary of the debt of partially owned entities as of December

31, 2002 and 2001, none of which is guaranteed by the Company. (Amounts in thousands)

	100% OF PARTIALLY-OWNED ENTITIES DEBT	
	DECEMBER 31, 2002	DECEMBER 31, 2001
Alexander's (33.1% interest) (see "Alexander's" on page 123 for further details):		
Term loan: Portion financed by the Company due on January 3, 2006 with interest at 12.48%	$ 95,000	$ 95,000
Portion financed by a bank, due March 15, 2003, with interest at LIBOR + 1.85% (repaid on July 3, 2002)	--	10,000
Line of Credit financed by the Company, due on January 3, 2006 with interest at 12.48% (prepayable without penalty)	24,000	24,000
Lexington Avenue construction loan payable, due on January 3, 2006, plus two one-year extensions, with interest at LIBOR plus 2.50% (3.88% at December 31, 2002)	55,500	--
Rego Park mortgage payable, due in June 2009, with interest at 7.25%	82,000	82,000
Kings Plaza Regional Shopping Center mortgage payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	219,308	221,831
Paramus mortgage payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Other notes and mortgages payable (repaid on July 3, 2002)	--	15,000
Temperature Controlled Logistics (60% interest): Mortgage notes payable collateralized by 58 temperature controlled warehouses, due in May 2008, requires amortization based on a 25 year term with interest at 6.94% (prepayable with yield maintenance)	537,716	563,782
Other notes and mortgages payable	37,789	38,748
Newkirk Joint Ventures (21.7% interest): Portion of first mortgages and contract rights, collateralized by the partnerships' real estate, due from 2002 to 2024, with a weighted average interest rate of 10.62% at December 31, 2002 (various prepayment rights)	1,432,438	1,336,989
Charles E. Smith Commercial Realty L.P. (34% interest in 2001): 29 mortgages payable	--	1,470,057
Prime Group Realty L.P. (14.9% interest) (1): 24 mortgages payable	868,374	--
Partially Owned Office Buildings: 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
Fairfax Square (20% interest) mortgage note payable due in August 2009, with interest at 7.50%	68,900	--
825 Seventh Avenue (50% interest) mortgage payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	23,295	23,552
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,961	--
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,860	--
Monmouth Mall (50% interest): Mortgage note payable, due in November 2005, with interest at LIBOR + 2.05% (3.49% at December 31, 2002)	135,000	--
Las Catalinas Mall (50% interest): Mortgage notes payable (2)	--	68,591
Russian Tea Room (50% interest) mortgages payable (3)	--	13,000

Based on the Company's ownership interest in the partially-owned entities above, the Company's share of the debt of these partially-owned entities was $1,048,108,000 and $1,319,535,000 as of December 31, 2002 and 2001.

- ---------------
(1) Balance as of September 30, 2002, as Prime Group's annual report on Form 10-K for the year ended December 31, 2002, has not been filed prior to the filing of this annual report on Form 10-K.
(2) The Company increased its interest in Las Catalinas to 100% on September 23, 2002. Accordingly, Las Catalinas is consolidated as of September 30, 2002.
(3) On November 18, 2002 the Russian Tea Room mortgage loans were repaid with proceeds from the sale of the property.

INCOME STATEMENT DATA:

COMPANY'S INCOME FROM PARTIALLY OWNED ENTITIES ----------------

------------------- 2002 2001
2000 --------- --------- ------
--- ($ in thousands)
Alexander's: Equity in income
(1) .... $ 7,556 $
8,465 $ 1,105 Interest income
(2) 10,401
11,899 11,948 Development and
guarantee fees (2) 6,915 -- --
Management and leasing fee
income (1)
....
4,781 5,354 4,310 --------- ---
------ --------- $ 29,653 $
25,718 $ 17,363 =========
========= ========= Temperature
Controlled Logistics: Equity in
net income (loss) ...... $
4,144 $ 12,093 $ 23,244
Management fees
.... 5,563 5,354
5,534 --------- --------- -----
---- 9,707 17,447 28,778 CESCR
(3)
.... --
28,653 25,724 Newkirk MLP:
Equity in income
.... 26,499 25,470
18,632 Interest and other
income 8,001 5,474 5,894
Partially-Owned Office
Buildings (4)
.... 1,966
4,093 2,832 Monmouth Mall
.... 1,022
-- -- Prime Group Realty LP (5)
.... (1,005) -- --
Other
....
(1,732) (525) 4,794 --------- -
-------- --------- $ 44,458 $
80,612 $ 86,654 =========
========= =========
100% OF THESE ENTITIES --------

- TOTAL REVENUES NET
INCOME(LOSS) ------------------
---------------- --------------
-------------------- 2002 2001
2000 2002 2001 2000 --------- -
-------- --------- --------- --
------- --------- ($ in
thousands) Alexander's: Equity
in income (1) .... $
76,193 $ 69,343 $ 63,965 $
23,584 $ 27,386 5,197 =========
========= ========= =========
========= ========= Interest
income (2) ....
Development and guarantee fees
(2) Management and leasing fee
income (1)
....
Temperature Controlled
Logistics: Equity in net income
(loss) ...... $ 117,663 $
126,957 $ 154,341 $ (20,231) $
16,647 37,284 =========
========= ========= =========
========= ========= Management
fees .... CESCR
(3)
....
(3) $ 382,502 $ 344,084 (3) $
82,713 76,707 =========
========= ========= =========
Newkirk MLP: Equity in income
.... $ 295,369 $
179,551 $ 121,860 $ 84,900
========= ========= =========
========= Interest and other
income ...... Partially-Owned
Office Buildings (4)
.... Monmouth
Mall ....

Prime Group Realty LP (5) .... Other ....

- ---------------
(1) Equity in income in 2002 includes the Company's $3,524 share of Alexander's gain on sale of its Third Avenue property. Equity in income in 2001 includes (i) the Company's $6,298 share of Alexander's gain on sale of its Fordham Road property, (ii) a charge of $1,684 representing the Company's share of abandoned development costs and (iii) $1,170 representing the Company's share of Alexander's gain on the early extinguishment of debt on its Fordham Road property. Management and leasing fee income include fees of $350 and $520 paid to the Company in 2002 and 2001 in connection with sales of real estate.
(2) Alexander's capitalizes the fees and interest charged by the Company. Because the Company owns 33.1% of Alexander's, the Company recognizes 66.9% of such amounts as income and the remainder is reflected as a reduction of the Company's carrying amount of the investment in Alexander's.
(3) The Company owned a 34% interest in CESCR. On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.
(4) Represents the Company's interests in 330 Madison Avenue (24.8%), 825 Seventh Avenue (50%) and 570 Lexington Avenue (50%). On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue for $60,000, resulting in a gain of $12,445 which is not included in income in the table above.
(5) Represents the Company's share of net loss for the period from April 30, 2002 (date of acquisition) to September 30, 2002, which includes (i) a loss of $357 from discontinued operations and (ii) a loss of $147 from the sale of real estate. The Company's share of equity in income or loss for the period from October 1, 2002 to December 31, 2002 will be recognized in earnings in the quarter ended March 31, 2003, as the investee has not released its earnings for the year ended December 31, 2002 prior to the filing of the Company's annual report on Form 10-K.

ALEXANDER'S

OWNERSHIP

The Company owns 1,655,000 common shares or 33.1% of the outstanding common stock of Alexander's at December 31, 2002. Alexander's is managed by and its properties are leased and developed by the Company pursuant to management, leasing and development agreements with one-year terms expiring in March of each year, which are automatically renewable. In conjunction with the closing of the Alexander's Lexington Avenue construction loan on July 3, 2002, these agreements were revised to cover the Alexander's Lexington Avenue property separately. Further, the Lexington Avenue management and development agreements were amended to provide for a term lasting until substantial completion of the development of the property, with automatic renewals, and for the payment of the development fee upon the earlier of January 3, 2006, or the payment in full of the construction loan encumbering the property. The Company is entitled to a development fee estimated to be approximately $26,300,000, based on 6% of construction costs, as defined, of which $7,667,000 has been recognized as income during the year ended December 31, 2002.

DEBT

At December 31, 2002, the Company had loans receivable from Alexander's of $119,000,000, including $24,000,000 drawn under the $50,000,000 line of credit the Company granted to Alexander's on August 1, 2000. The maturity date of the loan and the line of credit is the earlier of January 3, 2006 or the date the Alexander's Lexington Avenue construction loan is repaid. The interest rate on the loan and line of credit, which resets quarterly using the same spread to treasuries as presently exists with a 3% floor for treasuries, is 12.48% at December 31, 2002. The Company believes that although Alexander's has disclosed that it does not have positive cash flow sufficient to repay this loan to the Company currently, Alexander's will be able to repay the loan upon the successful development and permanent financing of its Lexington Avenue development project or through asset sales.

On July 3, 2002, Alexander's finalized a $490,000,000 loan with HVB Real Estate Capital (HYPO Vereinsbank) to finance the construction of its approximately 1.3 million square foot multi-use building at its 59th Street and Lexington Avenue location. The estimated construction costs in excess of the construction loan of approximately $140,000,000 will be provided by Alexander's. The loan has an interest rate of LIBOR plus 2.5% and a term of forty-two months plus two one-year extensions. Alexander's has received an initial funding of $55,500,000 under the loan of which $25,000,000 was used to repay existing loans and notes payable. Pursuant to this loan, Vornado has agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's (the "Completion Guarantee"). The $6,300,000 estimated fee payable by Alexander's to the Company for the Completion Guarantee is 1% of construction costs (as defined) and is payable at the same time that the development fee is payable. In addition, if the Company should advance any funds under the Completion Guarantee in excess of the $26,000,000 currently available under the secured line of credit, interest on those advances is at 15% per annum.

AGREEMENTS WITH ALEXANDER'S

Alexander's is managed by and its properties are leased by the Company, pursuant to agreements with a one-year term expiring in March of each year which are automatically renewable. The annual management fee payable to the Company by Alexander's is 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.

The leasing agreement provides for the Company to generally receive a fee of (i) 3% of sales proceeds and (ii) 3% of lease rent for the first ten years of a lease term, 2% of lease rent for the eleventh through the twentieth years of a lease term and 1% of lease rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. Such amount is receivable annually in an amount not to exceed $2,500,000 until the present value of such installments (calculated at a discount rate of 9% per annum) equals the amount that would have been paid at the time the transactions which gave rise to the commissions occurred. At December 31, 2002, $410,000 is due to the Company under this agreement.

ALEXANDER'S

OTHER

The Company constructed a $16.3 million community facility and low-income residential housing development (the "30th Street Venture"), in order to receive 163,728 square feet of transferable development rights, generally referred to as "air rights". The Company donated the building to a charitable organization. The Company sold 106,796 square feet of these air rights to third parties at an average price of $120 per square foot. An additional 28,821 square feet of air rights was sold to Alexander's at a price of $120 per square foot for use at Alexander's 59th Street development project (the "59th Street Project"). In each case, the Company received cash in exchange for air rights. The Company identified third party buyers for the remaining 28,111 square feet of air rights related to the 30th Street Venture. These third party buyers wanted to use the air rights for the development of two projects located in the general area of 86th Street which was not within the required geographical radius of the construction site nor in the same Community Board as the low-income housing and community facility project. The 30th Street Venture asked Alexander's to sell 28,111 square feet of the air rights it already owned to the third party buyers (who could use them) and the 30th Street Venture would replace them with 28,111 square feet of air rights. In October 2002, the Company sold 28,111 square feet of air rights to Alexander's for an aggregate sales price of $3,059,000 (an average of $109 per square foot). Alexander's then sold an equal amount of air rights to the third party buyers for an aggregate sales price of $3,339,000 (an average of $119 per square foot).

On October 5, 2001, Alexander's entered into a ground lease for its Paramus, N.J. property with IKEA Property, Inc. The lease has a 40-year term with an option to purchase at the end of the 20th year for $75,000,000. Further, Alexander's has obtained a $68,000,000 interest only, non-recourse mortgage loan on the property from a third party lender. The interest rate on the debt is 5.92% with interest payable monthly until maturity in October 2011. The triple net rent each year is the sum of $700,000 plus the amount of debt service on the mortgage loan. If the purchase option is not exercised at the end of the 20th year, the triple net rent for the last 20 years must include debt service sufficient to fully amortize the $68,000,000 over the remaining 20 year lease period.

On May 1, 2001 Alexander's entered into a lease agreement with Bloomberg L.P., for approximately 695,000 square feet of office space. The initial term of the lease is for 25 years, with one ten-year renewal option. Base annual net rent is $34,529,000 in each of the first four years and $38,533,000 in the fifth year with similar percentage increases each four years. There can be no assurance that this project ultimately will be completed, completed on time or completed for the budgeted amount. If the project is not completed on a timely basis, the lease may be cancelled and significant penalties may apply.

On August 30, 2002, Alexander's sold its Third Avenue property, located in the Bronx, New York, which resulted in a gain of $10,366,000. On January 12, 2001, Alexander's sold its Fordham Road property located in the Bronx, New York, for $25,500,000, which resulted in a gain of $19,026,000. In addition, Alexander's paid off the mortgage on its Fordham Road property at a discount, which resulted in a gain from early extinguishment of debt of $3,534,000 in the first quarter of 2001.

5. NOTES AND MORTGAGE LOANS RECEIVABLE

LOAN TO COMMONWEALTH ATLANTIC PROPERTIES ("CAPI")

On March 4, 1999 the Company made an additional $242,000,000 investment in Charles E. Smith Commercial Realty L.P. ("CESCR") by contributing to CESCR the land under certain CESCR office properties in Crystal City, Arlington, Virginia and partnership interests in certain CESCR subsidiaries. The Company acquired these assets from Commonwealth Atlantic Properties, Inc. ("CAPI"), an affiliate of Lazard Freres Real Estate Investors L.L.C., for $242,000,000, immediately prior to the contribution to CESCR. In addition, the Company acquired from CAPI for $8 million the land under a Marriott Hotel located in Crystal City. The Company paid the $250,000,000 purchase price to CAPI by issuing 4,998,000 of the Company's Series E-1 convertible preferred units. In connection with these transactions, the Company agreed to make a five-year $41,200,000 loan to CAPI with interest at 8%, increasing to 9% ratably over the term. The loan is secured by approximately 1.1 million of the Company's Series E-1 convertible preferred units issued to CAPI. Each Series E-1 convertible preferred unit is convertible into 1.1364 of the Company's common shares.

LOAN TO VORNADO OPERATING COMPANY ("VORNADO OPERATING")

At December 31, 2002, the amount outstanding under the revolving credit agreement with Vornado Operating was $21,989,000. Vornado Operating has disclosed that in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring and the sale and/or financing of assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility, which may be extended. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility. The Company has assessed the collectibility of this loan as of December 31, 2002 and determined that it is not impaired.

DEARBORN CENTER MEZZANINE CONSTRUCTION LOAN

As of December 31, 2002, $60,758,000 is outstanding under the Dearborn Center Mezzanine Construction Loan to a special purpose entity, of which $23,392,000 has been funded by the Company, representing a 38.5% interest. The special purpose entity's sole asset is Dearborn Center, a 1.5 million square foot high-rise office tower under construction in Chicago. The entity is owned by Prime Group Realty L.P. and another investor. The Company is a member of a loan syndicate led by a money center bank. The proceeds of the loan are being used to finance the construction, and are subordinate to a $225,000,000 first mortgage. The loan is due January 21, 2004, three years from the date of the initial draw, and provides for a 1-year extension at the borrower's option (assuming net operating income at a specified level and a cash reserve sufficient to fund interest for the extension period). The loan bears interest at 12% per annum plus additional interest upon repayment ranging from a minimum of 9.5% to 11.5%.

6. DEBT

Following is a summary of the Company's debt:

(Amounts in thousands)

INTEREST RATE BALANCE AS OF AS AT -----
-------------------------- MATURITY
DECEMBER 31, DECEMBER 31, DECEMBER 31,
2002 2002 2001 ----------- ------------
- ------------- ------------- Notes
and Mortgages Payable: Fixed Interest:
Office: NYC Office: Two Penn
Plaza......................... 03/04
7.08% $ 154,669 $ 157,697 888 Seventh
Avenue (1).................. 02/06
6.63% 105,000 105,000 Eleven Penn
Plaza...................... 05/07
8.39% 50,383 51,376 866 UN
Plaza........................... 04/04
7.79% 33,000 33,000 CESCR Office (2):
Crystal Park 1-
5........................ 07/06-08/13
6.66%-8.39% 264,441 (2) Crystal Gateway
1-4 Crystal Square 5.... 07/12-01/25
6.75%-7.09% 215,978 (2) Crystal Square
2, 3 and 4.............. 10/10-11/14
7.08%-7.14% 146,081 (2) Skyline
Place......................... 08/06-
12/09 6.6%-6.93 % 139,212 (2) 1101 17th
, 1140 Connecticut, 1730 M & 1150
17th........................... 08/10
6.74% 97,318 (2) Courthouse Plaza 1 and
2............... 01/08 7.05% 80,062
(2) Crystal Gateway N., Arlington Plaza
and 1919 S.
Eads......................... 11/07
6.77% 72,721 (2) Reston Executive I, II
& III........... 01/06 6.75% 73,844
(2) Crystal Plaza 1-
6...................... 10/04 6.65%
70,356 (2) One Skyline
Tower...................... 06/08
7.12% 65,764 (2) Crystal Malls 1-
4...................... 12/11 6.91%
65,877 (2) 1750 Pennsylvania
Avenue................ 06/12 7.26%
49,794 (2) One Democracy
Plaza.................... 02/05 6.75%
27,640 (2) Retail: Cross collateralized
mortgages payable on 42 shopping
centers.................. 03/10 7.93%
487,246 492,156 Green Acres
Mall....................... 02/08
6.75% 150,717 152,894 Montehiedra Town
Center................ 05/07 8.23%
59,638 60,359 Las Catalinas Mall
(3).................. 11/13 6.97%
67,692 -- Merchandise Mart: Market
Square Complex (4).............. 07/11
7.95% 48,213 49,702 Washington Design
Center (5)........... 10/11 6.95%
48,542 48,959 Washington Office
Center................ 02/04 6.80%
44,924 46,572
Other..................................
10/10-06/13 7.52%-7.71% 18,703 18,951
Other: Industrial Warehouses
(6).............. 10/11 6.95% 49,423
50,000 Student Housing
Complex................ 11/07 7.45%
19,019 19,243
Other..................................
08/21 9.90% 6,937 8,659 ------------- -
----------- Total Fixed Interest Notes
and Mortgages
Payable........................ 7.17%
2,713,194 1,294,568 ------------- -----

INTEREST RATE BALANCE AS OF AS AT -----
------------------------- SPREAD OVER
DECEMBER 31, DECEMBER 31, DECEMBER 31,
(Amounts in thousands) MATURITY LIBOR

2002 2002 2001 ---------- ----------- -
------------ ------------ ------------
- Notes and Mortgages Payable: Variable Interest: Office: NYC Office: One Penn Plaza (7)...................... 06/05 L+125 2.67% $ 275,000 $ 275,000 770 Broadway/595 Madison Avenue cross-collateralized mortgage (8)..... 04/03 L+40 1.78% 153,659 123,500 909 Third Avenue........................ 08/03 L+165 3.09% 105,837 105,253 Two Park Avenue (9).................... 03/03 L+145 -- -- 90,000 CESCR Office: Tyson Dulles Plaza...................... 06/03 L+130 2.72% 69,507 (2) Commerce Executive III, IV & V.......... 07/03 L+150 2.92% 53,307 (2) Merchandise Mart: Merchandise Mart (9).................... 10/02 L+150 -- -- 250,000 Furniture Plaza......................... 02/03 L+200 3.44% 48,290 43,524 33 North Dearborn Street................ 09/03 L+175 3.13% 18,926 19,000 350 North Orleans (9)................... 06/02 L+165 -- -- 70,000 Other.................................. 01/03 Prime-50 3.75% -- 294 Other: Palisades construction loan............. 02/04 L+185 3.17% 100,000 90,526 Hotel Pennsylvania...................... 10/02 L+160 -- -- 115,508 ------------ ------------ Total Variable Interest Notes and Mortgages Payable................ 3.07% 824,526 1,182,605 ------------ ------------ Total Notes and Mortgages Payable........... $ 3,537,720 $ 2,477,173 ============ ============ Senior unsecured debt due 2007 at fair value ($34,245 in excess of accreted note balance) (9)............................ 06/07 L+77 2.15% $ 533,600 $ -- ============ ============ Unsecured revolving credit facility......... 07/03 L+90 -- $ -- $ -- ============ ============

- ---------------
(1) On January 11, 2001, the Company completed a $105,000 refinancing of its 888 Seventh Avenue office building. The loan bears interest at a fixed rate of 6.63% and matures on February 1, 2006. A portion of the proceeds received was used to repay the then existing mortgage of $55,000.
(2) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Prior to January 1, 2002, the Company's share of CESCR's debt was included in Investments in and Advances to Partially-Owned Entities. In connection with the acquisition, CESCR's fixed rate debt of $1,282,780 was fair valued at $1,317,428 under purchase accounting.
(3) On September 23, 2002, the Company acquired the 50% of the Mall and the 25% of Kmart's anchor store it did not already own. Prior to this date, the Company accounted for its investment on the equity method and the Company's share of the debt was included in Investments in and Advances to Partially-Owned Entities.
(4) On July 11, 2001, the Company completed a $50,000 refinancing of its Market Square Complex. The loan bears interest at a fixed rate of 7.95% per annum and matures in July 2011. The proceeds received were used to repay the then existing mortgage of $49,000.
(5) On October 16, 2001, the Company completed a $49,000 refinancing of its Washington Design Center property. The loan bears interest at a fixed rate of 6.95% and matures on October 16, 2011. A portion of the proceeds received was used to repay the then existing mortgage of $23,000.
(6) On September 20, 2001, the Company completed a $50,000 mortgage financing, cross collateralized by its eight industrial warehouse properties. The loan bears interest at a fixed rate of 6.95% per annum and matures on October 1, 2011.
(7) On June 21, 2002, one of the lenders purchased the other participant's interest in the loan. At the same time, the loan was extended for one year, with certain modifications including, (i) making the risk of a loss due to terrorism (as defined) not covered by insurance recourse to the Company and (ii) the granting of two 1-year renewal options to the Company.
(8) On April 1, 2002, the Company increased its mortgage financing cross collateralized by its 770 Broadway/595 Madison Avenue properties by $115,000. On July 15, 2002, the Company repaid $84,841 with proceeds received from a third party which resulted in a gain on transfer of

mortgages of $2,096. The proceeds of the loan are in a restricted mortgage escrow account which bears interest at the same rate as the loan, and at December 31, 2002 totals $153,659.

(9) On June 24, 2002, the Company completed an offering of $500,000 aggregate principal amount of 5.625% senior unsecured notes due June 15, 2007. Interest on the notes is payable semi-annually on June 15th and December 15th, commencing December 15, 2002. The notes were priced at 99.856% of their face amount to yield 5.659%. The net proceeds of approximately $496,300 were used to repay the mortgage payable on 350 North Orleans, Two Park Avenue, the Merchandise Mart and Seven Skyline. 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 (2.15% if set on December 31, 2002). As a result of the hedge accounting for the interest rate swap on the Company's senior unsecured debt, the Company recorded a fair value adjustment of $34,245, as of December 31, 2002 which is equal to the fair value of the interest rate swap asset.

The net carrying amount of properties collateralizing the notes and mortgages amounted to $4,938,012,000 at December 31, 2002. As at December 31, 2002, the principal repayments for the next five years and thereafter are as follows:

($ in thousands)

YEAR ENDING DECEMBER 31,	AMOUNT
2003	$ 449,526(1)
2004	402,949
2005	302,640
2006	261,385
2007	822,536
Thereafter	1,832,284

----

(1) Includes $153,659 which is offset by an equivalent amount of cash held in a restricted mortgage escrow account.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its revolving credit agreement and its senior unsecured notes due 2007, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. The Company has received correspondence from four lenders regarding terrorism insurance coverage, to which the Company has responded. In these letters the lenders took the position that under the agreements governing the loans provided by these lenders the Company was required to maintain terrorism insurance on the properties securing the various loans. The aggregate amount of borrowings under these loans as of December 31, 2002 was approximately $770.4 million, and there was no additional borrowing capacity. Subsequently, the Company obtained an aggregate of $360 million of separate coverage for "terrorist acts". To date, one of the lenders has acknowledged to the Company that it will not raise any further questions based on the Company's terrorism insurance coverage in place, and the other three lenders have not raised any further questions regarding the Company's insurance coverage. If lenders insist on greater coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

7. SHAREHOLDERS' EQUITY

During the three years ended December 31, 2002, the Company sold 11,173,743 common shares. The following are the details of the sales.

SALE AND ISSUANCE OF COMMON SHARES

On February 25, 2002, the Company sold 1,398,743 common shares based on the closing price of $42.96 on the NYSE. The net proceeds to the Company were approximately $56,453,000.

On November 19, 2001, the Company sold 9,775,000 common shares pursuant to an effective registration statement based on the closing price of $40.58 on the NYSE. The net proceeds to the Company were approximately $377,200,000. In connection therewith the Company repaid the $285,000,000 then outstanding under its revolving credit facility.

$3.25 SERIES A 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 PREFERRED SHARES OF BENEFICIAL INTEREST

Holders of Series B Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 8.5% of the liquidation preference, or $2.125 per Series B Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series B 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. However, subject to certain limitations relating to the source of funds used in connection with any such redemption, on or after March 17, 2004 (or sooner under limited circumstances), the Company, at its option, may redeem Series B Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series B Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

SERIES C PREFERRED SHARES OF BENEFICIAL INTEREST

Holders of Series C Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 8.5% of the liquidation preference, or $2.125 per Series C Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series C 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. However, subject to certain limitations relating to the source of funds used in connection with any such redemption, on or after May 17, 2004 (or sooner under limited circumstances), the Company, at its option, may redeem Series C Preferred Shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series C Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

8. EMPLOYEES' SHARE OPTION PLAN

The Company grants various officers and employees incentive share options and non-qualified options to purchase common shares. Options granted are at prices equal to 100% of the market price of the Company's shares at the date of grant. Shares vest on a graduated basis, becoming fully vested 36 months after grant. All options expire ten years after grant.

The Plan also provides for the award of Stock Appreciation Rights, Performance Shares and Restricted Stock, as defined. As of December 31, 2002, there were 250,927 restricted shares or rights to receive restricted shares outstanding, excluding 626,566 shares issued to the Company's President in connection with his employment agreement.

In 2002 and prior years, the Company accounted for stock-based compensation using the intrinsic value method. Accordingly, no stock-based compensation was recognized in the Company's financial statements for these years. If compensation cost for Plan awards had been determined based on fair value at the grant dates, net income and income per share would have been reduced to the pro-forma amounts below, for the years ended December 31, 2002, 2001, and 2000:

DECEMBER 31, ---
2002 2001 2000 --------- --------- --------- (Amounts in

thousands, except share and per share amounts) Net income applicable to common shares: As reported.. $ 209,736 $ 227,233 $ 195,301 Stock-based compensation cost, net of minority interest....... 8,092 10,606 14,465 --------- --------- --------- Pro-forma.. $ 201,644 $ 216,627 $ 180,836 ========= ========= ========= Net income per share applicable to common shares: Basic: As reported... $ 1.98 $ 2.55 $ 2.26 Pro-forma.. 1.90 2.43 2.09 Diluted: As reported... $ 1.91 $ 2.47 $ 2.20 Pro forma.. 1.84 2.35 2.04

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, 2002, 2001 and 2000.

DECEMBER 31, ------------------------------ 2002 2001 2000 --------- ----- ---- -------- Expected volatility.. 17% 17% 17% Expected life.. 5 years 5 years 5 years Risk-free interest rate.. 3.0% 4.38% 5.0% Expected dividend yield.. 6.0% 6.0% 6.0%

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

2002 2001 2000 ------------ ------------ ------------- ---------- --------------- -------- WEIGHTED- WEIGHTED- WEIGHTED- AVERAGE AVERAGE AVERAGE EXERCISE EXERCISE EXERCISE SHARES PRICE SHARES PRICE SHARES PRICE ---------- ---------- ---------- ---------- ----- ----- --------- Outstanding at January 1 .... 15,453,100 $ 32.25 15,861,260 $ 32.25 11,472,352 $ 32.65 Granted .... 3,655,500 42.14 26,000 35.88 4,863,750 31.02 Exercised .... (114,181) 28.17 (314,965) 31.91 (377,440) 26.29 Cancelled .... (198,053) 39.64 (119,195) 34.12 (97,402) 34.86 ------ ----- ---------- ---------- -- -------- Outstanding at December 31 .... 18,796,366 34.60 15,453,100 32.25 15,861,260 32.26 =========== ========= ========== ========== ============ ======== Options exercisable at December 31 . 13,674,177 $ 33.00 11,334,124 7,272,878 =========== ========= ========== ============ Weighted-average fair value

of options granted during
the year ended December 31
(per option) . $ 3.06 $
3.46 $ 2.98 ===========
========== ===========

The following table summarizes information about options outstanding under the Plan at December 31, 2002:

OPTIONS
OUTSTANDING
OPTIONS
EXERCISABLE

-- ---------

NUMBER
WEIGHTED-
AVERAGE
NUMBER RANGE
OF
OUTSTANDING
AT REMAINING
WEIGHTED-
AVERAGE
EXERCISABLE
AT WEIGHTED-
AVERAGE
EXERCISE
PRICE
DECEMBER 31,
2002
CONTRACTUAL
LIFE
EXERCISE
PRICE
DECEMBER 31,
2002
EXERCISE
PRICE ------
-------- ---

-- ---------
------- ----

----- ------
---------- $
0 - $12
26,308 0.1
Years $
11.42 26,308
$ 11.42 $12
- $19 74,500
2.3 Years $
17.89 74,500
$ 17.89 $19
- $24
3,500,000
3.9 Years $
23.47
3,500,000 $
23.47 $24 -
$27 149,570
4.1 Years $
26.28
149,570 $
26.28 $27 -
$32
4,969,502
6.7 Years $
30.72

3,543,983 $
30.70 $32 -
$36
2,856,725
6.1 Years $
33.68
2,772,740 $
33.65 $36 -
$40 211,170
4.8 Years $
38.92
204,735 $
39.00 $40 -
$44
4,235,591
8.7 Years $
42.26
664,341 $
43.05 $44 -
$46
2,508,000
5.0 Years $
45.31
2,473,000 $
45.31 $46 -
$49 265,000
5.1 Years $
48.41
265,000 $
48.41 ------
----- ------
------- $ 0
- $49
18,796,366
6.2 Years $
34.60
13,674,177 $
33.00
===========
=============

Shares available for future grant under the Plan at December 31, 2002 were 9,963,500 of which 2,500,000 are subject to shareholder approval.

9. RETIREMENT PLAN

In December 1997, benefits under the Company's Retirement Plan were frozen. Prior to December 31, 1997, the Company's qualified plan covered all full-time employees. The Plan provided annual pension benefits that were equal to 1% of the employee's annual compensation for each year of participation. The funding policy is in accordance with the minimum funding requirements of ERISA.

Pension expense includes the following components:

YEAR ENDED DECEMBER 31, ---------------------------
---------------- 2002 2001 2000 -------- -------- --
------ (Amounts in thousands, except percentages)
Interest cost on projected benefit
obligation................ $ 587 $ 565 $ 567
Expected return on
assets.................................... (235)
(412) (374) Net amortization and
deferral................................ (56) 32 30
------- ------- ------- Net pension
expense... $
296 $ 185 $ 223 ======= ======= ======= Assumptions
used in determining the net pension expense:
Discount
rate...
6.25% 7.25% 7.75% Rate of increase in compensation
levels...................... --* --* --* Expected
rate of return on
assets............................ 7.00% 7.00%
7.00%

* Not applicable, as benefits under the Plan were frozen in December 1997.

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

($ in thousands)

YEAR ENDED
DECEMBER 31,

2002 2001
2000 -------
-- ---------

CHANGE IN
BENEFIT
OBLIGATION
Benefit
obligation
at beginning
of year $
7,950 $
7,530 $
7,918
Interest
cost 587 565
567 Benefit
payments
(970) (793)
(637)
Experience
loss/(gain)
1,451 648
(318) ------
--- --------
- ---------
Benefit
obligation
at end of
year 9,018
7,950 7,530
--------- --
------- ----
----- CHANGE
IN PLAN
ASSETS Fair
value of
plan assets
at beginning
of year
6,056 5,732
5,284
Employer
contribution
667 821 698
Benefit
payments
(970) (793)
(637) Actual
return on
assets 235
295 387 ----
----- ------
--- --------
- Fair value
of plan
assets at
end of year
5,988 6,055
5,732 ------
--- --------
- ---------
Funded
status
(3,030)
(1,895)
(1,798)
Unrecognized
loss 3,517
2,011 1,279
--------- --
------- ----
----- NET
AMOUNT
RECOGNIZED $

	$ 487	$ 116	$ (519)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:			
Accrued benefit liability	$ (3,030)	$ (1,895)	$ (1,798)
Accumulated other comprehensive loss	3,517	2,011	1,279
NET AMOUNT RECOGNIZED	$ 487	$ 116	$ (519)

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

10. LEASES

AS LESSOR:

The Company leases space to tenants in office buildings and shopping centers 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, 2002, 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:

($ in thousands)

YEAR ENDING DECEMBER 31:	AMOUNT
2003	$ 1,078,251
2004	980,075
2005	856,829
2006	755,350
2007	679,393
Thereafter	3,427,665

These amounts do not include rentals based on tenants' sales. These percentage rents approximated $1,832,000, $2,157,000, and $4,825,000 for the years ended December 31, 2002, 2001, and 2000.

FORMER BRADLEES LOCATIONS

The Company previously leased 18 locations to Bradlees which closed all of its stores in February 2001. The Company has re-leased nine of the former Bradlees locations; three to Kohl's, two each to Lowe's and Haynes Furniture, and one each to Home Depot and Wal-Mart. Lowe's and Wal-Mart will construct their own stores, subject to the receipt of various governmental approvals and the relocation of existing tenants. In addition, the leases for four other former Bradlees locations were assigned by Bradlees to other retailers. Of the remaining five locations which are currently vacant, two of the leases are guaranteed and the rent is being paid by Stop & Shop, a wholly-owned subsidiary of KoninKlijke Ahold NV (formerly Royal Ahold NV), an international food retailer. Stop & Shop remains contingently liable for rent at a number of the former Bradlees locations for the term of the Bradlees leases.

Property rentals for the year ended December 31, 2002, include $5,000,000 of additional rent which was re-allocated to the former Bradlees locations in Marlton, Turnersville, Bensalem and Broomall and is payable by Stop & Shop, pursuant to the Master Agreement and Guaranty, dated May 1, 1992. This amount is in addition to all other rent guaranteed at the former Bradlees locations. On January 8, 2003, Stop & Shop filed a complaint with the United States District Court claiming the Company has no right to reallocate and therefore continue to collect the $5,000,000 of annual rent from Stop & Shop 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. The additional rent provision of the guaranty expires at the earliest in 2012. The Company intends to vigorously contest Stop & Shop's position.

In February 2003, KoninKlijke Ahold NV, parent of Stop & Shop, announced that it overstated its 2002 and 2001 earnings by at least $500 million and is under investigation by the U.S. Justice Department and Securities and Exchange Commission. The Company cannot predict what effect, if any, this situation involving KoninKlijke Ahold NV may have on Stop & Shop's ability to satisfy its obligation under the Bradlees guarantees and rent for existing Stop & Shop leases aggregating approximately $10,500,000 per annum.

Except for the U.S. Government, which accounted for 11.4% of the Company's revenue, none of the Company's other tenants represented more than 10% of total revenues for the year ended December 31, 2002.

AS LESSEE:

The Company is a tenant under operating leases for certain properties. These leases will expire principally during the next thirty years. Future minimum lease payments under operating leases at December 31, 2002, are as follows:

($ in thousands)

YEAR ENDING DECEMBER 31:	AMOUNT
2003	$ 15,347
2004	14,641
2005	14,644
2006	14,797
2007	14,762
Thereafter	954,980

Rent expense was $17,157,000, $15,433,000, and $15,248,000 for the years ended December 31, 2002, 2001, and 2000.

11. COMMITMENTS AND CONTINGENCIES

At December 31, 2002, the Company's $1,000,000,000 revolving credit facility had a zero balance, and the Company utilized $9,112,000 of availability under the facility for letters of credit and guarantees. In addition there were

$7,667,000 of other letters of credit outstanding.

In conjunction with the closing of Alexander's Lexington Avenue construction loan on July 3, 2002, the Company agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of all project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's (see note 4 - Investments in and Advances to Partially-Owned Entities).

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.

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 do not expressly exclude coverage for hostile acts, except for acts of war. Since September 11, 2001, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. The Company has generally been unable to obtain all risk insurance which includes coverage for terrorist acts for policies it has renewed since September 11, 2001, for each of its businesses. In 2002, the Company obtained $200,000,000 of separate coverage for terrorist acts for each of its New York City Office, Washington, D.C. Office, Retail and Merchandise Mart businesses and $60,000,000 for its Temperature Controlled Logistics business. Therefore, the Company is at risk for financial loss in excess of these limits for terrorist acts (as defined), which loss could be material.

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 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. In the second quarter of 2002, the Company received correspondence from four lenders regarding terrorism insurance coverage, which the Company has responded to. In these letters the lenders took the position that under the agreements governing the loans provided by these lenders the Company was required to maintain terrorism insurance on the properties securing the various loans. The aggregate amount of borrowings under these loans as of December 31, 2002 was approximately $770.4 million, and there was no additional borrowing capacity. Subsequently, the Company obtained an aggregate of $360 million of separate coverage for "terrorist acts". To date, one of the lenders has acknowledged to the Company that it will not raise any further questions based on the Company's terrorism insurance coverage in place, and the other three lenders have not raised any further questions regarding the Company's insurance coverage. If lenders insist on greater coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

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

There are various legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition, 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 $33,393,000 and $15,235,000 of cash invested in these agreements at December 31, 2002 and 2001.

12. RELATED PARTY TRANSACTIONS

LOAN AND COMPENSATION AGREEMENTS

On May 29, 2002, Mr. Roth replaced common shares of the Company securing the Company's outstanding loan to Mr. Roth with options to purchase common shares of the Company with a value of not less than two times the loan amount. As a result of the decline in the value of the options, Mr. Roth supplemented the collateral with cash and marketable securities.

At December 31, 2002, the loan due from Mr. Roth in accordance with his employment arrangement was $13,122,500 ($4,704,500 of which is shown as a reduction in shareholders' equity). The loan bears interest at 4.49 % per annum (based on the applicable Federal rate) and matures in January 2006. The Company also provided Mr. Roth with the right to draw up to $15,000,000 of additional loans on a revolving basis. Each additional loan will bear interest, payable quarterly, at the applicable Federal rate on the date the loan is made and will mature on the sixth anniversary of the loan.

At December 31, 2002, loans due from Mr. Fascitelli, in accordance with his employment agreement, aggregated $8,600,000. The loans which were scheduled to mature in 2003 have been extended to 2006 in connection with the extension of Mr. Fascitelli's employment agreement (discussed below), and bear interest, payable quarterly at a weighted average interest rate of 3.97% (based on the applicable Federal rate).

Pursuant to his 1996 employment agreement, Mr. Fascitelli became entitled to a deferred payment consisting of $5 million in cash and a convertible obligation payable November 30, 2001, at the Company's option, in either 919,540 Company common shares or the cash equivalent of their appreciated value, so long as such appreciated value is not less than $20 million. The Company delivered 919,540 shares to a rabbi trust upon execution of the 1996 employment agreement. The Company accounted for the stock compensation as a variable arrangement in accordance with Plan B of EITF No. 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" as the agreement permitted settlement in either cash or common shares. Following the guidance in EITF 97-14, the Company recorded changes in fair value of its compensation obligation with a corresponding increase in the liability "Officer's Deferred Compensation". Effective as of June 7, 2001, the payment date was deferred until November 30, 2004. Effective as of December 14, 2001, the payment to Mr. Fascitelli was converted into an obligation to deliver a fixed number of shares (919,540 shares) establishing a measurement date for the Company's stock compensation obligation; accordingly the Company ceased accounting for the Rabbi Trust under Plan B of the EITF and began Plan A accounting. Under Plan A, the accumulated liability representing the value of the shares on December 14, 2001, was reclassified as a component of Shareholders' Equity as "Deferred compensation shares earned but not yet delivered." In addition, future changes in the value of the shares are no longer recognized as additional compensation expense. The fair value of this obligation was $34,207,000 at December 31, 2002. The Company has reflected this liability as Deferred Compensation Shares Not Yet Delivered in the Shareholders' Equity section of the balance sheet. For the years ended December 31, 2001 and 2000, the Company recognized approximately $4,744,000 and $3,733,000 of compensation expense of which $2,612,000 and $1,968,000 represented the appreciation in value of the shares in each period and $2,132,000 and $1,765,000 represented dividends paid on the shares.

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 being 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 is being 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 January 1, 2006. The loan, which was funded on July 23, 2002, was made in conjunction with Mr. Macnow's June 2002 exercise of options to purchase 225,000 shares of the Company's common stock. The loan is collateralized by assets with a value of not less than two times the loan amount. As a result of the decline in the value of the options, Mr. Macnow supplemented the collateral with cash and marketable securities.

One other executive officer of the Company has a loan outstanding pursuant to an employment agreement totaling $1,500,000 at December 31, 2002. The loan matures in April 2005 and bears interest at the applicable Federal rate provided (4.5% at December 31, 2002).

TRANSACTIONS WITH AFFILIATES AND OFFICERS AND TRUSTEES OF THE COMPANY

ALEXANDER'S

The Company owns 33.1% of Alexander's. Mr. Roth and Mr. Fascitelli are Officers and Directors of Alexander's and the Company provides various services to Alexander's in accordance with management and leasing agreements. See Note 4 "Investments in Partially-Owned Entities" for further details.

The Company constructed a $16.3 million community facility and low-income residential housing development (the "30th Street Venture"), in order to receive 163,728 square feet of transferable development rights, generally referred to as "air rights". The Company donated the building to a charitable organization. The Company sold 106,796 square feet of these air rights to third parties at an average price of $120 per square foot. An additional 28,821 square feet of air rights was purchased by Alexander's at a price of $120 per square foot for use at Alexander's 59th Street development project (the "59th Street Project"). In each case, the Company received cash in exchange for air rights. The Company identified third party buyers for the remaining 28,111 square feet of air rights related to the 30th Street Venture. These third party buyers wanted to use the air rights for the development of two projects located in the general area of 86th Street which was not within the required geographical radius of the construction site nor in the same Community Board as the low-income housing and community facility project. The 30th Street Venture asked Alexander's to sell 28,111 square feet of the air rights it already owned to the third party buyers (who could use them) and the 30th Street Venture would replace them with 28,111 square feet of air rights. In October 2002, the Company sold 28,111 square feet of air rights to Alexander's for an aggregate purchase price of $3,059,000 (an average of $109 per square foot). Alexander's then sold an equal amount of air rights to the third party buyers for an aggregate purchase price of $3,339,000 (an average of $119 per square foot).

INTERSTATE PROPERTIES

The Company currently 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 base rent and percentage rent and certain other commissions. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. Although the management agreement was not negotiated at arm's length, the Company believes based upon comparable fees charged by other real estate companies, that its terms are fair to the Company. For the years ended December 31, 2002, 2001, and 2000, $1,450,000, $1,655,000, and $1,418,000 of management fees were earned by the Company pursuant to the management agreement.

BUILDING MAINTENANCE SERVICE COMPANY ("BMS")

On January 1, 2003, the Company acquired BMS, a company which provides cleaning and related services primarily to the Company's Manhattan office properties, for $13,000,000 in cash from the estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, an executive officer of the Company. The Company paid BMS $53,024,000, $51,280,000, and $47,493,000 for the years ended December 31, 2002, 2001 and 2000 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.

VORNADO OPERATING COMPANY

In October 1998, Vornado Operating Company ("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. The Company granted Vornado Operating a $75,000,000 unsecured revolving credit facility (the "Revolving Credit Agreement") which expires on December 31, 2004. Borrowings under the Revolving Credit Agreement bear interest at LIBOR plus 3%. The Company receives a commitment fee equal to 1% per annum on the average daily unused portion of the facility. No amortization is required to be paid under the Revolving Credit Agreement during its term. The Revolving Credit Agreement prohibits Vornado Operating from incurring indebtedness to third parties (other than certain purchase money debt and certain other exceptions) and prohibits Vornado Operating from paying dividends.

Vornado Operating has disclosed that in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring and the sale and/or financing of assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility, which may be extended. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility.

CARTHAGE, MISSOURI AND KANSAS CITY, KANSAS QUARRIES

On December 31, 2002, the Company and Crescent Real Estate Equities formed a joint venture to acquire the Carthage, Missouri and Kansas City, Kansas quarries from AmeriCold Logistics, the tenant of the Temperature Controlled Logistics facilities for $20,000,000 in cash. The Company contributed cash of $8,800,000 to the joint venture representing its 44% interest. AmeriCold Logistics used the proceeds from the sale to repay a portion of a loan to Vornado Operating. Vornado Operating then repaid $9,500,000 of the amount outstanding under the Company's Revolving Credit Facility. On December 31, 2002, the joint venture purchased $5,720,000 of trade receivables from AmeriCold Logistics at a 2% discount, of which the Company's share was $2,464,000.

OTHER

The Company owns preferred securities in Capital Trust, Inc. ("Capital Trust") totaling $29,212,000 at December 31, 2002. Mr. Roth, the Chairman and Chief Executive Officer of Vornado Realty Trust, is a member of the Board of Directors of Capital Trust.

On May 17, 2001, the Company sold its 50% interest in 570 Lexington Avenue to the other venture partner, an entity controlled by the late Bernard Mendik, a former trustee and executive officer of the Company, for $60,000,000, resulting in a gain to the Company of $12,445,000. The sale was initiated by the Company's partner and was based on a competitive bidding process handled by an independent broker. The Company believes that the terms of the sale were at arm's length and were fair to the Company.

During 2002 and 2001, the Company paid $147,000 and $136,000 for legal services to a firm in which one of the Company's trustees is a member.

On January 1, 2001, the Company acquired the common stock of various preferred stock affiliates which was owned by Officers and Trustees of the Company and converted them to taxable REIT subsidiaries. The total acquisition price was $5,155,000. The purchase price, which was the estimated fair value, was determined by both independent appraisal and by reference to the individuals' pro rata share of the earnings of the preferred stock affiliates during the three-year period that these investments were held.

In connection with the Park Laurel condominium project, in 2001 the joint venture accrued $5,779,000 of awards under the venture's incentive compensation plan.

13. MINORITY INTEREST

The minority interest represents limited partners', other than the Company, interests in the Operating Partnership and are comprised of:

Outstanding Units at Preferred
or ---------------------------
Per Unit Annual Conversion
December 31, December 31,
Liquidation Distribution Rate
Into Unit Series 2002 2001
Preference Rate Class A Units -
----------------- ------------
------------ ---------- ------
------ ------------- Common:
Class A
(1).......................
20,956,446 5,823,419 -- $ 2.72
N/A Convertible Preferred: 5.0%
B-1 Convertible Preferred....
899,566 899,566 $ 50.00 $ 2.50
.914 8.0% B-2 Convertible
Preferred.... 449,783 449,783 $
50.00 $ 4.00 .914 6.5% C-1
Convertible Preferred....

747,912 747,912 $ 50.00 $ 3.25
1.1431 6.5% E-1 Convertible
Preferred.... 4,998,000
4,998,000 $ 50.00 $ 3.25(3)
1.1364 9.00% F-1 Preferred
(4)........... 400,000 400,000
$ 25.00 $ 2.25 (5) Perpetual
Preferred: (6) 8.5% D-1
Cumulative Redeemable
Preferred............ 3,500,000
3,500,000 $ 25.00 $ 2.125 N/A
8.375% D-2 Cumulative
Redeemable
Preferred.......................
549,336 549,336 $ 50.00 $
4.1875 N/A 8.25% D-3 Cumulative
Redeemable
Preferred.......................
8,000,000 8,000,000 $ 25.00 $
2.0625 N/A 8.25% D-4 Cumulative
Redeemable
Preferred.......................
5,000,000 5,000,000 $ 25.00 $
2.0625 N/A 8.25% D-5 Cumulative
Redeemable
Preferred.......................
6,480,000 7,480,000 $ 25.00 $
2.0625 N/A 8.25% D-6 Cumulative
Redeemable
Preferred.......................
840,000 840,000 $ 25.00 $
2.0625 N/A 8.25% D-7 Cumulative
Redeemable
Preferred.......................
7,200,000 7,200,000 $ 25.00 $
2.0625 N/A 8.25% D-8 Cumulative
Redeemable
Preferred.......................
360,000 360,000 $ 25.00 $
2.0625 N/A 8.25% D-9 Cumulative
Redeemable
Preferred.......................
1,800,000 1,800,000 $ 25.00 $
2.0625 N/A

- ----------
(1) Class A units are redeemable at the option of the holder for common shares of beneficial interest in Vornado, on a one-for-one basis, or at the Company's option for cash.
(2) Class D units automatically converted into Class A units in the third quarter of 2001. Prior to the conversion, the Class D unitholders participated in distributions at an annual rate of $2.12, then pari passu with the Class A units.
(3) Increases to $3.38 in March 2006.
(4) Issued in connection with the acquisition of a leasehold interest at 715 Lexington Avenue. Redeemable at the Company's option beginning January 2012 for Class A units.
(5) Holders have the right to require the Company to redeem the outstanding F-1 units for cash equal to the Liquidation Preference of $25.00 per share.
(6) 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 December 1998 to September 2001).

14. INCOME PER SHARE

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

YEAR ENDED DECEMBER 31, ----------------------------------
------------ 2002 2001 2000 -------------- ----------- ----
-------- (Amounts in thousands, except per share amounts)
Numerator: Income before gains on sale of real estate and
cumulative effect of change in accounting
principle.................... $ 263,032 $ 252,353 $ 223,026
Gains on sale of real
estate................................. -- 15,495 10,965
Cumulative effect of change in accounting

principle...
(30,129) (4,110) -- -------------- ----------- ------------
Net
income...
232,903 263,738 233,991 Preferred stock
dividends.................................... (23,167)
(36,505) (38,690) -------------- ----------- ------------
Numerator for basic and diluted income per share -- net
income applicable to common shares................ $
209,736 $ 227,233 $ 195,301 ============== ===========
============ Denominator: Denominator for basic income per
share - weighted average
shares..
105,889 89,109 86,521 Effect of dilutive securities:
Employee stock options and restricted share
awards.......... 3,780 2,964 2,171 -------------- ---------
-- ------------ Denominator for diluted income per share --
adjusted weighted average shares and assumed
conversions.......................................
109,669 92,073 88,692 ============== ===========
============ INCOME PER COMMON SHARE -- BASIC: Income
before gains on sale of real estate and cumulative effect
of change in accounting principle................. $ 2.26
$ 2.42 $ 2.14 Gains on sale of real
estate............................... -- .17 .12
Cumulative effect of change in accounting
principle..
(.28) (.04) -- -------------- ----------- ------------ Net
income per common share................................ $
1.98 $ 2.55 $ 2.26 ============== =========== ============
INCOME PER COMMON SHARE -- DILUTED: Income before gains on
sale of real estate and cumulative effect of change in
accounting principle................. $ 2.18 $ 2.34 $ 2.08
Gains on sale of real
estate............................... -- .17 .12
Cumulative effect of change in accounting
principle..
(.27) (.04) -- -------------- ----------- ------------ Net
income per common share................................ $
1.91 $ 2.47 $ 2.20 ============== =========== ============

15. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following summary represents the results of operations for each quarter in 2002, 2001 and 2000:

NET INCOME NET INCOME PER APPLICABLE TO COMMON
SHARE(1) COMMON --------------------- REVENUE
SHARES BASIC DILUTED ---------- ------------- ---
----- ------- (Amounts in thousands, except share
amounts) 2002 March
31..
$ 348,905(2) $ 45,637(2) $ .43(2) $ .41(2) June
30..
355,763(2) 65,184(2) .60(2) .58(2) September
30..
363,571(2) 59,481(2) .54(2) .53(2) December
31...
366,831 39,434 .37 .36 2001 March
31..
$ 242,610 $ 46,836 $ .54 $ .52 June
30..
246,075 56,920 .65 .64 September
30..
250,265 67,876 .76 .74 December
31...
246,823 55,601 .59 .57 2000 March
31..
$ 195,279 $ 47,523 $ .55 $ .54 June
30..
198,745 47,281 .55 .53 September
30..
215,655 58,447 .68 .65 December
31...
216,293 42,050 .48 .47

----

(1) The total for the year may differ from the sum of the quarters as a result of weighting.
(2) Restated to include the effect of SFAS 141 - Business Combinations, for the amortization of above and below market leases acquired in 2002. The effect of restatement on each of the first three quarters on net income and net income per common share was $940 or $.02 per diluted share.

16. COSTS OF ACQUISITIONS AND DEVELOPMENT NOT CONSUMMATED

The Company has a 70% interest in a joint venture to develop an office tower over the Port Authority Bus Terminal in New York City. Current market conditions have resulted in the joint venture writing off $9,700,000 in 2002, representing all pre-development costs capitalized to date, of which the Company's share is $6,874,000.

In 2001, the Company was unable to reach a final agreement with the Port Authority of NY & NJ to conclude a net lease of the World Trade Center. Accordingly, the Company wrote-off costs of $5,223,000 primarily associated with the World Trade Center.

17. SEGMENT INFORMATION

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics. Prior to 2001, income from the Company's preferred stock affiliates ("PSAs") was included in income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its PSAs and converted these entities to taxable REIT subsidiaries. Accordingly, the Hotel portion of the Hotel Pennsylvania and the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the years ended December 31, 2000 have been reclassified to give effect to the consolidation of these entities as if consolidated as of January 1, 2000. In addition, the Company has revised Adjusted EBITDA as previously reported for the year ended December 31, 2001 and 2000 to include income from the early extinguishment of debt of $1,170,000 in 2001 and expense from the early extinguishment of debt of $1,125,000 in 2000 because such items are no longer treated as extraordinary items in accordance with Generally Accepted Accounting Principles.

($ in thousands)	December 31, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals..............................	$ 1,248,903	$ 867,938	$ 127,561	$ 195,899	$ --	$ 57,505
Expense reimbursements...............	159,978	89,890	51,750	14,754	--	3,584
Other income.........................	26,189	21,221	1,653	2,951	--	364
Total revenues.......................	1,435,070	979,049	180,964	213,604	--	61,453
Operating expenses...................	541,596	343,723	65,455	86,022	--	46,396
Depreciation and amortization........	205,826	146,746	15,507	26,716	--	16,857
General and administrative...........	98,458	34,346	5,036	20,382	--	38,694
Costs of acquisitions and development not consummated.......	6,874	--	--	--	--	6,874
Amortization of officers deferred compensation expense.............	27,500	--	--	--	--	27,500
Total expenses.......................						

880,254 524,815 85,998 133,120 --
136,321 ----------- ----------- ----
------ ---------- --------- -------
--- Operating
income..................... 554,816
454,234 94,966 80,484 -- (74,868)
Income applicable to
Alexander's..... 29,653 -- -- -- --
29,653 Income from partially-owned
entities.........................
44,458 1,966 (687) (339) 9,707
33,811 Interest and other investment
income...........................
31,685 6,472 323 507 -- 24,383
Interest and debt
expense............ (239,525)
(141,044) (56,643) (22,948) --
(18,890) Net gain on disposition of
wholly-owned and partially-owned
assets other than real
estate.................. (17,471) --
-- 2,156 -- (19,627) Minority
interest...................
(140,584) (119,910) (13,736)
(23,910) 2,093 14,879 ----------- --
--------- ---------- ---------- ----
------ ---------- Income before
gains on sale of real estate and
cumulative effect of change in
accounting
principle.........................
263,032 201,718 24,223 35,950 11,800
(10,659) Gains on sale of real
estate -- -- -- -- -- -- Cumulative
effect of change in accounting
principle.............. (30,129) --
-- -- (15,490) (14,639) -----------
----------- ---------- ---------- --
-------- ---------- Net
income...........................
232,903 201,718 24,223 35,950
(3,690) (25,298) Cumulative effect
of change in accounting
principle.............. 30,129 -- --
-- 15,490 14,639 Interest and debt
expense(3)......... 302,009 139,157
58,409 23,461 25,617 55,365
Depreciation and
amortization(3)..... 257,707 149,361
17,532 27,006 34,474 29,334 --------
--- ----------- ---------- ---------
- ---------- ----------
EBITDA..............................
822,748 490,236 100,164 86,417
71,891 74,040 Adjustments: Minority
interest................... 140,584
119,910 13,736 23,910 (2,093)
(14,879) Gains (losses) on sale of
real
estate(3).........................
(1,405) -- -- -- 2,026 (3,431)
Straight-lining of rents(3)
.... (29,837) (24,352) (1,863)
(1,772) -- (1,850) Amortization of
below market leases,
net....................... (12,634)
(12,469) (165) -- -- -- Other 1,549
-- 860 323 -- 366 ----------- ------
----- ---------- ---------- --------
-- ---------- Adjusted EBITDA(1) $
921,005 $ 573,325 $ 112,732 $
108,878 $ 71,824 $ 54,246
=========== ========== ==========
========== ========== ==========
6,822,268 5,012,626 Balance sheet
data: Real estate,
net.................... $ 6,833,323
$ 5,024,205 $ 575,085 $ 891,701 $ --
$ 342,856 Investments and advances
to partially-owned
entities.......... 997,711 29,421
56,375 42,497 448,295 421,123
Capital expenditures:
Acquisitions......................
2,739,746 2,664,468 89,448 -- -- --
Other............................

164,162 114,375 3,019 20,852 5,588
20,328

See notes on page 146

($ in thousands) December 31, 2002 --

------------- Temperature Merchandise
Controlled Total Office Retail Mart
Logistics Other(2) ----------- ------
----- ---------- ----------- --------
--- ----------
Rentals..............................
$ 841,999 $ 461,606 $ 121,023 $
197,668 $ -- $ 61,702 Expense
reimbursements................
133,114 67,470 49,436 13,801 -- 2,407
Other
income..........................
10,660 3,775 1,154 3,324 -- 2,407 ---
-------- ---------- --------- -----
----- ---------- ---------- Total
revenues........................
985,773 532,851 171,613 214,793 --
66,516 ----------- ---------- ------
---- ---------- ---------- ----------
Operating
expenses.................... 398,969
217,581 56,547 83,107 -- 41,734
Depreciation and
amortization......... 123,862 71,425
14,767 25,397 -- 12,273 General and
administrative........... 72,572
12,421 3,576 18,081 -- 38,494 Costs
of acquisitions and development not
consummated........ 5,223 -- -- -- --
5,223 ----------- ---------- -------
--- ---------- ---------- ----------
Total
expenses........................
600,626 301,427 74,890 126,585 --
97,724 ----------- ---------- ------
---- ---------- ---------- ----------
Operating
income...................... 385,147
231,424 96,723 88,208 -- (31,208
Income applicable to
Alexander's...... 25,718 -- -- -- --
25,718 Income from partially-owned
entities.. 80,612 32,746 1,914 149
17,447(4) 28,356 Interest and other
investment income.. 54,385 6,866 608
2,045 -- 44,866 Interest and debt
expense............ (173,076)
(54,667 (55,358) (33,354 -- (29,697)
Net loss disposition of wholly-owned
and partially-owned assets other than
real estate...... (8,070) -- -- 160 -
- (8,230) Minority
interest....................
(112,363) (55,932) (16,562) (15,650)
(10,968) (13,251) ----------- -------
---- ---------- ---------- ----------
---------- Income before gains on
sale of real estate and cumulative
effect of change in
accounting.............. 252,353
160,437 27,325 41,558 6,479 16,554
Gains on sales of real estate 15,495
12,445 3,050 -- -- -- Cumulative
effect of change in accounting
principle............... (4,110) -- -
- -- -- (4,110) ----------- ---------
-- ---------- ---------- ---------- -
--------- Net
income...........................
263,738 172,882 30,375 41,558 6,479

12,444 Cumulative effect of change in accounting principle............... 4,110 -- -- -- -- 4,110 Interest and debt expense(3).......... 266,784 92,410 57,915 33,354 26,459 56,646 Depreciation and amortization(3)...... 188,859 91,085 18,957 25,397 33,815 19,605 ----------- ----------- ---------- ---------- ---------- ---------- EBITDA................................ 723,491 356,377 107,247 100,309 66,753 92,805 Adjustments: Gains on sale of real estate(3)....... (21,793) (12,445) (3,050) -- -- (6,298) Minority interest..................... 112,363 55,932 16,562 15,650 10,968 13,251 Net gain on disposition of wholly-owned and partially-owned assets other than real estate...... (160) -- -- (160) -- -- Straight-lining of rents(3)........... (26,134) (20,064) 727 (4,997) -- (1,800) Other................................. (2,715) -- (2,337) -- 716 (1,094) ----------- ----------- ---------- ---------- ---------- ---------- Adjusted EBITDA(1).................... $ 785,052 $ 379,800 $ 119,149 $ 110,802 $ 78,437 $ 96,864 =========== =========== ========== ========== ========== ========== Balance sheet data: Real estate, net.................... $ 4,183,986 $ 2,446,534 $ 503,923 $ 911,067 $ -- $ 322,462 Investments and advances to partially-owned entities.......... 1,270,195 374,371 28,213 9,764 474,862 382,985 Capital expenditures: Acquisitions...................... 11,574 11,574 -- -- -- -- Other............................. 158,343 79,117 7,597 51,036 5,700 14,893

See notes on page 146

($ in thousands) December 31, 2002 2000 (after giving effect to consolidation of PSAs) -- Temperature Merchandise Controlled Total Office Retail Mart Logistics Other(2) ----------- ----------- ---------- ---------- ---------- ---------- Rentals............................... $ 788,469 $ 406,261 $ 129,902 $ 171,001 $ -- $ 81,305 Expense reimbursements................ 120,074 60,767 45,490 10,654 -- 3,163 Other income.......................... 17,608 5,499 2,395 4,661 -- 5,053 ----------- ----------- ---------- ---------- ---------- ---------- Total revenues........................ 926,151 472,527 177,787 186,316 -- 89,521 ----------- ----------- ---------- ---------- ---------- ---------- Operating expenses.................... 379,524 199,424 55,671 74,553 -- 49,876 Depreciation and amortization......... 108,109 58,074 17,464 21,984 -- 10,587 General and administrative............ 63,468 10,401 667 16,330 -- 36,070 ----------- ----------- ---------- ----------

---------- ---------- Total
expenses.........................
551,101 267,899 73,802 112,867 --
96,533 ----------- ---------- ------
---- ---------- ---------- ----------
Operating
income...................... 375,050
204,628 103,985 73,449 -- (7,012)
Income applicable to
Alexander's...... 17,363 -- -- -- --
17,363 Income from partially-owned
entities...........................
79,694 29,210 667 -- 28,778(4) 21,039
Interest and other investment
income............................
33,798 6,162 -- 2,346 -- 25,290
Interest and debt
expense............. (180,505)
(62,162) (54,305) (38,569) --
(25,469) Minority
interest....................
(102,374) (46,917) (16,550) (12,660)
(12,483) (13,764) ----------- -------
---- ---------- ---------- ----------
---------- Income before gains on
sale of real
estate.........................
223,026 130,921 33,797 24,566 16,295
17,447 Gains on sale of real
estate.......... 10,965 8,405 2,560 -
- -- -- ----------- ---------- -----
----- ---------- ---------- ---------
- Net
income.............................
233,991 139,326 36,357 24,566 16,295
17,447 Interest and debt
expense(3).......... 260,573 96,224
55,741 38,566 27,424 42,618
Depreciation and
amortization(3)...... 167,268 76,696
18,522 20,627 34,015 17,408 ---------
-- ----------- ---------- ----------
---------- ----------
EBITDA................................
661,832 312,246 110,620 83,759 77,734
77,473 Adjustments: Minority
interest..................... 102,374
46,917 16,550 12,660 12,483 13,764
Gains on sale of real
estate(3)....... (10,965) (8,405)
(2,560) -- -- -- Straight-lining of
rents(3)........... (30,001) (19,733)
(2,295) (5,919) (1,121) (933)
Other.................................
14,510 -- (1,654) 1,358 4,064(2)
10,742(5) ----------- ----------- ---
------- ---------- ---------- -------
--- Adjusted
EBITDA(1).................... $
737,750 $ 331,025 $ 120,661 $ 91,858
$ 93,160 $ 101,046 ===========
=========== ========== ==========
========== ========== Balance sheet
data: Real estate,
net.................... $ 3,960,605 $
2,388,393 $ 551,183 $ 862,003 $ -- $
159,026 Investments and advances to
partially-owned entities..........
1,459,211 394,089 31,660 41,670
469,613 522,179 Capital expenditures:
Acquisitions......................
246,500 128,000 -- 89,000 -- 29,500
Other.............................
212,907 106,689 7,251 37,362 28,582
33,023

See notes on following page.

NOTES:

(1) Adjusted EBITDA represents EBITDA adjusted for gains or losses on sales of depreciable real estate, the effect of straight-lining of rent escalations, amortization of acquired above and below market leases and minority interest. Management considers Adjusted EBITDA a supplemental measure for making decisions and assessing the performance of its segments. Adjusted EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. Adjusted EBITDA is presented as a measure of "operating performance" which enables the reader to identify trends from period to period and may be used to compare "same store" operating performance to other companies, as well as providing a measure for determining funds available to service debt. Adjusted EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Adjusted EBITDA - Other is comprised of:
(Amounts in thousands)

	For the Year Ended December 31,		
	2002	2001	2000
Hotel Pennsylvania	$ 7,636	$ 16,978	$ 26,866
Newkirk Joint Ventures: Equity in income of limited partnerships	60,756	54,695	43,685
Interest and other income	8,795	8,700	7,300
Alexander's	34,381	19,362	18,330
Investment income and other	31,261	44,097	34,990
Unallocated general and administrative expenses	(34,743)	(33,515)	(30,125)
Primestone foreclosure and impairment loss	(35,757)	--	--
Amortization of Officer's deferred compensation expense	(27,500)	--	--
Net gain on sale of marketable securities	12,346	--	--
Write-off of 20 Times Square pre-development costs (2002) and World Trade Center acquisition costs (2001)	(6,874)	(5,223)	--
Net gain on sale of air rights	1,688	--	--
Gain on transfer of mortgages	2,096	--	--
Palisades	161	--	--
After-tax net gain on sale of Park Laurel condominium units	--	15,657	--
Write-off of net investment in Russian Tea Room ("RTR")	--	(7,374)	--
Write-off of investments in technology companies	--	(16,513)	--
Total	$ 54,246	$ 96,864	$101,046

(3) Interest and debt expense, depreciation and amortization, straight-lining of rents and gains on sale of real estate included in the reconciliation of net income to EBITDA or Adjusted EBITDA reflects amounts which are netted in income from partially-owned entities.

(4) Excludes rent not recognized of $19,348, $15,281 and $9,787 for the years ended December 31, 2002, 2001 and 2000.

(5) Includes the reversal of $1,266 and $4,765 of expenses in 2001 and 2000 representing the non-cash appreciation in the value of shares held in a rabbi trust in connection with a deferred compensation arrangement for the Company's President.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to trustees of the Registrant 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, 2002, and such information is incorporated herein by reference. Information relating to Executive Officers of the Registrant appears at page 55 of this Annual Report on Form 10-K. Also incorporated herein by reference is the information under the caption ("Other Matters - 16(a) Beneficial Ownership") of the Proxy Statement.

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 captions "Executive Compensation" and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER 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, 2002, 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...............	18,796,366	$ 34.60	9,963,500(1)
Equity compensation awards not approved by security holders......	None(2)		
Total	18,796,366	$ 34.60	9,963,500

- ----------

(1) All of the shares remaining available for future issuance under plans approved by the security holders may be issued as restricted stock units or performance shares.

(2) 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

The Company has awarded deferred stock units under individual arrangements with two of its employees. Shareholder approval was not required for these awards under the current rules of the New York Stock Exchange because the awards were made as an inducement to these employees to enter into employment contracts with the Company.

The Company awarded Sandeep Mathrani 23,798 deferred stock units pursuant to an agreement dated as of March 4, 2002. Under this agreement, Mr. Mathrani's deferred stock units vest over a three-year period and he is entitled to dividend equivalent payments with regard to each vested unit. On March 4, 2005, Mr. Mathrani will receive one common share for each of his deferred stock units, subject to deferral at the election of Mr. Mathrani in accordance with the terms of the agreement.

The Company awarded Melvyn Blum 148,148 deferred stock units pursuant to an agreement dated as of December 29, 2000. Under this agreement, Mr. Blum's deferred stock units vest over a five-year period and he is entitled to dividend equivalent payments with regard to each vested unit. In addition, Mr. Blum's agreement requires the Company to provide an effective registration statement covering any common shares distributed to Mr. Blum. Pursuant to an amendment to this agreement dated as of February 13, 2003, the Company agreed to pay Mr. Blum an amount in cash equal to the market value of 88,889 common shares in respect of the deferred units that had vested under his agreement as of such date. The amendment also provides that Mr. Blum will receive one common share in respect of each remaining deferred stock unit on the vesting date of such unit, subject to deferral at the election of Mr. Blum in accordance with the terms of the agreement.

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. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of Vornado Realty Trust's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

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

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.

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.

10.32	Deferred Stock Agreement, dated December 29, 2000, between Vornado Realty Trust and Melvyn Blum
10.59	First Amended and Restated Promissory Note from Michael D. Fascitelli to Vornado Realty Trust, dated December 17, 2001
10.60	Promissory Note from Joseph Macnow to Vornado Realty Trust, dated July 23, 2002
10.61	Amendment to Employment Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003
10.62	Amendment No. 1 to Deferred Stock Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003

12 Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirement
21 Subsidiaries of the Registrant
23 Consent of Independent Auditors

(b)Reports on Form 8-K and Form 8-K/A - During the last quarter of the period covered by this Annual Report on Form 10-K the Company did not file any reports on Form 8-K.

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: March 7, 2003

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
Chairman of
the Board of
March 7, 2003

-- Trustees
(Principal
Executive
(Steven Roth)
Officer) By:
/s/ Michael
D. Fascitelli
President and
Trustee March
7, 2003 -----

(Michael D.
Fascitelli)
By: /s/
Robert P.
Kogod Trustee
March 7, 2003

-- (Robert P.
Kogod) By:
/s/ Joseph
Macnow
Executive
Vice
President -
March 7, 2003

-- Finance
and
Administration
and (Joseph
Macnow) Chief
Financial

Officer (Principal Financial and Accounting Officer) By: /s/ David Mandelbaum Trustee March 7, 2003 -- (David Mandelbaum) By: /s/ Stanley Simon Trustee March 7, 2003 -- (Stanley Simon) By: /s/ Robert H. Smith Trustee March 7, 2003 -- (Robert H. Smith) By: /s/ Ronald G. Targan Trustee March 7, 2003 -- (Ronald G. Targan) By: /s/ Richard R. West Trustee March 7, 2003 -- (Richard R. West)

By: /s/ Russell B. Wight, Jr. Trustee March 7, 2003

(Russell B. Wight, Jr.)

-150-

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 annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 7, 2003

/s/ Steven Roth

Steven Roth,
Chief Executive Officer

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 annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 7, 2003

/s/ Joseph Macnow

Joseph Macnow,
Chief Financial Officer

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C		COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED AGAINST OPERATIONS	UNCOLLECTIBLE ACCOUNTS WRITTEN-OFF	BALANCE AT END OF YEAR
YEAR ENDED DECEMBER 31, 2002 Allowance for doubtful accounts...........	$ 9,922	$ 11,634	$ (3,514)	$ 18,042
YEAR ENDED DECEMBER 31, 2001: Allowance for doubtful accounts...........	$ 9,343	$ 5,379	$ (5,891)	$ 8,831
YEAR ENDED DECEMBER 31, 2000: Allowance for doubtful accounts...........				

$ 7,292 $ 2,957 $
(906) $ 9,343
===========
===========
===========
===========

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSAND)

COLUMN A
COLUMN B
COLUMN C
COLUMN D --

INITIAL
COST TO
COMPANY (1)
COSTS -----

CAPITALIZED
SUBSEQUENT
BUILDINGS
AND TO
DESCRIPTION
ENCUMBRANCES
LAND
IMPROVEMENTS
ACQUISITION

- ---------
- ---------
---- ------

Office
Buildings
NEW YORK
Manhattan
One Penn
Plaza $
275,000 $ -
- $ 412,169
$ 78,273
Two Penn
Plaza
154,669
53,615
164,903
58,066 909
Third
Avenue
105,837 --
120,723
14,917 770
Broadway
83,314
52,898
95,686
74,295
Eleven Penn
Plaza
50,383
40,333
85,259
22,398 Two
Park Avenue

-- 43,609
69,715
6,139 90
Park Avenue
-- 8,000
175,890
13,938 888
Seventh
Avenue
105,000 --
117,269
32,614 330
West 34th
Street -- -
- 8,599
6,063 1740
Broadway --
26,971
102,890
9,044 150
East 58th
Street --
39,303
80,216
12,603 866
United
Nations
Plaza
33,000
32,196
37,534
7,032 595
Madison
(Fuller
Building)
70,345
62,731
62,888
7,441 640
Fifth
Avenue --
38,224
25,992
49,099 40
Fulton
Street --
15,732
26,388
3,235 689
Fifth
Avenue --
19,721
13,446
3,299 20
Broad
Street -- -
- 28,760
8,900 7
West 34th
Street --
34,595
93,703
1,018 -----
------- ---
------- ---

----- Total
New York
877,548
467,928
1,722,030
408,374 ---
--------- -
--------- -

- ---------

WASHINGTON,
DC Crystal
Mall (4
buildings)
$ 65,877 $
49,664 $
156,654 $
789 Crystal

Plaza (6
buildings)
70,356
57,213
131,206
2,612
Crystal
Square (4
buildings)
195,983
64,817
218,330
7,909
Crystal
Gateway (4
buildings)
149,839
47,594
177,373
3,079
Crystal
Park (5
buildings)
264,440
100,935
409,920
3,819
Arlington
Plaza
17,531
6,227
28,590 708
1919 S.
Eads Street
13,148
3,979
18,610 208
Skyline
Place (6
buildings)
139,212
41,986
221,869
5,281 Seven
Skyline
Place --
10,292
58,351
1,950 One
Skyline
Tower
65,764
12,266
75,343 142
Courthouse
Plaza (2
buildings)
80,062 --
105,475 376
1101 17th
Street
27,248
20,666
20,112
2,968 1730
M. Street
17,013
10,095
17,541
1,617 1140
Connecticut
Avenue
20,153
19,017
13,184
3,107 1150
17th Street
32,904
23,359
24,876
3,345 1750
Penn Avenue
49,794
20,020
30,032 857
Democracy

Plaza I
27,640 --
33,628 751
COLUMN A
COLUMN E
COLUMN F
COLUMN G
COLUMN H
COLUMN I --

GROSS
AMOUNT AT
WHICH LIFE
ON WHICH
CARRIED AT
CLOSE OF
PERIOD
DEPRECIATION

ACCUMULATED
IN LATEST
BUILDINGS
DEPRECIATION
INCOME AND
AND DATE OF
DATE
STATEMENT
DESCRIPTION
LAND
IMPROVEMENTS
TOTAL (2)
AMORTIZATION
CONSTRUCTION
(3)
ACQUIRED IS
COMPUTED --

- ---------
- ---------
--- -------
--------- -
------- ---

NEW YORK
Manhattan
One Penn
Plaza $ --
$ 490,442 $
490,442 $
58,634 1972
1998 39
Years Two
Penn Plaza
52,689
223,895
276,584
35,354 1968
1997 39
Years 909
Third
Avenue --
135,640
135,640
13,107 1969
1999 39
Years 770
Broadway
52,898
169,981

222,879
18,537 1907
1998 39
Years
Eleven Penn
Plaza
40,333
107,657
147,990
16,143 1923
1997 39
Years Two
Park Avenue
43,609
75,854
119,463
12,867 1928
1998 39
Years 90
Park Avenue
8,000
189,828
197,828
26,683 1964
1997 39
Years 888
Seventh
Avenue --
149,883
149,883
15,018 1980
1998 39
Years 330
West 34th
Street --
14,662
14,662
1,294 1925
1998 39
Years 1740
Broadway
26,971
111,934
138,905
17,138 1950
1997 39
Years 150
East 58th
Street
39,303
92,819
132,122
10,952 1969
1998 39
Years 866
United
Nations
Plaza
32,196
44,566
76,762
7,723 1966
1997 39
Years 595
Madison
(Fuller
Building)
62,731
70,329
133,060
5,400 1968
1999 39
Years 640
Fifth
Avenue
38,224
75,091
113,315
9,112 1950
1997 39
Years 40
Fulton
Street
15,732
29,623
45,355

4,019 1987
1998 39
Years 689
Fifth
Avenue
19,721
16,745
36,466
1,617 1925
1998 39
Years 20
Broad
Street --
37,660
37,660
3,650 1956
1998 39
Years 7
West 34th
Street
34,614
94,702
129,316
5,142 1901
2000 40
Years -----
------ ----
-------- --
-------- --

Total New
York
467,021
2,131,311
2,598,332
262,390 ---
-------- --

-
WASHINGTON,
DC Crystal
Mall (4
buildings)
$ 49,664 $
157,443 $
207,107 $
7,182 1968
2002 10-40
Years
Crystal
Plaza (6
buildings)
57,213
133,818
191,031
7,488 1964-
1969 2002
10-40 Years
Crystal
Square (4
buildings)
64,817
226,239
291,056
11,113
1974-1980
2002 10-40
Years
Crystal
Gateway (4
buildings)
47,594
180,452
228,046
8,846 1983-
1987 2002
10-40 Years
Crystal
Park (5
buildings)
100,935
413,739
514,674
22,092

1984-1989
2002 10-40
Years
Arlington
Plaza 6,227
29,298
35,525
1,307 1985
2002 10-40
Years 1919
S. Eads
Street
3,979
18,818
22,797 983
1990 2002
10-40 Years
Skyline
Place (6
buildings)
41,986
227,150
269,136
11,134
1973-1984
2002 10-40
Years Seven
Skyline
Place
10,292
60,301
70,593
2,522 2001
2002 10-40
Years One
Skyline
Tower
12,266
75,485
87,751
3,573 1988
2002 10-40
Years
Courthouse
Plaza (2
buildings)
-- 105,851
105,851
5,157 1988-
1989 2002
10-40 Years
1101 17th
Street
20,666
23,080
43,746
1,834 1963
2002 10-40
Years 1730
M. Street
10,095
19,158
29,253
1,648 1963
2002 10-40
Years 1140
Connecticut
Avenue
19,017
16,291
35,308
1,435 1966
2002 10-40
Years 1150
17th Street
23,359
28,221
51,580
1,657 1970
2002 10-40
Years 1750
Penn Avenue
20,020
30,889
50,909
1,236 1964

2002 10-40
Years
Democracy
Plaza I --
34,379
34,379
1,651 1987
2002 10-40
Years

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSAND)

COLUMN A
COLUMN B
COLUMN C
COLUMN D --

INITIAL
COST TO
COMPANY (1)
COSTS -----

CAPITALIZED
SUBSEQUENT
BUILDINGS
AND TO
DESCRIPTION
ENCUMBRANCES
LAND
IMPROVEMENTS
ACQUISITION

- ---------
- ---------
---- ------

Tysons
Dulles (3
buildings)
69,507
19,146
79,095 488
Commerce
Executive
(3
buildings)
53,307
13,401
58,705 691
Reston
Executive
(3
buildings)
73,844
15,424
85,722 261
Crystal
Gateway 1
58,279
15,826
53,884 37
Other -- --
51,768
1,496 -----
------- ---

------- ---

----- Total
Washington,
DC Office
Buildings
1,491,901
551,927
2,070,278
42,491 ----
-------- --
-------- --

----- NEW
JERSEY
Paramus --
-- 8,345
10,008 ----
-------- --
-------- --

----- Total
New Jersey
-- -- 8,345
10,008 ----
-------- --
-------- --

----- --
Total
Office
Buildings
2,369,449
1,019,855
3,800,653
460,873 ---
--------- -
--------- -

- ---------

Shopping
Centers NEW
JERSEY
Bordentown
8,111 * 498
3,176 1,090
Bricktown
16,390 *
929 2,175
9,252
Cherry Hill
15,075 *
915 3,926
3,320
Delran
6,461 * 756
3,184 2,325
Dover 7,388
* 224 2,330
2,464 East
Brunswick
22,887 *
319 3,236
6,215 East
Hanover I
20,579 *
376 3,063
5,007 East
Hanover II
(4) 6,860 *
1,756 8,706
(152)
Hackensack
25,144 *
536 3,293
7,322
Jersey City
19,249 *
652 2,962
1,868
Kearny (4)

3,758 * 279
4,429 (278)
Lawnside
10,651 *
851 2,222
1,359 Lodi
9,439 * 245
9,339 110
Manalapan
12,597 *
725 2,447
5,212
Marlton
12,249 *
1,514 4,671
789
Middletown
16,535 *
283 1,508
3,938
Morris
Plains
12,104 *
1,254 3,140
3,230 North
Bergen (4)
3,985 * 510
3,390 (956)
North
Plainfield
10,942 *
500 13,340
694 Totowa
29,694 *
1,097 5,359
10,964
Turnersville
4,108 * 900
2,132 65
Union
33,722 *
1,014 4,527
2,951
Vineland --
290 1,594
1,281
Watchung
(4) 13,606
* 451 2,347
6,865
Woodbridge
22,227 *
190 3,047
817 -------
----- -----
----- -----
-------- --

--- Total
New Jersey
343,761
17,064
99,543
75,752 ----
-------- --
-------- --

----- -155-
COLUMN A
COLUMN E
COLUMN F
COLUMN G
COLUMN H
COLUMN I --

GROSS
AMOUNT AT
WHICH LIFE
ON WHICH
CARRIED AT
CLOSE OF
PERIOD
DEPRECIATION

ACCUMULATED
IN LATEST
BUILDINGS
DEPRECIATION
INCOME AND
AND DATE OF
DATE
STATEMENT
DESCRIPTION
LAND
IMPROVEMENTS
TOTAL (2)
AMORTIZATION
CONSTRUCTION
(3)
ACQUIRED IS
COMPUTED --

- ---------
- ---------
--- -------
--------- -
------- ---

Tysons
Dulles (3
buildings)
19,146
79,583
98,729
3,522 1986-
1990 2002
10-40 Years
Commerce
Executive
(3
buildings)
13,401
59,396
72,797
2,728 1985-
1989 2002
10-40 Years
Reston
Executive
(3
buildings)
15,422
85,983
101,407
3,526 1987-
1989 2002
10-40 Years
Crystal
Gateway 1
15,826
53,931
69,757 678
1981 2002
10-40 Years
Other --
53,264
53,264
5,775 -----
------ ----
-------- --
-------- --

Total
Washington,

DC Office
Buildings
551,840
2,112,769
2,664,696
107,087 ---
-------- --

- NEW
JERSEY
Paramus --
18,353
18,353
5,714 1967
1987 26-40
Years -----
------ ----
-------- --
-------- --

Total New
Jersey --
18,353
18,353
5,714 -----
------ ----
-------- --
-------- --

Total
Office
Buildings
1,018,948
4,262,433
5,281,381
375,191 ---
-------- --

- Shopping
Centers NEW
JERSEY
Bordentown
713 4,051
4,764 3,917
1958 1958
7-40 Years
Bricktown
929 11,427
12,356
6,123 1968
1968 22-40
Years
Cherry Hill
915 7,246
8,161 6,221
1964 1964
12-40 Years
Delran 756
5,509 6,265
3,555 1972
1972 16-40
Years Dover
244 4,774
5,018 3,497
1964 1964
16-40 Years
East
Brunswick
319 9,451
9,770 6,698
1957 1957
8-33 Years
East
Hanover I
476 7,970
8,446 5,578
1962 1962
9-40 Years
East
Hanover II
(4) 2,195
8,115

10,310 672
1979 1998
40 Years
Hackensack
536 10,615
11,151
6,098 1963
1963 15-40
Years
Jersey City
652 4,830
5,482 4,252
1965 1965
11-40 Years
Kearny (4)
309 4,121
4,430 1,534
1938 1959
23-29 Years
Lawnside
851 3,581
4,432 2,599
1969 1969
17-40 Years
Lodi 245
9,449 9,694
766 1999
1975 40
Years
Manalapan
725 7,659
8,384 4,858
1971 1971
14-40 Years
Marlton
1,611 5,363
6,974 4,107
1973 1973
16-40 Years
Middletown
283 5,446
5,729 3,386
1963 1963
19-40 Years
Morris
Plains
1,104 6,520
7,624 5,953
1961 1985
7-19 Years
North
Bergen (4)
2,308 636
2,944 185
1993 1959
30 Years
North
Plainfield
500 14,034
14,534
6,238 1955
1989 21-30
Years
Totowa
1,099
16,321
17,420
7,427
1957/1999
1957 19-40
Years
Turnersville
900 2,197
3,097 1,810
1974 1974
23-40 Years
Union 1,329
7,163 8,492
5,872 1962
1962 6-40
Years
Vineland
290 2,875
3,165 2,159
1966 1966
18-40 Years

Watchung
(4) 4,178
5,485 9,663
1,484 1994
1959 27-30
Years
Woodbridge
319 3,735
4,054 3,291
1959 1959
11-40 Years

- ---------
- ---------
--- Total
New Jersey
23,786
168,573
192,359
98,280 ----
------- ---
--------- -
--------- -

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSAND)

COLUMN A
COLUMN B
COLUMN C
COLUMN D --

INITIAL
COST TO
COMPANY (1)
COSTS -----

CAPITALIZED
SUBSEQUENT
BUILDINGS
AND TO
DESCRIPTION
ENCUMBRANCES
LAND
IMPROVEMENTS
ACQUISITION

- ---------
- ---------
---- ------

NEW YORK
Albany
(Menands)
6,251 * 460
1,677 2,693
Buffalo
(Amherst)
7,044 * 402
2,019 2,276
Freeport
14,879 *
1,231 3,273
2,886 New

Hyde Park
7,510 * --
-- 122
North
Syracuse --
-- -- 23
Rochester
(Henrietta)
-- -- 2,124
1,154
Rochester
(4) -- 443
2,870 (929)
Valley
Stream
(Green
Acres)
157,654
140,069
99,586
6,475 715
Lexington
Avenue -- -
- 11,574 39
14th Street
and Union
Square,
Manhattan -
- 12,566
4,044
20,512 424
6th Avenue
-- 5,900
5,675 --
Riese --
19,135
7,294
18,718 1135
Third
Avenue --
7,844 7,844
1 ---------
--- -------
--- -------
------ ----

- Total New
York
193,338
188,050
147,980
53,970 ----
-------- --
-------- --

PENNSYLVANIA
Allentown
23,367 * 70
3,446
10,195
Bensalem
(4) 6,457 *
1,198 3,717
674
Bethlehem
4,087 * 278
1,806 3,920
Broomall
9,827 * 734
1,675 1,341
Glenolden
7,370 * 850
1,295 721
Lancaster
(4) -- 606
2,312 555
Levittown -
- 193 1,231
125 10th
and Market
Streets,
Philadelphia
9,001 * 933
3,230 6,537

Upper
Moreland
6,986 * 683
2,497 565
York 4,132
* 421 1,700
1,270 -----
------- ---
------- ---

----- Total
Pennsylvania
71,227
5,966
22,909
25,903 ----
-------- --
-------- --

MARYLAND
Baltimore
(Belair
Rd.) -- 785
1,333 3,401
Baltimore
(Towson)
11,451 *
581 2,756
785
Baltimore
(Dundalk)
6,205 * 667
1,710 3,264
Glen Burnie
5,893 * 462
1,741 1,459
Hagerstown
3,302 * 168
1,453 1,073

- ---------
- ---------
---- ------

Total
Maryland
26,851
2,663 8,993
9,982 -----
------- ---
------- ---

COLUMN A
COLUMN E
COLUMN F
COLUMN G
COLUMN H
COLUMN I --

GROSS

AMOUNT AT
WHICH LIFE
ON WHICH
CARRIED AT
CLOSE OF
PERIOD
DEPRECIATION

ACCUMULATED
IN LATEST
BUILDINGS
DEPRECIATION
INCOME AND
AND DATE OF
DATE
STATEMENT
DESCRIPTION
LAND
IMPROVEMENTS
TOTAL (2)
AMORTIZATION
CONSTRUCTION
(3)
ACQUIRED IS
COMPUTED --

- ---------
- ---------
--- -------
--------- -
------- ---

NEW YORK
Albany
(Menands)
460 4,370
4,830 2,459
1965 1965
22-40 Years
Buffalo
(Amherst)
636 4,061
4,697 3,088
1968 1968
13-40 Years
Freeport
1,231 6,159
7,390 3,478
1981 1981
15-40 Years
New Hyde
Park -- 122
122 124
1970 1976
6-10 Years
North
Syracuse --
23 23 23
1967 1976
11-12 Years
Rochester
(Henrietta)
-- 3,278
3,278 2,415
1971 1971
15-40 Years
Rochester
(4) 2,068
316 2,384
213 1966
1966 10-40
Years
Valley
Stream
(Green
Acres)
139,910
106,220
246,130
13,747 1956

1997 39-40
Years 715
Lexington
Avenue --
11,613
11,613 412
1923 2001
40 Years
14th Street
and Union
Square,
Manhattan
24,079
13,043
37,122
1,188 1965
1993 40
Years 424
6th Avenue
5,900 5,675
11,575 64
2002 40
Years Riese
25,233
19,914
45,147 359
1923-1987
1997 39
Years 1135
Third
Avenue
7,845 7,844
15,689 981
1997 39
Years -----
------ ----
-------- --
-------- --

Total New
York
207,362
182,638
390,000
28,551 ----
------- ---
--------- -
--------- -

PENNSYLVANIA
Allentown
334 13,377
13,711
6,772 1957
1957 20-42
Years
Bensalem
(4) 2,727
2,862 5,589
1,364
1972/1999
1972 40
Years
Bethlehem
278 5,726
6,004 4,479
1966 1966
9-40 Years
Broomall
850 2,900
3,750 2,419
1966 1966
9-40 Years
Glenolden
850 2,016
2,866 1,278
1975 1975
18-40 Years
Lancaster
(4) 3,043
430 3,473
367 1966
1966 12-40
Years
Levittown
183 1,366

1,549 1,293
1964 1964
7-40 Years
10th and
Market
Streets,
Philadelphia
933 9,767
10,700
2,164 1977
1994 27-30
Years Upper
Moreland
683 3,062
3,745 2,161
1974 1974
15-40 Years
York 409
2,982 3,391
2,042 1970
1970 15-40
Years -----
------ ----
-------- --
-------- --

Total
Pennsylvania
10,290
44,488
54,778
24,339 ----
------- ---
--------- -
--------- -

MARYLAND
Baltimore
(Belair
Rd.) 785
4,734 5,519
3,491 1962
1962 10-33
Years
Baltimore
(Towson)
581 3,541
4,122 2,583
1968 1968
13-40 Years
Baltimore
(Dundalk)
667 4,974
5,641 3,593
1966 1966
12-40 Years
Glen Burnie
462 3,200
3,662 2,065
1958 1958
16-23 Years
Hagerstown
168 2,526
2,694 1,681
1966 1966
9-40 Years

- ---------
- ---------
--- Total
Maryland
2,663
18,975
21,638
13,413 ----
------- ---
--------- -
--------- -

AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSAND)

COLUMN A
COLUMN B
COLUMN C
COLUMN D ---

INITIAL COST
TO COMPANY
(1) COSTS --

-
CAPITALIZED
SUBSEQUENT
BUILDINGS
AND TO
DESCRIPTION
ENCUMBRANCES
LAND
IMPROVEMENTS
ACQUISITION

---------- -

---------- -

CONNECTICUT
Newington
(4) 6,581 *
502 1,581
1,606
Waterbury --
-- 2,103
1,669 ------
------ -----
----- ------
------- ----

Total
Connecticut
6,581 502
3,684 3,275

---------- -

MASSACHUSETTS
Chicopee --
510 2,031
358
Springfield
(4) 3,142 *
505 1,657
795 --------
---- -------
--- --------
----- ------

Total
Massachusetts
3,142 1,015
3,688 1,153

---------- -

---- PUERTO
RICO (SAN
JUAN) Caguas
67,692

15,359
74,089 (147)
Montehiedra
59,638 9,182
66,701 1,033

---------- -

---- Total
Puerto Rico
127,330
24,541
140,790 886

---------- -

---- Total
Retail
Properties
772,230
239,801
427,587
170,921 ----
-------- ---
------- ----
--------- --

--
Merchandise
Mart
Properties
ILLINOIS
Merchandise
Mart,
Chicago --
64,528
319,146
36,487 350
North
Orleans,
Chicago --
14,238
67,008
24,632 33
North
Dearborn,
Chicago
18,926 6,624
30,680 2,826
WASHINGTON
D.C.
Washington
Office
Center
44,924
10,719
69,658 3,580
Washington
Design
Center
48,542
12,274
40,662 8,829
Other --
9,175 6,273
37 NORTH
CAROLINA
Market
Square
Complex,
High Point
102,100
11,969
85,478
69,285
National
Furniture
Mart, High
Point 13,106
1,069 16,761
596
CALIFORNIA
Gift and
Furniture

Mart, Los
Angeles --
10,141
43,422
14,889 -----
------- ----
------ -----
-------- ---

- Total
Merchandise
Mart 227,598
140,737
679,088
161,161 ----
-------- ---
------- ----
--------- --

--

COLUMN A
COLUMN E
COLUMN F
COLUMN G
COLUMN H
COLUMN I ---

GROSS AMOUNT
AT WHICH
LIFE ON
WHICH
CARRIED AT
CLOSE OF
PERIOD
DEPRECIATION

ACCUMULATED
IN LATEST
BUILDINGS
DEPRECIATION
INCOME AND
AND DATE OF
DATE
STATEMENT
DESCRIPTION
LAND
IMPROVEMENTS
TOTAL (2)
AMORTIZATION
CONSTRUCTION
(3) ACQUIRED
IS COMPUTED

---------- -

---- -------
- ----------

CONNECTICUT
Newington

(4) 2,421
1,268 3,689
258 1965
1965 9-40
Years
Waterbury
667 3,105
3,772 2,098
1969 1969
21-40 Years

---------- -

Total
Connecticut
3,088 4,373
7,461 2,356

---------- -

MASSACHUSETTS
Chicopee 510
2,389 2,899
2,004 1969
1969 13-40
Years
Springfield
(4) 2,586
371 2,957
125 1993
1966 28-30
Years ------
----- ------
------ -----
----- ------
------ Total
Massachusetts
3,096 2,760
5,856 2,129

---------- -

PUERTO RICO
(SAN JUAN)
Caguas
15,359
73,942
89,301 6,172
1996 2002
15-39 Years
Montehiedra
9,182 67,734
76,916 9,735
1996 1997 40
Years ------
----- ------
------ -----
----- ------
------ Total
Puerto Rico
24,541
141,676
166,217
15,907 -----
------ -----
------- ----
------ -----

Total Retail
Properties
274,826
563,483
838,309
184,975 ----
------- ----
-------- ---
------- ----

Merchandise
Mart
Properties
ILLINOIS
Merchandise

Mart,
Chicago
64,535
355,626
420,161
43,299 1930
1998 40
Years 350
North
Orleans,
Chicago
14,246
91,632
105,878
14,203 1977
1998 40
Years 33
North
Dearborn,
Chicago
6,624 33,506
40,130 1,864
2000 40
Years
WASHINGTON
D.C.
Washington
Office
Center
10,719
73,238
83,957 8,824
1990 1998 40
Years
Washington
Design
Center
12,274
49,491
61,765 6,718
1919 1998 40
Years Other
9,175 6,310
15,485 749
NORTH
CAROLINA
Market
Square
Complex,
High Point
14,010
152,722
166,732
12,839 1902-
1989 1998 40
Years
National
Furniture
Mart, High
Point 1,069
17,357
18,426 1,869
1964 1998 40
Years
CALIFORNIA
Gift and
Furniture
Mart, Los
Angeles
10,141
58,311
68,452 3,083
2000 40
Years ------
----- ------
------ -----
----- ------
------ Total
Merchandise
Mart 142,793
838,193
980,986
93,448 -----
------ -----
------- ----

------ -----

VORNADO REALTY TRUST
AND SUBSIDIARIES

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSAND

COLUMN A COLUMN B
COLUMN C COLUMN D --

------------ INITIAL
COST TO COMPANY (1)
COSTS --------------

CAPITALIZED
SUBSEQUENT BUILDINGS
AND TO DESCRIPTION
ENCUMBRANCES LAND
IMPROVEMENTS
ACQUISITION --------
------------- -----
------- ---------- -
------------ -------

Warehouse/Industrial
NEW JERSEY East
Brunswick 6,575 --
4,772 3,146 East
Hanover 27,232 576
7,752 7,479 Edison
4,343 705 2,839
1,753 Garfield
11,273 96 8,068
5,088 ------------ -
--------- ----------
--- ----------------
Total
Warehouse/Industrial
49,423 1,377 23,431
17,466 ------------
---------- ---------
---- ---------------
- Other Properties
NEW JERSEY
Palisades, Fort Lee
100,000 12,017
129,786 -- Montclair
-- 66 470 330 ------
------ ---------- --
----------- --------
-------- Total New
Jersey 100,000
12,083 130,256 330 -
----------- --------
-- ------------- ---
------------- NEW
YORK Hotel
Pennsylvania --
29,904 121,712
21,922 ------------
---------- ---------
---- ---------------
- Total New York --
29,904 121,712
21,922 ------------
---------- ---------
---- --------------
- FLORIDA Student
Housing Joint
Venture 19,019 3,722
21,095 565 ---------
--- ---------- -----
-------- -----------
----- Total Florida
19,019 3,722 21,095

565 ------------ ---
------- ------------
- ----------------
Total Other
Properties 119,019
45,709 273,063
22,817 ------------
---------- ---------
---- ---------------
- Leasehold
Improvements
Equipment and Other
75,155 -------------
--- TOTAL DECEMBER
31, 2002 $ 3,537,719
$1,447,479 $
5,203,822 $ 908,393
============
==========
=============
================
COLUMN A COLUMN E
COLUMN F COLUMN G
COLUMN H COLUMN I --

--------- GROSS
AMOUNT AT WHICH LIFE
ON WHICH CARRIED AT
CLOSE OF PERIOD
DEPRECIATION -------

ACCUMULATED IN
LATEST BUILDINGS
DEPRECIATION INCOME
AND AND DATE OF DATE
STATEMENT
DESCRIPTION LAND
IMPROVEMENTS TOTAL
(2) AMORTIZATION
CONSTRUCTION (3)
ACQUIRED IS COMPUTED

---- ----------- ---
--------- ----------
------------ -------
--------- -------- -

Warehouse/Industrial
NEW JERSEY East
Brunswick -- 7,918
7,918 5,040 1972
1972 18-40 Years
East Hanover 691
15,116 15,807 12,008
1963-1967 1963 7-40
Years Edison 704
4,593 5,297 2,898
1954 1982 12-25
Years Garfield 96
13,156 13,252 10,780
1942 1959 11-33
Years ----------- --
---------- ---------
- ------------ Total
Warehouse/Industrial
1,491 40,783 42,274
30,726 ----------- -
---------- --------
-- ------------
Other Properties NEW
JERSEY Palisades,
Fort Lee 12,017
129,786 141,803
2,704 2002 2002 40
Years Montclair 66
800 866 574 1972
1972 4-15 Years ----
------- ------------
---------- ---------
--- Total New Jersey

12,083 130,586
142,669 3,278 ------
----- ------------ -
--------- ----------
-- NEW YORK Hotel
Pennsylvania 29,904
143,634 173,538
21,080 1919 1997 39
Years ----------- --
---------- ---------
- ------------ Total
New York 29,904
143,634 173,538
21,080 ----------- -
----------- --------
-- ------------
FLORIDA Student
Housing Joint
Venture 3,763 21,619
25,382 1,625 1996-
1997 2000 40 Years -
---------- ---------
--- ---------- -----
------- Total
Florida 3,763 21,619
25,382 1,625 -------
---- ------------ --
-------- -----------
- Total Other
Properties 45,750
295,839 341,589
25,983 ----------- -
----------- --------
-- ------------
Leasehold
Improvements
Equipment and Other
8,000 67,155 75,155
27,103 3-20 Years --
--------- ----------
-- ---------- ------
------ TOTAL
DECEMBER 31, 2002 $
1,491,808 $
6,067,886 $7,559,694
$ 737,426
===========
============
==========
============

- ----------
* These encumbrances are cross collateralized under a blanket mortgage in the amount of $487,246 at December 31, 2002.

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 $2,822,000 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 transferred to land. In addition, the cost of the land in Kearny property is net of a $1,615 insurance recovery.

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, -----------------------
--------------------- 2002 2001 2000 ---------
--- ------------ ----------- REAL ESTATE

Balance at beginning of
period.................... $ 4,690,211 $
4,354,392 $ 3,921,507 Additions during the
period:
Land...
595,977 25,808 57,669 Buildings &
improvements....................... 2,276,371
332,766 416,917 ------------ ------------ -----
------- 7,562,559 4,712,966 4,396,093 Less:
Asset sold and written-off..................
2,865 22,755 41,701 ------------ ------------ -
----------- Balance at end of
period.......................... $ 7,559,694 $
4,690,211 $ 4,354,392 ============ ============
============ ACCUMULATED DEPRECIATION Balance
at beginning of period.................... $
506,225 $ 393,787 $ 308,542 Additions charged
to operating expenses........... 170,888
114,121 91,236 Additions due to
acquisitions..................... 63,178 -- --
------------ ------------ ------------ 740,291
507,908 399,778 Less: Accumulated depreciation
on assets sold and written-
off........................... 2,865 1,683
5,991 ------------ ------------ ------------
Balance at end of
period.......................... $ 737,426 $
506,225 $ 393,787 ============ ============
============

EXHIBIT INDEX

EXHIBIT NO. - ------- 3.1 -- Amended and Restated Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) of Vornado's Registration Statement on Form S-4 (File No. 33-60286), filed on April 15, 1993.. * 3.2 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 of Vornado'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, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-11954), filed on March 11, 2002.. * 3.4 -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado'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, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated April 22, 1998 (File No. 001-11954), filed on April 28, 1998.. * 3.6 . -- Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado'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, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado'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, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 of Vornado'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 dated May 31, 2002, as filed with the Department of Assessments and Taxation of the State 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)............................ * 3.10 -- Articles of Amendment of Declaration of Trust of Vornado dated June 6, 2002, as filed with the Department of Assessments and Taxation of the State 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)............................ *

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* Incorporated by reference.

EXHIBIT NO. - ------- 3.11 -- Articles Supplementary Classifying Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share - Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997... * 3.12 -- Articles Supplementary Classifying Vornado's $3.25 Series A Convertible Preferred Shares of Beneficial Interest, 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's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002.. * 3.13 -- Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998.. * 3.14 -- Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999.. * 3.15 -- Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999... * 3.16 -- Articles Supplementary Classifying Vornado's Series C 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999.. * 3.17 -- Articles Supplementary Classifying Vornado Realty Trust's Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999.. * 3.18 -- Articles Supplementary Classifying Vornado's Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999... * 3.19 -- Articles Supplementary Classifying Vornado's Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999.. *

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* Incorporated by reference.

EXHIBIT NO. - ------- 3.20 -- Articles Supplementary Classifying Vornado's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999...................... * 3.21 -- Articles Supplementary Classifying Vornado`s Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000....................... * 3.22 -- Articles Supplementary Classifying Vornado's Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000........... * 3.23 -- Articles Supplementary Classifying Vornado's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000...................... * 3.24 -- Articles Supplementary Classifying Vornado's Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001.................................... * 3.25 -- Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000.. * 3.26 -- Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the "Partnership Agreement") - Incorporated by reference to Exhibit 3.4 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 31, 1998.. * 3.27 -- Amendment to the Partnership Agreement, dated as of December 16, 1997- Incorporated by reference to Exhibit 3.5 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 001-11954) filed on March 31, 1998.. * 3.28 -- Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998.. * 3.29 -- Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998... * 3.30 -- Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999... * 3.31 -- Exhibit A to the Partnership Agreement, dated as of December 22, 1998 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999.. *

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* Incorporated by reference.

EXHIBIT NO. - ------- 3.32 -- Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999.. * 3.33 -- Exhibit A to the Partnership Agreement, dated as of March 11, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999.. * 3.34 -- Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999.. * 3.35 -- Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999.. * 3.36 -- Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999.. * 3.37 -- Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999.. * 3.38 -- Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999.. * 3.39 -- Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999... * 3.40 -- Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000.. * 3.41 -- Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000.. * 3.42 -- Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000.. * 3.43 -- Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001... *

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* Incorporated by reference.

EXHIBIT NO. - ------- 3.44 -- Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001.. * 3.45 -- Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001... * 3.46 -- Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002... * 3.47 -- 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)... * 4.1 -- Instruments defining the rights of security holders (see Exhibits 3.1 through 3.24 of this Annual Report on Form 10-K) * 4.2 -- Indenture dated as of November 24, 1993 between Vornado Finance Corp. and Bankers Trust Company, as Trustee - Incorporated by reference to Vornado's Current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993.............................. * 4.3 -- Specimen certificate representing Vornado's Common Shares of Beneficial Interest, par value $0.04 per share - Incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Vornado's Registration Statement on Form S-3 (File No. 33-62395), filed on October 26, 1995............. * 4.4 -- Specimen certificate representing Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share, no par value - Incorporated by reference to Exhibit 4.2 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997.. * 4.5 -- Specimen certificate evidencing Vornado's Series B 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on March 15, 1999.. * 4.6 -- Specimen certificate evidencing Vornado's 8.5% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preferences $25.00 per share, no par value - Incorporated by reference to Exhibit 4.2 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed May 19, 1999.. * 4.7 -- Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-11954), filed on March 9, 2000................................ * 4.8 -- 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 dated June 19, 2002 (File No. 000-22685), filed on June 24, 2002..................... *

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* Incorporated by reference.

EXHIBIT NO. - ------- 4.9 -- Officer's Certificate pursuant to Sections 102 and 301 of the Indenture, dated June 24, 2002 - Incorporated by reference to Exhibit 4.2 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.... * 10.1 -- Vornado Realty Trust's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 of Vornado Realty Trust's registration statement on Form S-8 (File No. 331-09159), filed on July 30, 1996... * 10.2 -- Second Amendment, dated as of June 12, 1997, to Vornado's 1993 Omnibus Share Plan, as amended - Incorporated by reference to Vornado'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's Quarterly Report on Form 10-Q for quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992................................ * 10.4** -- Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of November 24, 1993 made by each of the entities listed therein, as mortgagors to Vornado Finance Corp., as mortgagee - Incorporated by reference to Vornado's Current Report on Form 8-K dated November 24, 1993 (File No. 001-11954), filed December 1, 1993................. * 10.5** -- Employment Agreement between Vornado Realty Trust and Joseph Macnow dated January 1, 1998 - Incorporated by reference to Exhibit 10.7 of Vornado's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 001-11954), filed November 12, 1998................ * 10.6** -- Employment Agreement between

Vornado Realty Trust and Michael D. Fascitelli, dated December 2, 1996 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-11954), filed March 13, 1997................................ * 10.7 -- Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.............................. * 10.8 -- Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.............................. * 10.9 -- Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 -Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.............................. * 10.10 -- 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's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993.. * 10.11 -- Amendment to Real Estate Retention Agreement dated February 6, 1995 - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995... *

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* Incorporated by reference.
** Management contract or compensatory plan.

EXHIBIT NO. - ------- 10.12 -- Stipulation between Keen Realty Consultants Inc. and Vornado Realty Trust re: Alexander's Retention Agreement - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 001-11954), filed March 24, 1994.................... * 10.13 -- Stock Purchase Agreement, dated February 6, 1995, among Vornado Realty Trust and Citibank, N.A. Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.. * 10.14 -- Management and Development Agreement, dated as of February 6, 1995 - Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.. * 10.15 -- Standstill and Corporate Governance Agreement, dated as of February 6, 1995 - Incorporated by reference to Vornado's Current Report on Form 8-K dated February 6, 1995 (File No. 001-11954), filed February 21, 1995.. * 10.16 -- Credit Agreement, dated as of March 15, 1995, among Alexander's Inc., as borrower, and Vornado Lending Corp., as lender - Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001 - 11954), filed March 23, 1995...................... * 10.17 -- Subordination and Intercreditor Agreement, dated as of March 15, 1995 among Vornado Lending Corp., Vornado Realty Trust and First Fidelity Bank, National Association - Incorporated by reference to Vornado's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 001-11954), filed March 23, 1995... * 10.18 -- Form of Intercompany Agreement between Vornado Realty L.P. and Vornado Operating, Inc. - Incorporated by reference to Exhibit 10.1 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701), filed on January 23, 1998............ * 10.19 -- Form of Revolving Credit Agreement between Vornado Realty L.P. and Vornado Operating, Inc., together with related form of Note - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado Operating, Inc.'s Registration Statement on Form S-11 (File No. 333-40701).... * 10.20 -- Registration Rights Agreement, dated as of April 15, 1997, between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997............. * 10.21 -- Noncompetition Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, the Mendik Company, L.P., and Bernard H. Mendik - Incorporated by reference to Exhibit 10.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997............. * 10.22 -- 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 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997...................... * 10.23 -- Agreement, dated September 28, 1997, between Atlanta Parent Incorporated, Portland Parent Incorporated and Crescent Real Estate Equities, Limited Partnership - Incorporated by reference to Exhibit 99.6 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 8, 1997... *

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* Incorporated by reference.

EXHIBIT NO. - ------- 10.24 -- Contribution Agreement between Vornado Realty Trust, Vornado Realty L.P. and The Contributors Signatory - thereto - Merchandise Mart Properties, Inc. (DE) and Merchandise Mart Enterprises, Inc. - Incorporated by reference to Exhibit 10.34 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998............. * 10.25 -- Sale Agreement executed November 18, 1997, and effective December 19, 1997, between MidCity Associates, a New York partnership, as Seller, and One Penn Plaza LLC, a New York Limited liability company, as purchaser - Incorporated by reference to Exhibit 10.35 of Vornado's Annual Report on Form 10-K/A for the year ended December 31, 1997 (File No. 001-11954), filed on April 8, 1998.. * 10.26 -- Credit Agreement dated as of June 22, 1998 among One Penn Plaza, LLC, as Borrower, The Lenders Party hereto, The Chase Manhattan Bank, as Administrative Agent - Incorporated by reference to Exhibit 10 of Vornado's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 001-11954), filed August 13, 1998... * 10.27 -- Registration Rights Agreement, dated as of April 1, 1998, between Vornado and the Unit Holders named herein - Incorporated by reference to Exhibit 10.2 of Amendment No. 1 to Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on May 6, 1998................. * 10.28 -- Registration Rights Agreement, dated as of August 5, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.1 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999.................................. * 10.29 -- Registration Rights Agreement, dated as of July 23, 1998, between Vornado and the Unit Holders named therein - Incorporated by reference to Exhibit 10.2 of Vornado's Registration Statement on Form S-3 (File No. 333-89667), filed on October 25, 1999.................................. * 10.30 -- 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 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000.. * 10.31** -- Employment Agreement, dated January 22, 2000, between Vornado Realty Trust and Melvyn Blum - Incorporated by reference to Exhibit 10.49 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000................... * 10.32** -- Deferred Stock Agreement, dated December 29, 2000, between Vornado Realty Trust and Melvyn Blum 10.33 -- First Amended and Restated Promissory Note of Steven Roth, dated November 16, 1999 - Incorporated by reference to Exhibit 10.50 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000................... * 10.34 -- Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 of Vornado's Annual Report on Form 10-K for the period ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000................... *

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* Incorporated by reference.
** Management contract or compensatory plan.

EXHIBIT NO. - ------- 10.35 -- Revolving Credit Agreement dated as of March 21, 2000 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and UBS AG, as Bank - Incorporated by reference to Vornado's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 (File No. 001-11954) filed on May 5, 2000... * 10.36 -- 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 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002.................... * 10.37 -- 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 10.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002........... * 10.38 -- 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 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002........... * 10.39 -- 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 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002.. * 10.40** -- 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.......... * 10.41** -- 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.................... * 10.42** -- 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...................... * 10.43** -- 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........... * 10.44** -- 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.. * 10.45** -- 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............ *

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* Incorporated by reference.
** Management contract or compensatory plan.

EXHIBIT NO. - ------- 10.46** -- 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.................... * 10.47** -- 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... * 10.48** -- First Amendment, dated September 17, 2002, to the Trust Agreement between Vornado Realty Trust and 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........................ * 10.49 -- Amended and Restated Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. (evidencing a $50,000,000 line of credit facility) - Incorporated by reference to Exhibit 10(i)(B)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002... * 10.50 -- Credit Agreement, dated July 3, 2002, between Alexander's and Vornado Lending L.L.C. (evidencing a $35,000,000 loan) - Incorporated by reference to Exhibit 10(i)(B)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002... * 10.51 -- Guaranty of Completion, dated as of July 3, 2002, executed by Vornado Realty L.P. for the benefit of Bayerische Hypo- and Vereinsbank AG, New York Branch, as Agent for the Lenders - Incorporated by reference to Exhibit 10(i)(C)(5) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002.................. * 10.52 -- Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(C)(8) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002.. * 10.53 -- 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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002... * 10.54 -- 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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002.. * 10.55 -- 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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002.................. *

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* Incorporated by reference.
** Management contract or compensatory plan.

EXHIBIT NO. - ------- 10.56 -- 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002... * 10.57 -- 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 dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002........ * 10.58 -- Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Registration Statement on Form S-3 (File No. 333-102216) filed December 26, 2002....... * 10.59** -- First Amended and Restated Promissory Note from Michael D Fascitelli to Vornado Realty Trust, dated December 17, 2001 10.60** -- Promissory Note from Joseph Macnow to Vornado Realty Trust, dated July 23, 2002 10.61** -- Amendment to Employment Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 10.62** -- Amendment No. 1 to Deferred Stock Agreement by and between Vornado Realty Trust and Melvyn H. Blum, dated February 13, 2003 12 -- Consolidated Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Share Dividend Requirements 21 -- Subsidiaries of the Registrant 23 -- Consent of independent auditors

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* Incorporated by reference.

** Management contract or compensatory plan.

EXHIBIT 10.32

DEFERRED STOCK AGREEMENT

AGREEMENT, dated as of December 29, 2000, by and between Vornado Realty Trust, a Maryland real estate investment trust (the "Company") and Melvyn H. Blum (the "Executive"),

WHEREAS, the Executive and the Company desire to enter into an agreement setting forth the terms under which the Executive will surrender certain restricted stock granted to Executive pursuant to the Executive's employment agreement, dated as of January 22, 2000, by and between the Company and the Executive (the "Employment Agreement") in exchange for the Company's promise to pay him stock in the future as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Executive and the Company agree as follows:

1. CANCELLATION OF RESTRICTED STOCK AND PAYMENT OF DEFERRED STOCK. The Executive hereby surrenders all of his rights, title and interest to the 148,148 shares of the Company's common shares of beneficial interest (the "Stock") granted to the Executive under Section 5(b) of the Employment Agreement. The Company agrees to pay the Executive 148,148 shares of Stock, together with such additional amounts as promised herein, at such time or times and subject to the terms and conditions of this Agreement.

2. STOCK UNIT ACCOUNT. The Company shall credit to a bookkeeping account (the "Account") maintained by the Company for the Executive's benefit 148,148 stock units, each of which shall be deemed to be the equivalent of one share of Stock (the "Stock Units"). One-fifth of the Stock Units will vest on January 22, 2001, and an additional one-fifth of the Stock Units shall vest on each of the next four anniversaries of such date, provided that Executive remains an employee of the Company on each such date. The Executive shall be fully vested in all of the Stock Units in the event of the termination of his employment by the Company without Cause or by the Executive for Good Reason (as such terms are defined in the Employment Agreement).

The Company agrees that whenever any dividend is declared on the Stock, it will pay to the Executive in cash, on the date such dividend is paid, an amount per vested Stock Unit held in the Account as of the record date for such dividend equal to the amount per share of Stock paid by the Company to the holders of record of the Stock.

3. PAYMENT OF THE ACCOUNT. Except as otherwise provided in this Agreement, the Company shall pay to the Executive on each of January 22, 2003, January 22, 2004 and January 22, 2005 (each, a "Payment Date") that number of shares of Stock which is equal to the number of vested Stock Units then credited to his Account. Notwithstanding the foregoing, upon the Executive's termination of employment by the Company for Cause (as defined in the Employment Agreement) prior to January 22, 2005, the Company shall pay to the Executive that number of shares of Stock which is equal to the number of vested Stock Units credited to his Account, in a lump sum within 10 business days following such termination.

4. FORM OF PAYMENT. Payments pursuant to the first sentence of Section 3 shall be made by the Company in a lump sum to the Executive as soon as practicable after the Payment Date, but in no case more than 10 business days after the Payment Date. The Executive may elect to change (i) the form of payment (to a lump sum or up to 10 equal annual installments) or (ii) the Payment Date to a later (but not an earlier) Payment Date, provided that any such election is made prior to the beginning of the year before the year in which the Payment Date then in effect would occur.

The Company agrees that at no cost to the Executive it will have an effective registration statement covering the number of shares of Stock equal to the Stock Units credited to his Account no later than January 22, 2003 (either separately in favor of the Executive, or covering the Executive and other persons) and that it will keep such registration statement effective until all such shares (i) have been sold or otherwise transferred by the Executive, (ii) cease to become payable due to the forfeiture of Stock Units as a result of the Executive's termination of employment or (iii) have become eligible for sale pursuant to Rule 144(k) of the Securities Act of 1933 (or any similar provision then in force).

5. BENEFICIARY. In the event of the Executive's death prior to the payment with respect to all of the vested Stock Units credited to his Account, the remaining payments shall be made to the last beneficiary designated in writing which is received by the Company prior to the Executive's death or, if no designated beneficiary survives the Executive, such payments shall be made in a lump sum to the Executive's estate.

6. SOURCE OF PAYMENTS. The Executive's right to receive payment under this Agreement shall be an unfunded entitlement and shall be an unsecured claim against the general assets of the Company. The Executive has only the status of a general unsecured creditor hereunder, and this Agreement constitutes only a promise by the Company to pay the value of the Account on any required payment due. The Company may withhold from any amounts payable under this Agreement such Federal, state and local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7. NONTRANSFERABILITY. This Agreement shall not be assignable or transferable by the Executive (otherwise than by will or the laws of descent and distribution) or by the Company (other than to successors of the Company) and no amounts deferred under this Agreement, or any rights therein, shall be subject in any manner to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, levy, lien, attachment, garnishment, debt or other charge or disposition of any kind.

8. NO RIGHT TO EMPLOYMENT. Nothing in this Agreement shall confer upon Executive the right to remain in employment with the Company.

9. ENTIRE AGREEMENT. This Agreement and the Employment Agreement contain all the understandings between the parties hereto pertaining to the matters referred to herein, and supersede all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto.

10. AMENDMENT OR MODIFICATION; WAIVER. No provision of this Agreement may be amended, modified or waived unless such amendment or modification is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

11. NOTICES. Any notice to be given hereunder shall be in writing and shall be deemed given when delivered personally, sent by courier or telecopy or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To the Executive:

Melvyn H. Blum
One Central Park West
Apt. 27G
New York, New York 10023

To the Company:

Vornado Realty Trust
888 Seventh Avenue,
New York, New York 10019
Attention: Corporate Secretary

Any notice delivered personally or by courier under this Section 12 shall be deemed given on the date delivered and any notice sent by telecopy or registered or certified mail, postage prepaid, return receipt requested, shall be deemed given on the date telecopied or mailed.

12. SEVERABILITY. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

13. SUCCESSORS. This Agreement shall inure to the benefit of and be binding upon each successor of the Company, and upon the Executive's beneficiaries, legal representatives or estate, as the case may be.

14. SURVIVORSHIP. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

15. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES.

16. HEADINGS. All descriptive headings of sections and paragraphs in this Agreement are intended for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

17. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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

VORNADO REALTY TRUST

By: /s/ Irwin Goldberg

Irwin Goldberg

/s/ Melvyn H. Blum

Melvyn H. Blum

EXHIBIT 10.59

FIRST AMENDED AND RESTATED PROMISSORY NOTE

U.S. $8,600,000

DECEMBER 17, 2001
PARAMUS, NEW JERSEY

WHEREAS, Vornado Realty Trust (the "Company") is the holder of certain promissory notes, dated March 2, 1998, April 30, 1998, December 31, 1998 and October 25, 2000 (the "Existing Notes"), made by Michael D. Fascitelli (the "Executive");

WHEREAS, the aggregate outstanding principal balance of the Existing Notes is $8,600,000;

WHEREAS, the Company and Executive desire to amend and restate the terms and conditions of the Existing Notes in their entirety, all in the manner hereinafter set forth, and to replace the Existing Notes with this Note;

NOW THEREFORE, by Executive's execution and delivery, and the Company's acceptance of delivery from Executive, of this Note, this Note is deemed to amend and restate the Existing Notes in their entirety and the Existing Notes are hereby amended and restated in their entirety so that the terms, covenants, agreements, rights, obligations and conditions contained in this Note shall supersede and control the terms, covenants, agreements, rights, obligations and conditions of the Existing Notes, as follows:

1. PROMISE TO PAY, INTEREST, MATURITY, PAYMENTS

FOR VALUE RECEIVED, Executive, an individual residing at 25 East End Avenue, New York, New York 10028, hereby promises to pay to the Company, a Maryland real estate investment trust, or its order, at its offices located at 210 Route 4 East, Paramus, New Jersey 07652, the principal amount of EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS ($8,600,000.00). Interest shall accrue on this Note at the rate of 3.97% per annum from and after the date set forth above and accrued and unpaid interest shall be due and payable quarterly in arrears on the tenth day following the payment of the Company's regular quarterly dividend to its stockholders (or if no such dividend is paid, at the end of the then current calendar quarter), until the outstanding principal amount of this Note and all accrued interest hereon shall have been paid in full.

Interest due on this Note shall be calculated on the basis of a 365-day year for the actual number of days elapsed during the applicable period. Any payment required to be made hereunder on a day which is not a business day shall be due and owing on the first business day thereafter. The principal amount hereof and all accrued and unpaid interest hereon shall be due and payable on the Maturity Date (as defined below). For purposes of this Note, the term "Maturity Date" shall mean the earliest of (i) the Date of Termination (as defined in that certain Employment Agreement, dated as of December 2, 1996, by and between Executive and the Company, as may be amended from time to time (the "Employment Agreement")), (ii) December 31, 2006 or (iii) the date of the final payment to Executive under the Convertible Units Agreement (as defined in the Employment Agreement). Notwithstanding the foregoing, under no circumstances shall the Aggregate Principal Amount (as defined below) exceed an amount equal to one-half (1/2) of the sum of (x) product of (1) the number of outstanding Convertible Units (as defined in the Employment Agreement) and (2) the fair market value (as defined below) of one share of the common shares of beneficial interest of the Company, par value $.04 per share (the "Company Stock"), (y) the fair market value of 626,566 shares of Company Stock and (z) the total "spread" on all of Executive's outstanding stock options to purchase Company Stock (i.e. the positive difference between the aggregate fair market value of the Company Stock underlying all of the Executive's outstanding stock options to purchase Company Stock and the aggregate exercise price of such options); in the event such Aggregate Principal Amount does exceed such amount for 5 consecutive trading days, the excess shall be due and payable on 5 days' prior written notice to Executive by the Company. For purposes of this Note, (1) the term "Aggregate Principal Amount" shall mean, for any date, the aggregate principal amount outstanding hereunder on such date together with the principal amount outstanding on such date under each other note made hereafter by Executive in favor of the Company and (2) the term "fair market value" on any given date shall mean the average of the high and low trading prices of the Company Stock on such date, as reported on the New York Stock Exchange composite tape for such date. Executive shall have the right to prepay all or any portion of the amounts evidenced by this Note at any time without premium or penalty; PROVIDED, HOWEVER, such prepayment shall include all interest accrued and unpaid hereunder as of the date of such prepayment.

2. 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 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 hereunder, the Company may exercise all rights and remedies available to it hereunder or otherwise.

3. PREPAYMENT

Executive shall have the right to prepay all or any portion of the amounts evidenced by this Note at any time without premium or penalty; PROVIDED, HOWEVER, such prepayment shall include all interest accrued and unpaid hereunder as of the date of such prepayment.

4. ENFORCEMENT EXPENSES

If this Note is collected by legal proceedings (including proceedings in the probate or bankruptcy courts) then all costs and expenses of collection or enforcement shall be added to the principal of, and be collectible as part of, this Note.

5. SEPARABILITY

In case any one or more of the provisions of this Note shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

6. GOVERNING LAW

THIS NOTE IS MADE UNDER AND IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CHOICE-OF-LAW RULES.

7. 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.

IN WITNESS WHEREOF, executive has caused this instrument to be duly executed as of the date and year first above written.

/s/ Michael D. Fascitelli

Michael D. Fascitelli

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

EXHIBIT 10.60

PROMISSORY NOTE

$2,000,000.00 July 23, 2002
Paramus, New Jersey

FOR VALUE RECEIVED, JOSEPH MACNOW (the "EXECUTIVE") promises to pay to the order of VORNADO REALTY TRUST (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 TWO MILLION and 00/100 DOLLARS ($2,000,000.00) on June 30, 2007 ("MATURITY"), with interest on the unpaid principal amount hereof from the date hereof until Maturity, payable quarterly in arrears on the tenth (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 4.65%. 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.

1. DEFINITIONS

Capitalized terms used but not defined in this Note shall have the respective meanings assigned to such terms in the Letter Agreement and the Loan Documents, as such terms are defined below.

2. PREPAYMENT

This Note may be prepaid in whole or in part at any time without penalty or premium.

3. COLLATERAL

This Note is secured by a letter agreement dated July 23, 2002 (the "LETTER AGREEMENT"), any Additional Collateral (as defined in the Letter Agreement) pledged by Executive and such other security or supporting documents as are executed in conjunction with 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.

4. 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.

5. 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 aggress 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.

6. EVENT OF DEFAULT

Failure by Executive to pay any sum due hereunder when due and payable which has not been cured by Executive within thirty (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 in law or in equity.

7. 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.

8. ENTIRE AGREEMENT

This Note, the Letter 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.

9. 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.

10. WAIVER OF JURY TRIAL

The parties hereby agree not to elect 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 of trial by jury is given knowingly and voluntarily by each of the Company and Executive, and is intended to encompass individually each instance and 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.

11. 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.

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IN WITNESS WHEREOF, the Executive has caused this Note to be duly executed as of the date written above.

JOSEPH MACNOW

/s/ Joseph Macnow

State of New Jersey }
}ss.
Count of Bergen }

On the 23rd day of July, in the year 2002 before me, the undersigned, a Notary Public in for said State personally appeared Joseph Macnow personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Deborah Anthony

Notary Public

EXHIBIT 10.61

AMENDMENT TO
EMPLOYMENT AGREEMENT

AMENDMENT, dated as of February 13, 2003, by and between Vornado Realty Trust, a Maryland real estate investment trust (the "Company") and Melvyn H. Blum (the "Executive").

WHEREAS, the Executive and the Company entered into an employment agreement as of January 24, 2000 (the "Employment Agreement");

WHEREAS, Section 14 of the Employment Agreement provides that the Company and the Executive may amend the Employment Agreement at any time;

WHEREAS, the Company and the Executive deem it necessary to amend the Employment Agreement;

NOW, THEREFORE, the parties agree that the Employment Agreement is amended as follows, effective as of January 1, 2003:

1. Section 5(a) is amended by deleting the last sentence thereof and substituting the following:

> Employee will be eligible for grants of share options and restricted stock on the same basis as other executive officers of Employer of comparable seniority. For the avoidance of doubt, the Executive hereby waives any rights to grants of share options from Employer in fiscal years of the Employer ending prior to January 1, 2003. The foregoing shall have no effect on share options previously granted to the Executive by the Employer in fiscal years ending prior to January 1, 2003.

2. Clause (a) of the first sentence of Section 8 is amended in its entirety as follows:

> (a) during the Period of Employment and the twelve (12) month period following his termination of employment for any reason other than pursuant to Section 7(c) hereof, Employee will not engage in any business otherwise competitive with that of Employer or any of its subsidiaries in the States of New Jersey, New York, Pennsylvania, Maryland, Massachusetts and Connecticut; provided that during the twelve (12) month period following a termination of employment which occurs after the expiration of the Period of Employment as a result of any nonextension of the Period of Employment, the prohibition contained in this clause (a) shall be limited to the Employee's engaging in any way, directly or indirectly, in the financing, acquisition, construction, reconstruction, development, redevelopment or renovation of any commercial office real estate property located within a five block radius from the intersection of Fifty-ninth Street and Lexington Avenue in the borough of Manhattan in New York City, or any improvements thereon on behalf of any public or non-public company; and

3. The first sentence of Section 7(g)(ii) is amended in its entirety as follows:

> In the event of a termination of the Period of Employment and Employee's employment pursuant to Section 7(a) or 7(d) hereof, Employee shall be fully vested in all share options and restricted stock granted to the Employee by the Employer.

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

/s/ Melvyn H. Blum

Melvyn H. Blum

EXHIBIT 10.62

AMENDMENT NO. 1 TO
DEFERRED STOCK AGREEMENT

AMENDMENT NO. 1, dated as of February 13, 2003, by and between Vornado Realty Trust, a Maryland real estate investment trust (the "Company") and Melvyn H. Blum (the "Executive").

WHEREAS, the Executive and the Company entered into a deferred stock agreement, dated as of December 29, 2000 (the "Deferred Stock Agreement") wherein the parties set forth the terms under which the Company promised to pay the Executive common shares of the Company on certain dates as set forth therein;

WHEREAS, the Executive subsequently deferred his right to receive the payment originally due on January 22, 2003 under Section 3 of the Deferred Stock Agreement;

WHEREAS, Section 10 of the Deferred Stock Agreement provides that the Company and the Executive may amend the Deferred Stock Agreement at any time;

WHEREAS, the Company and the Executive deem it necessary to amend the Deferred Stock Agreement;

NOW, THEREFORE, the parties agree that the Deferred Stock Agreement is amended in the following respects, effective as of January 22, 2003:

1. The second sentence of Section 2 is hereby deleted and replaced in its entirety with the following:

> One fifth of the Stock Units will vest on each of the following dates: January 22, 2001, January 22, 2002, January 22, 2003, January 2, 2004 (or, if such date is not a business day, on the next occurring business day) and January 2, 2005 (or, if such date is not a business day, on the next occurring business day).

2. Section 3 is hereby deleted and replaced in its entirety with the following:

> PAYMENT OF THE ACCOUNT. As of February 13, 2003, the Company shall pay to the Executive, within two (2) business days, that amount in cash equal to the number of shares of Stock equal to the number of vested Stock Units then credited to the Executive's Account multiplied by the average of the high and low prices of a share of Stock as reported on the New York Stock Exchange consolidated broad tape on February 12, 2003 ($33.98). Except as otherwise provided in this Agreement, on each of January 2, 2004 (or, if such date is not a business day, on the next occurring business day) and January 2, 2005 (or, if such date is not a business day, on the next occurring business day) (each, a "Payment Date"), the Company shall pay to Executive that number of shares of Stock which is equal to the number of vested Stock Units then credited to his Account. Notwithstanding the foregoing, upon the Executive's termination of employment by the Company for Cause (as defined in the Employment Agreement) prior to January 2, 2005 (or, if such date is not a business day, prior to the next occurring business day), the Company shall pay to the Executive that number of shares of Stock which is equal to the number of vested Stock Units credited to his Account, in a lump sum within 10 business days following such termination.

3. Section 4 of the Deferred Stock Agreement is hereby deleted and replaced in its entirety with the following:

> FORM OF PAYMENT. Payments pursuant to the second sentence of Section 3 shall be made by the Company in a lump sum to the Executive as soon as practicable after the Payment Date, but in no case more than 10 business days after the Payment Date. The Executive may elect to change the form of payment (to a lump sum or up to 10 equal annual installments), PROVIDED THAT any such election is made prior to the beginning of the year before the year in which the Payment Date then in effect would occur.
>
> The Company agrees it will register under the Securities Act of 1933 those shares of Stock defined in Annex A hereto as Vornado Registrable Securities on those terms and conditions set forth in Annex A hereto.

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

VORNADO REALTY TRUST

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President

/s/ Melvyn H. Blum

Melvyn H. Blum

Annex A

Registration Under the Securities Act

1. REGISTRATION FOR VORNADO REGISTRABLE SECURITIES UNDERLYING DEFERRED UNITS. The Company agrees to file a registration statement on either Form S-3 or Form S-8 providing for the registration of, and the sale on a continuous or delayed basis by the Executive in accordance with the methods of distribution specified by and consistent with the terms and provisions hereof, of Vornado Registrable Securities pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), and/or any similar rule that may be adopted by the Securities and Exchange Commission (the "Commission"), and, if applicable, to use its commercially reasonable efforts to cause such registration statement to be declared effective by the Commission under the Securities Act not later than January 2, 2004, or if not a business day, the first business day thereafter.

2. REGISTRATION PROCEDURES. In connection with the registration statement contemplated hereby, the following provisions shall apply:

(a) The Company shall furnish to the Executive, prior to the filing thereof with the Commission, a copy of such registration statement, and each amendment thereto and each amendment or supplement, if any, to the prospectus related thereto.

(b) The Company shall take such action as may be necessary so that (i) such registration statement and any amendment thereto and any related prospectus (and any amendment or supplement to such prospectus) (and each report or other document incorporated therein by reference in each case) complies in all material respects with the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the respective rules and regulations thereunder, (ii) such registration statement and any amendment thereto do not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) such prospectus forming part of the registration statement contemplated hereby, and any amendment or supplement to such prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

(c) The Company shall advise the Executive:

(i) when such registration statement and any amendment thereto has been filed with the Commission and when such registration statement or any

post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to such registration statement or the prospectus related thereto or for additional information;

(iii) of the issuance by the Commission of any stop order suspending effectiveness of such registration statement or the initiation of any proceedings for that purpose; and

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included in such registration statement for sale in any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company shall use its commercially reasonable efforts to prevent the issuance, and if issued to obtain the withdrawal, of any order suspending the effectiveness of such registration statement at the earliest possible time.

(e) The Company shall furnish to the Executive, without charge, as many copies of the prospectus related to such registration statement and any amendment or supplement thereto as the Executive may reasonably request; and the Company consents to the use of the prospectus and any amendment or supplement thereto by the Executive in connection with the offering and sale of the Vornado Registrable Securities covered by the prospectus and any amendment or supplement thereto until the earlier of such time that (1) such prospectus and any amendment or supplement thereto does not meet the requirements set forth in Section 2(b)(iii) above and (2) the Vornado Securities so covered cease be Vornado Registrable Securities.

(f) The Executive shall notify the Company in writing of his intention to sell securities registered pursuant to any registration statement filed pursuant to Paragraph 1 above not less than 10 business days prior to the proposed Trade Date of any such sale. "Trade Date" shall mean the date the Executive enters into any underwriting, agency or other purchase agreement or understanding for the sale of, or otherwise agrees to sell, securities registered pursuant to such registration statement. No such notification shall obligate the Executive to consummate any such sale.

(g) The Company shall use its commercially reasonably efforts to take all other steps necessary to effect the registration of the Vornado Registrable Securities covered by such registration statement contemplated hereby.

3. EXPENSES. The Company agrees to pay all Vornado Registration Expenses in connection with any registration pursuant to Paragraph 1 above.

4. INDEMNIFICATION.

(a) Upon the registration of the Vornado Registrable Securities pursuant to the registration statement filed as contemplated by Paragraph 1 hereof, the Company shall, and it hereby agrees to, indemnify and hold harmless the Executive against any losses, claims, damages or liabilities to which the Executive may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions (pending or threatened) in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such registration statement under which such Vornado Registrable Securities were registered under the Securities Act, or any prospectus related thereto or furnished by the Company to the Executive, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company shall, and it hereby agrees to, reimburse the Executive for any legal or other expenses reasonably incurred by him in connection with investigating or defending any such action or claim; PROVIDED, HOWEVER, that the Company shall not be liable to the Executive in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or prospectus, or amendment or supplement, in reliance upon and in conformity with any written information (including without limitation, any questionnaire) furnished to the Company by the Executive expressly for use therein.

(b) The Company may require, as a condition to filing the registration statement contemplated by Paragraph 1 hereof, that the Company shall have received an undertaking reasonably satisfactory to it from the Executive to (i) indemnify and hold harmless the Company, its directors, officers who sign such registration statement, each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other holder of Stock that is included in such registration statement against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such registration statement, or any prospectus related thereto or furnished by the Company to any such holder or underwriter, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished in writing to the Company by the Executive expressly for use therein (including, without limitation, any questionnaire), and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim;

(c) Promptly after receipt by an indemnified party under Paragraph 4(a) or (b) above of written notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party pursuant to the indemnification provisions of or contemplated by this Paragraph 4, notify such indemnifying party in writing of the commencement of such action; but the omission to so notify the indemnifying party shall not relieve such indemnifying party from any liability which it may have to any indemnified party other than under the indemnification provisions of or contemplated by Paragraph 4(a) or (b) above, and then only to the extent that the indemnifying party is actually prejudiced thereby. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and (unless the indemnified party reasonably concludes that such representation would involve a conflict of interest), to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent.

5. DEFINITIONS.

(a) "Vornado Registrable Securities" shall mean the 59,259 shares of Stock, and any securities into which such shares of Stock are exchanged or reclassified, to be paid to the Executive in respect of Stock Units pursuant to this agreement, as amended by Amendment No. 1; PROVIDED THAT such shares of Stock shall cease to be Vornado Registrable Securities when such shares of Stock (i) have been sold or otherwise transferred by the Executive, whether pursuant to an effective

registration statement or otherwise, (ii) cease to become payable due to the forfeiture of Stock Units as a result of the Executive's termination of employment or (iii) have become eligible for sale pursuant to Rule 144(k) (or any similar provision then in force) under the Securities Act.

(b) "Vornado Registration Expenses" means all expenses incident to the Company's performance of or compliance with its obligations hereunder, including without limitation, (i) all Commission registration and filing fees and expenses, (ii) internal expenses (including, without limitation, all salaries and expenses of the Company officers and employees performing legal or accounting duties) and (iii) fees, disbursements and expenses of counsel of the Company and the reasonable fees, disbursement and expenses of counsel of the Executive. Notwithstanding the foregoing, the Executive shall pay all agency fees and commissions and underwriting discounts and commissions, if any, attributable to the sale of such Vornado Registered Securities and the fees and disbursements of any counsel or other advisors or experts retained by the Executive not otherwise paid by the Company pursuant to Paragraph (b)(iii) hereof.

6. SUSPENSION. Notwithstanding anything contained herein, the Company may delay the filing of any such registration statement or amendment or supplement thereto if the Company in good faith has a valid business reason for such delay, including without limitation, (i) that the filing of such registration statement or amendment or supplement thereto would require the Company to include therein material information that has not theretofore been made public and which the Company is not then prepared to disclose or (ii) that the offering and sale of Vornado Registrable Securities by the Executive at such time will adversely affect any offering by the Company of its securities then contemplated or pending.

EXHIBIT 12

VORNADO REALTY TRUST

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDEND REQUIREMENTS

	DECEMBER 31,				
	2002	2001	2000	1999	1998
EARNINGS:					
Net income applicable to common shareholders	$ 209,736	$ 227,233	$ 195,301	$ 169,081	$ 131,164
Minority interest not reflected in fixed charges below	44,462	19,021	16,668	14,428	3,732
Equity in income from certain partially owned entities in excess of distributions	--	(28,360)	(19,757)	(16,391)	(983)
Fixed Charges	371,210	319,624	312,021	227,459	152,217
Earnings	$ 625,400	$ 537,518	$ 504,233	$ 394,577	$ 286,130
FIXED CHARGES:					
Interest and debt expense	$ 239,525	$ 173,076	$ 170,273	$ 141,683	$ 114,686
Capitalized					

interest
6,677 11,557
12,269 7,012
1,410
Preferred
stock
dividends
23,167
36,505
38,690
33,438
21,690
Preferred
unit
distributions
reflected in
minority
interest
96,122
93,342
85,706
40,570
12,452 1/3
of rent
expense--
interest
factor 5,719
5,144 5,083
4,756 1,979
--------- --
------- ----
----- ------
--- --------
- Total
Fixed
Charges $
371,210 $
319,624 $
312,021 $
227,459 $
152,217
=========
=========
=========
=========
=========
Ratio of
Earnings to
Fixed
Charges 1.68
1.68 1.62
1.73 1.88
=========
=========
=========
=========
=========
Rent Expense
$ 17,157 $
15,433 $
15,248 $
14,268 $
5,937
=========
=========
=========
=========
=========

EXHIBIT 21

VORNADO REALTY TRUST
SUBSIDIARIES OF THE REGISTRANT

STATE OF
NAME OF
SUBSIDIARY
ORGANIZATION
- ---------
--------- -
----
14 West
64th Street
Corporation
New York
150 East
58th
Street,
L.L.C. New
York 1740
Broadway
Associates,
L.P.
Delaware 20
Broad
Company,
L.L.C. New
York 20
Broad
Lender,
L.L.C. New
York 201
East 66th
Street
Corp. 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 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 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,
L.L.C. New
York 969
Third
Avenue,
L.L.C. New
York
Allentown
VF, L.L.C.
Pennsylvania
Allentown
VF, L.P.
Pennsylvania
AmeriCold
Corporation
Oregon
AmeriCold
Real
Estate,
L.P.
Delaware
AmeriCold
Realty,
Inc.
Delaware
Amherst II

VF, L.L.C.
New York
Amherst VF,
L.L.C. New
York Arbor
Property,
L.P.
Delaware
Atlantic
City
Holding,
L.L.C. New
Jersey B&B
Park
Avenue,
L.P.
Delaware
Bensalem
Holding
Company,
L.L.C.
Pennsylvania
Bensalem
Holding
Company,
L.P.
Pennsylvania

STATE OF NAME
OF SUBSIDIARY
ORGANIZATION -

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Pennsylvania
Bensalem VF,
L.P.
Pennsylvania
Bethlehem
Holding
Company, L.L.C.
Pennsylvania
Bethlehem
Holding
Company, L.P.
Pennsylvania
Bethlehem
Properties
Holding
Company, L.L.C.
Pennsylvania
Bethlehem
Properties
Holding
Company, L.P.
Pennsylvania
Bethlehem VF,
L.L.C.
Pennsylvania
Bethlehem VF,
L.P.
Pennsylvania
BMS Facilities
Group, L.L.C.
Delaware
Bordentown II
VF, L.L.C. New
Jersey
Bordentown VF,
L.L.C. New
Jersey
Bricktown VF,
L.L.C. New
Jersey
Bridgeland
Warehouses,
L.L.C. New
Jersey Broomall
VF, L.L.C.
Pennsylvania
Broomall VF,
L.P.
Pennsylvania

Building
Maintenance
Service, L.L.C.
Delaware
Canadian
Craftshow LTD.
Canada Carmar
Freezers
Russellville,
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
Commerce
Executive Park,
L.L.C. Delaware
CESC
Construction
TRS, Inc.
Delaware 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 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
Manager, L.L.C.
Delaware CESC
One Democracy
Plaza, L.P.
Maryland CESC
One Skyline
Place, L.L.C.
Delaware

STATE OF
NAME OF
SUBSIDIARY
ORGANIZATION
- ----------
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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
Limited
Partnership
Virginia
CESC Plaza
Manger,
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
CESC Three
Skyline
Place,
L.L.C.
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
Conrans VF,
L.L.C. New
Jersey
Cumberland
Holding,
L.L.C. New
Jersey Darby
Development
Corp.
Florida
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,
L.L.C.
Maryland
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 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

STATE OF NAME
OF SUBSIDIARY
ORGANIZATION
- -----------
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Gallery
Market
Properties
Holding
Company,
L.L.C.
Pennsylvania
Gallery
Market
Properties
Holding
Company, L.P.
Pennsylvania
Glen Burnie
VF, L.L.C.
Maryland
Glenolden VF,
L.L.C.
Pennsylvania
Glenolden VF,
L.P.
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
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
Henrietta
Holding,
L.L.C. New
York Inland
Quarries,
L.L.C.
Delaware
Interior
Design Show,
Inc. Canada
Jersey City
VF, L.L.C.
New Jersey
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
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 -

Furniture
Plaza L.L.C.
Delaware
Market Square
- Main
Street,
L.L.C.
Delaware
Market Square
Group, L.L.C.
Delaware
Market Square
Hamilton
Center,
L.L.C.
Delaware
Market Square
II, L.L.C.
Delaware
Market Square
TRS, Inc.
Delaware
Market
Square,
L.L.C.
Delaware
Marlton VF,
L.L.C. New
Jersey Marple
Holding
Company,
L.L.C.
Pennsylvania
Marple
Holding
Company, L.P.
Pennsylvania
Mart
Franchise
Center, Inc.
Illinois Mart
Franchise
Venture,
L.L.C.
Delaware Mart
Parking,
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
MMPI/Highpoint
Lease, L.L.C.
Delaware
Monmouth
Mall, L.L.C.
Delaware

STATE OF NAME
OF SUBSIDIARY
ORGANIZATION -

--- -----------
-- 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
(NC), L.L.C.
Delaware
National
Hydrant, L.L.C.
New York New
Bridgeland
Warehouses,
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
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,
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 Office
Center Owner
(D.C.), L.L.C.
Delaware One
Penn Plaza TRS,
Inc. Delaware
One Penn Plaza,
L.L.C. New York
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
Powerspace &
Services, Inc.
New York Rahway
Leasing, L.L.C.
New Jersey RF
Operations,
L.L.C. Delaware
Rochester
Holding, L.L.C.
New York
Russian Tea
Room Realty,
L.L.C. New York
SMB
Administration,
L.L.C. Delaware
SMB Cleaning,
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

STATE OF
NAME OF
SUBSIDIARY
ORGANIZATION
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T.G.
Hanover,
L.L.C. New
Jersey TGSI,
L.L.C.
Maryland 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
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
Unado,
L.L.C. New
Jersey 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
Upper
Moreland VF,
L.P.
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.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
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
Corp.
Delaware

STATE OF NAME
OF SUBSIDIARY
ORGANIZATION -

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-- VNO 424
Sixth Avenue,
L.L.C. Delaware
VNO 63rd
Street, L.L.C.
New York VNO
Hotel, L.L.C.
Delaware
Vornado -
Westport,
L.L.C.
Connecticut
Vornado 1740
Broadway,
L.L.C. New York
Vornado 175
Lex, Inc.
Delaware
Vornado 330
West 34th
Street, L.L.C.
New York
Vornado 401
Commercial,
L.L.C. New York
Vornado 550-600
Mamaroneck,
L.P. New York
Vornado 63rd
Street, Inc.
New York
Vornado 640
Fifth Avenue,
L.L.C. New York
Vornado 90 Park
Avenue, L.L.C.

New York
Vornado 90 Park
QRS, Inc. New
York Vornado
B&B, L.L.C. New
York Vornado
Ballantrae
Holdings, Inc.
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
Communications,
L.L.C. Delaware
Vornado
Crescent
Carthage and KC
Quarry, L.L.C.
Delaware
Vornado
Crescent
Portland
Partnership
Delaware
Vornado Crystal
Park Loan,
L.L.C. Delaware
Vornado Finance
GP, L.L.C.
Delaware
Vornado Finance
SPE, Inc.

Delaware
Vornado
Finance, L.L.C.
Delaware
Vornado
Finance, L.P.
Delaware
Vornado Fort
Lee, L.L.C. New
Jersey 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
Investment
Corp. New York
Vornado
Investments
Corporation
Delaware
Vornado
Investments,
L.L.C. Delaware
Vornado Lending
Corp. New
Jersey Vornado
Lending, L.L.C.
New Jersey
Vornado M 330,
L.L.C. New York
Vornado M 393
QRS, Inc. New
York Vornado M
393, L.L.C. New
York

STATE OF
NAME OF
SUBSIDIARY
ORGANIZATION
- ----------
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Vornado
Mamaroneck,
L.L.C. New
York Vornado
Management
Corp. New
Jersey
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,
L.L.C.
Delaware
Vornado NK
Loan, L.L.C.
Massachusetts
Vornado
Office
Management,
L.L.C. New
York Vornado
Office, Inc.
New York
Vornado PS,
L.L.C.
Delaware
Vornado
Realty,
L.L.C.
Delaware
Vornado
Realty, L.P.
Delaware
Vornado RR
Midtown,
L.L.C. New
York Vornado
RTR, Inc.
Delaware
Vornado SC
Properties,
L.L.C.
Delaware
Vornado
Title,
L.L.C.
Delaware
Vornado TSQ,
L.L.C.
Delaware
Vornado Two
Park
Holding,
L.L.C.
Delaware
Vornado Two
Penn Plaza,
L.L.C. New
York
Vornado/Tea

Room, L.L.C.
New York VRT
Development
Rights,
L.L.C. New
York VRT
Massachusetts
Holding,
L.L.C.
Delaware VRT
New Jersey
Holding,
L.L.C.
Delaware
Washington
CESC TRS,
Inc.
Delaware
Washington
Design
Center DC,
L.L.C.
Delaware
Washington
Design
Center
Subsidiary,
L.L.C.
Delaware
Washington
Mart TRS,
Inc.
Delaware
Washington
Office
Center DC,
L.L.C.
Delaware
Watchung VF,
L.L.C. New
Jersey 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
York VF,
L.P.
Pennsylvania

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following Registration Statements of our report dated March 6, 2003, which report includes an explanatory paragraph relating to the Company's adoption of SFAS No. 142 "GOODWILL AND OTHER INTANGIBLE ASSETS" on January 1, 2002, appearing in this Annual Report on Form 10-K of Vornado Realty Trust for the year ended December 31, 2002:

Vornado Realty Trust:
- Registration Statement No. 333-68462 on Form S-3
- 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

Vornado Realty Trust and Vornado Realty L.P. (Joint Registration Statements):
- 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

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 7, 2003