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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VORNADO REALTY TRUST CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share amounts)	(UNAUDITED) September 30, 2003	December 31, 2002
ASSETS		
Real estate, at cost:		
Land	\$ 1,490,075	\$ 1,446,956
Buildings and improvements	6,054,336	5,829,294
Development costs and construction in progress	119,450	88,550
Leasehold improvements and equipment	71,814	67,521
Total	7,735,675	7,432,321
Less accumulated depreciation and amortization	(855,261)	(709,229)
Real estate, net	6,880,414	6,723,092
Assets related to discontinued operations	126,030	127,285
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of \$27,310 and \$33,393	123,858	208,200
Escrow deposits and restricted cash	120,762	263,125
Marketable securities	81,877	42,525
Investments and advances to partially-owned entities, including Alexander's of \$195,797 and \$193,879	991,276	961,126
Due from officers	20,642	20,643
Accounts receivable, net of allowance for doubtful accounts of \$15,038 and \$13,887	83,498	65,754
Notes and mortgage loans receivable	67,789	86,581
Receivable arising from the straight-lining of rents, net of allowance of \$4,801 and \$4,071	257,977	229,467
Other assets	323,148	290,381
TOTAL ASSETS	\$ 9,077,271	\$ 9,018,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 3,454,577	\$ 3,537,720
Senior Unsecured Notes due 2007, at fair value (accreted face amount of \$499,463 and \$499,355)	532,871	533,600
Accounts payable and accrued expenses	228,052	202,756
Officers' compensation payable	19,830	16,997
Deferred credit	54,069	59,362
Other liabilities	2,203	3,030
Total liabilities	4,291,602	4,353,465
Minority interest of unitholders in the Operating Partnership	1,982,340	2,037,358
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 1,030,438 and 1,450,623 shares	51,525	72,535
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, 114,022,487 and 108,629,736 shares	4,562	4,320
Additional paid-in capital	2,659,140	2,481,414
Distributions in excess of net income	(157,065)	(169,629)
	2,751,115	2,581,593
Deferred compensation shares earned but not yet delivered	69,066	66,660
Deferred compensation shares issued but not yet earned	(7,617)	(2,629)

Accumulated other comprehensive loss	(4,531)	(13,564)
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	2,803,329	2,627,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,077,271	\$ 9,018,179

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in thousands except per share amounts)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Rentals	\$ 322,056	\$ 305,478	\$ 947,098	\$ 904,670
Expense reimbursements	46,456	42,831	133,832	114,451
Fee and other income	15,330	6,240	45,090	19,959
Total revenues	383,842	354,549	1,126,020	1,039,080
Expenses:				
Operating	150,965	141,331	440,725	385,890
Depreciation and amortization	52,822	51,184	158,332	147,828
General and administrative	31,970	27,078	86,642	73,797
Amortization of officer's deferred compensation expense	—	6,875	—	20,625
Total expenses	235,757	226,468	685,699	628,140
Operating income	148,085	128,081	440,321	410,940
Income applicable to Alexander's	739	12,554	12,341	22,609
Income from partially-owned entities	11,132	6,692	54,165	30,304
Interest and other investment income	2,800	6,407	16,224	25,984
Interest and debt expense	(57,031)	(60,842)	(173,269)	(177,177)
Net gains on disposition of wholly-owned and partially-owned assets	1,266	4,503	160	1,053
Minority interest:				
Perpetual preferred unit distributions	(17,738)	(18,254)	(53,215)	(54,968)
Minority limited partnership earnings	(17,841)	(17,492)	(57,323)	(51,630)
Partially-owned entities	(273)	(403)	(1,009)	(1,946)
Income from continuing operations	71,139	61,246	238,395	205,169
Discontinued operations	4,921	3,696	17,164	11,878
Cumulative effect of change in accounting principle	—	—	—	(30,129)
Net income	76,060	64,942	255,559	186,918
Preferred share dividends	(5,079)	(5,695)	(15,930)	(17,722)
NET INCOME applicable to common shares	\$ 70,981	\$ 59,247	\$ 239,629	\$ 169,196
NET INCOME PER COMMON SHARE – BASIC:				
Income from continuing operations	\$.59	\$.52	\$ 2.00	\$ 1.79
Discontinued operations	.04	.03	.15	.11
Cumulative effect of change in accounting principle	—	—	—	(.29)
Net income per common share	\$.63	\$.55	\$ 2.15	\$ 1.61
NET INCOME PER COMMON SHARE – DILUTED:				
Income from continuing operations	\$.56	\$.51	\$ 1.94	\$ 1.72
Discontinued operations	.04	.03	.15	.11
Cumulative effect of change in accounting principle	—	—	—	(.28)
Net income per common share	\$.60	\$.54	\$ 2.09	\$ 1.55
DIVIDENDS PER COMMON SHARE	\$.68	\$.66	\$ 2.04	\$ 1.98

See notes to consolidated financial statements.

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VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Amounts in thousands)	For The Nine Months Ended September 30,	
	2003	2002

Cash Flows From Operating Activities:

Net income	\$	255,559	\$	186,918
Adjustments to reconcile net income to net cash provided by operating activities:				
Cumulative effect of change in accounting principle		—		30,129
Gain on sale of real estate		(2,644)		—
Depreciation and amortization		158,332		147,828
Minority interest		111,547		108,544
Net gains on disposition of wholly-owned and partially-owned assets		(160)		(1,053)
Straight-lining of rental income		(31,908)		(29,622)
Amortization of acquired below market leases, net		(6,914)		—
Equity in income of partially-owned entities		(54,165)		(30,304)
Equity in income of Alexander's		(12,341)		(22,609)
Amortization of officer's deferred compensation expense		—		20,625
Changes in operating assets and liabilities		8,302		(62,955)
Net cash provided by operating activities		<u>425,608</u>		<u>347,501</u>

Cash Flows From Investing Activities:

Additions to real estate		(78,353)		(70,029)
Development costs and construction in progress		(102,254)		(47,351)
Investments in partially-owned entities		(10,360)		(35,209)
Distributions from partially-owned entities		50,178		100,326
Proceeds received from repayment of notes and mortgage loans receivable		26,092		115,000
Cash restricted for mortgage escrows and tenant improvements		142,363		704
Acquisition of Building Maintenance Service Company		(13,000)		—
Acquisition of Kaempfer Management Company		(27,622)		—
Acquisitions of real estate		(31,189)		(23,659)
Investments in marketable securities		(10,419)		(1,702)
Proceeds from sale of real estate		5,436		—
Investment in notes and mortgage loans receivable		(7,300)		(56,091)
Proceeds from sale of marketable securities		—		73,685
Net cash (used in) provided by investing activities		<u>(64,579)</u>		<u>55,674</u>

Cash Flows From Financing Activities:

Repayments of borrowings		(593,780)		(719,761)
Proceeds from borrowings		448,987		650,403
Dividends paid on common shares		(227,079)		(240,802)
Distributions to minority partners		(112,043)		(108,477)
Dividends paid on preferred shares		(15,930)		(17,722)
Exercise of stock options		54,474		25,455
Proceeds from issuance of common shares		—		56,508
Net cash used in financing activities		<u>(445,371)</u>		<u>(354,396)</u>
Net (decrease) increase in cash and cash equivalents		(84,342)		48,779
Cash and cash equivalents at beginning of period		208,200		265,584
Cash and cash equivalents at end of period	\$	<u>123,858</u>	\$	<u>314,363</u>

Supplemental Disclosure Of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$3,565 and \$5,450)	\$	<u>179,098</u>	\$	<u>171,132</u>
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Non-Cash Transactions:

Class A units issued in acquisitions	\$	55,435	\$	625,226
Financing assumed in acquisitions		—		1,086,480
Unrealized gain (loss) on securities available for sale		8,698		(112)
Capitalized development payroll		1,423		2,364

See notes to consolidated financial statements.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization

Vornado Realty Trust ("Vornado") is a fully-integrated real estate investment trust. 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 81% of the common limited partnership interest in, the Operating Partnership at September 30, 2003. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States

of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Vornado's annual report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2003 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado and its majority-owned subsidiary, Vornado Realty L.P., as well as entities in which the Company owns more than 50%, unless a partner has shared board and management representation and authority and substantive participation rights on all significant business decisions. All significant intercompany amounts have been eliminated. Equity interests in partially-owned corporate entities are accounted for under the equity method of accounting when the Company's ownership interest is more than 20%, but less than 50%. When partially-owned investments are in partnership form, the 20% threshold for equity method accounting may be reduced. Investments accounted for under the equity method 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. For all other investments, the Company uses the cost method.

Management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144 — Accounting for the Impairment or Disposal of Long-Lived Assets, for all periods presented the Company reclassified its consolidated statements of income to reflect income and expenses for properties which are held for sale or sold during 2003 as discontinued operations, and reclassified assets and liabilities related to such properties as assets related to discontinued operations and liabilities related to discontinued operations on its consolidated balance sheets.

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3. Recently Issued Accounting Standards

Financial Accounting Standards Board ("FASB") Interpretation No. 46 – Consolidation of Variable Interest Entities ("FIN 46")

In January 2003, the FASB issued FIN 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," 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. An entity qualifies as a variable interest entity if (i) 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 (ii) the equity investors do not have the characteristics of a controlling financial interest in the entity. The initial determination of whether an entity qualifies as 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 of a triggering event, as defined. On October 9, 2003, the FASB issued FIN 46-6, deferring the effective date until the first interim or annual period ending after December 15, 2003 for (i) interests held by public companies in variable interest entities created before February 1, 2003 and (ii) non registered investment companies. The Company does not anticipate that the adoption of FIN 46 will have a material effect on the consolidated financial statements.

SFAS No. 149 – Amendment of SFAS 133 on Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149 – *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133 – *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 on July 1, 2003, had no impact on the Company's consolidated financial statements.

SFAS No. 150 - Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150 – *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 establishes standards for classifying and measuring as liabilities, certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. On October 29, 2003, the FASB deferred, indefinitely, the application of paragraphs 9 and 10 of SFAS No. 150 as it relates to mandatorily redeemable non-controlling interests in consolidated subsidiaries that would not be recorded as liabilities under SFAS No. 150 by such subsidiaries. The adoption of the remainder of SFAS No. 150 on July 1, 2003, had no impact on the Company's consolidated financial statements.

4. Acquisitions, Dispositions and Financings

Acquisitions

Upon acquisition of real estate, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their relative fair values. The Company uses third party appraisers or methods similar to those used by third party appraisers such as estimated cash flow projections utilizing appropriate discount and capitalization rates and available market information.

The fair value of the tangible assets (land, building and improvements) of an acquired property considers the value of the property as if it were vacant. The fair value of the identified intangible assets and liabilities for above and below market in-place leases is based on the present value of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of the market lease rates measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above market (deferred charge) or below market (deferred credit) intangible is amortized to rental income over the non-cancelable term of the respective leases. The aggregate value of the other acquired identified intangible assets, consisting of in-place leases and tenant relationships, considers the difference between the estimated fair value of the property as if vacant and the estimated value of property as if occupied at the level it was on the date of acquisition, adjusted to market rental rates.

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Management considers current market conditions and costs to execute similar leases in arriving at an estimate of carrying costs during the expected lease-up period in determining the value of in-place leases. In estimating carrying costs management includes real estate taxes, insurance, other operating expenses and estimates of lost revenue during the expected lease-up periods and costs to execute similar leases including commissions and other related costs. In estimating the value of tenant relationships management considers, among other factors, the nature and extent of the existing tenant relationship and the expectation of lease renewals, growth prospects and tenant credit quality. The value of the tenant relationship is amortized over the anticipated life of the relationship while the value of the in-place leases is amortized over the non-cancelable term of the acquired in-place leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

Building Maintenance Service Company ("BMS")

On January 1, 2003, the Company acquired for \$13,000,000 in cash BMS, which provides cleaning, security and engineering 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. David R. Greenbaum, one of the Company's executive officers. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of BMS are consolidated into the accounts of the Company beginning January 1, 2003.

For the three and nine months ended September 30, 2003, BMS revenues of \$7,087,000 and \$21,762,000 are included in fee and other income and BMS expenses of \$4,647,000 and \$15,171,000 are included in operating expenses in the Company's consolidated statements of income.

Kaempfer Company ("Kaempfer")

On April 9, 2003, the Company acquired Kaempfer, which owns partial interests in six Class "A" office properties in Washington D.C., manages and leases these properties and four others for which it receives customary fees and has options to acquire certain other real estate interests, including 50% of Kaempfer's 5% interest in the planned redevelopment of Waterfront, located at 401 M Street, a mixed-use project in Southwest Washington D.C. (the "Waterfront interest"). Kaempfer's equity interest in the properties approximates 5.0%. The aggregate purchase price for the equity interests and the management and leasing business was \$33,400,000 (consisting of \$29,800,000 in cash and approximately 99,300 Vornado Realty L.P. partnership units valued at \$3,600,000) and may be increased by up to \$9,000,000 based on the performance of the management company. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of Kaempfer are consolidated into the accounts of the Company beginning April 9, 2003.

The six Class "A" office buildings contain 1.8 million square feet and are as follows: the Warner Building located at 1299 Pennsylvania Avenue containing 600,000 square feet, the Investment Building located at 1501 K Street containing 380,000 square feet, the Commonwealth Tower located at 1300 Wilson Boulevard in Rosslyn, VA, containing 343,000 square feet, the Bowen Building (under development) located at 875 15th Street containing 220,000 square feet, 1925 K Street containing 150,000 square feet, and the Executive Tower located at 1399 New York Avenue, containing 123,000 square feet. Kaempfer, which was founded in 1977 and has 65 employees, was combined with the Company's Charles E. Smith Commercial Realty division ("CESCR"). Mitchell N. Schear, the President of Kaempfer, has become President of CESCR.

On October 7, 2003, the Company acquired the Waterfront interest described above for \$2,000,000, of which the Company paid \$1,545,000 in cash and issued 12,500 Vornado Realty L.P. partnership units valued at \$455,000. The partnership units were issued to Mitchell N. Schear, one of the partners in the Waterfront interest, and the President of the Company's CESCR division.

20 Broad Street

On May 2, 2003, the Company acquired the remaining 40% of a 78-year leasehold interest in 20 Broad Street it did not already own. The purchase price was approximately \$30,000,000 in cash. 20 Broad Street contains 466,000 square feet of office space, of which 348,000 square feet is leased to the New York Stock Exchange. Prior to the acquisition of the remaining 40%, the Company consolidated the operations of this property and reflected the 40% interest that it did not own as a component of minority interest. Subsequent to this acquisition, the Company will no longer reflect the 40% minority interest.

2101 L Street

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

Dispositions

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

The Company recognized gains on sale of residential condominiums in Chicago, Illinois of \$188,000 during the first quarter of 2003 and \$282,000 and \$2,156,000 during the three and nine months ended September 30, 2002. Such gains are included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets."

On June 13, 2003, the Company received its \$5,000,000 share of a settlement with affiliates of Primestone Investment Partners of the amounts due under the guarantees of the Primestone loans. In connection therewith, the Company recognized a \$1,388,000 loss on settlement of the guarantees which is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the nine months ended September 30, 2003.

On June 27, 2003, the Park Laurel joint venture completed the sale of the remaining condominium unit in the project resulting in a net gain to the Company of \$94,000, which is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the nine

months ended September 30, 2003.

On August 18, 2003, the Company recognized a \$767,000 deferred gain on the sale of its 50% interest in 570 Lexington Avenue which was sold on May 17, 2001, which is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the three and nine months ended September 30, 2003.

On October 10, 2003, the Company sold Two Park Avenue, a 965,000 square foot office building, for \$292,000,000 to SEB Immobilien-Investment GMBH, a German capital investment company. The Company's net gain on the sale after closing costs is approximately \$157,000,000 and will be recognized in the fourth quarter of 2003.

On November 3, 2003, the Company sold its Hagerstown retail property located in Maryland for \$3,100,000. The Company's gain on sale after closing costs is approximately \$2,000,000, and will be recognized in the fourth quarter of 2003.

Financings

On October 10, 2003, the Company called for the redemption of all of its 8.5% Series D-1 Cumulative Redeemable Preferred Units issued in 1998. The Preferred Units will be redeemed on November 12, 2003 at a redemption price equal to \$25.00 per unit or an aggregate of \$87,500,000 plus accrued distributions of \$849,000. In conjunction with the redemption, the Company will write-off \$2,100,000 of issuance costs in the fourth quarter of 2003.

For details of the Company's financing activities see Note 7 - Notes and Mortgages Payable.

5. Investments and Advances to Partially-Owned Entities

The Company's investments and advances to partially-owned entities and equity in income of such investments are as follows:

Investments and Advances:

<u>(Amounts in thousands)</u>	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Temperature Controlled Logistics	\$ 468,889	\$ 459,559
Alexander's	195,797	193,879
Newkirk Master Limited Partnership ("Newkirk MLP")	208,791	182,465
Monmouth Mall Joint Venture	33,275	31,416
Partially-Owned Office Buildings	43,550	27,164
Starwood Ceruzzi Joint Ventures	23,568	24,959
Prime Group Realty L.P.	—	23,408
Park Laurel	804	3,481
Other	16,602	14,795
	<u>\$ 991,276</u>	<u>\$ 961,126</u>

Equity in Income (loss):

<u>(Amounts in thousands)</u>	<u>For The Three Months</u>		<u>For The Nine Months</u>	
	<u>Ended September 30,</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Income applicable to Alexander's:				
33.1% share of equity in net (loss) income	\$ (4,564)	\$ 5,603	\$ (4,779)	\$ 6,097
Interest income (1)	2,666	2,531	7,760	7,818
Development and guarantee fees (1)	1,548	2,955	6,107	4,930
Management and leasing fees (1)	1,089	1,465	3,253	3,764
	<u>\$ 739</u>	<u>\$ 12,554</u>	<u>\$ 12,341</u>	<u>\$ 22,609</u>
Temperature Controlled Logistics:				
60% share of equity in net income (loss)	\$ 901	\$ (2,125)	\$ 6,578	\$ 1,258
Management fees	1,398	1,399	4,151	4,164
Other	102	121	474	365
	<u>2,401</u>	<u>(605)</u>	<u>11,203</u>	<u>5,787</u>
Newkirk MLP:				
22.6% share of equity in income (2)	5,990	6,987	29,547	18,600
Interest and other income	1,782	913	5,353	5,300
	<u>7,772</u>	<u>7,900</u>	<u>34,900</u>	<u>23,900</u>
Partially-Owned Office Buildings	659	598	2,068	1,874
Other	300	(1,201)	5,994(3)	(1,257)
	<u>\$ 11,132</u>	<u>\$ 6,692</u>	<u>\$ 54,165</u>	<u>\$ 30,304</u>

(1) 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.

(2) The three months ended September 30, 2003 and 2002, includes the Company's share of net losses on sale of real estate of \$400 and \$1,200 respectively. The nine months ended September 30, 2003 includes net gains of \$9,500 from the sale of properties and the early extinguishment of debt. The nine months ended September 30, 2002, includes \$1,200 for the Company's share of losses on sale of real estate.

(3) Includes \$4,413 for the Company's share of Prime Group's lease termination fee income.

Below is a summary of the debt of partially-owned entities as of September 30, 2003 and December 31, 2002, none of which is guaranteed by the Company.

(Amounts in thousands)	100% of Partially-Owned Entities Debt	
	September 30, 2003	December 31, 2002
Alexander's (33.1% interest):		
Due to Vornado on January 3, 2006 with interest at 12.48% (prepayable without penalty)	\$ 124,000	\$ 119,000
Lexington Avenue construction loan payable, due on January 3, 2006, plus two one-year extensions, with interest at LIBOR plus 2.50% (3.62% at September 30, 2003)	187,256	55,500
Rego Park mortgage payable, due in May 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)	217,297	219,308
Paramus mortgage payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Temperature Controlled Logistics (60% interest):		
Mortgage notes payable collateralized by 58 temperature controlled warehouses, due from 2004 to 2023 with a weighted average interest rate of 6.94% at September 30, 2003 (various prepayment terms)	526,736	537,716
Other notes and mortgages payable	36,696	37,789
Newkirk MLP (22.6% interest):		
Portion of first mortgages and contract rights, collateralized by the partnership's real estate, due from 2003 to 2024, with a weighted average interest rate of 10.14% at September 30, 2003 (various prepayment terms)	1,247,743	1,432,438
Prime Group Realty L.P. (14.9% interest):		
24 mortgages payable	—(1)	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%	68,340	68,900
825 Seventh Avenue (50% interest) mortgage payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	23,104	23,295
Orleans Hubbard (50% interest) mortgage note payable, due in March 2009, with interest at 7.03%	9,847	9,961
Wells/Kinzie Garage (50% interest) mortgage note payable, due in May 2009, with interest at 7.03%	15,671	15,860
Kaempfer Equity Interests (1% to 10% interests in six partnerships) Mortgage notes payable, collateralized by the partnerships' real estate, due from 2007 to 2031, with a weighted average interest rate of 7.00% at September 30, 2003 (various prepayment terms)	366,037	—
Monmouth Mall (50% interest):		
Mortgage note payable, due in November 2005, with interest at LIBOR + 2.05% and two one-year extension options (3.65% at September 30, 2003)	135,000	135,000

- (1) The Company converted its investment in Prime Group Realty L.P. into common shares of Prime Group Realty Trust on May 23, 2003. Accordingly, the investment is accounted for as a marketable security from that date forward.

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 \$937,512,000 and \$1,048,108,000 as of September 30, 2003 and December 31, 2002.

Temperature Controlled Logistics

Based on the joint venture's policy of recognizing rental income when earned and collection is assured or cash is received, the Company did not recognize \$8,416,000 and \$19,518,000 of rent it was due for the three and nine months ended September 30, 2003 and \$6,808,000 and \$12,361,000 of rent it was due for the three and nine months ended September 30, 2002, which together with previously deferred rent is \$43,868,000.

On March 7, 2003, AmeriCold Logistics and the Landlord extended the deferred rent period to December 31, 2004 from December 31, 2003.

On March 28, 2003, a joint venture in which the Company has a 44% interest acquired \$6,640,000 of trade receivables from AmeriCold Logistics for \$6,500,000 in cash (a 2% discount). These receivables were collected in full during the second quarter of 2003.

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. As of September 30, 2003, the Company has a receivable from Alexander's of \$18,821,000 under the management and development agreement.

At September 30, 2003, the Company had loans receivable from Alexander's of \$124,000,000, including \$29,000,000 drawn under a \$50,000,000 line of credit. 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 Company accrues interest at 12.48% on the loan and line of credit, which resets quarterly using the same spread to treasuries as previously existed with a 3% floor for treasuries. The Company believes that although Alexander's has disclosed that it does not currently have positive cash flow sufficient to repay the loans receivable to the Company (although interest is currently being paid on the Company's loans), Alexander's will be able to repay the loans upon the successful development and permanent financing of its Lexington Avenue development project or through asset sales.

Equity in income from Alexander's reflects Alexander's stock appreciation rights compensation expense of which the Company's share was \$6,192,000 and \$9,477,000 for the three and nine months ended September 30, 2003, based on a closing Alexander's stock price of \$105.50 on September 30, 2003. In the three months ended September 30, 2002, Alexander's reversed stock appreciation rights compensation expense recognized in the second quarter of 2002, of which the Company's share was \$1,402,000. The closing stock price of Alexander's was \$61.00 on September 30, 2002. In addition, in the nine months ended September 30, 2002, equity in income from Alexander's includes \$3,431,000 representing the Company's share of Alexander's gain on sale of its Third Avenue property.

Prime Group Realty L.P.

On June 11, 2003, the Company exercised its right to exchange the 3,972,447 units it owned in Prime Group Realty L.P. for 3,972,447 common shares in Prime Group Realty Trust (NYSE: PGE). Prior to the exchange, the Company accounted for its investment in the partnership on the equity method.

Subsequent to the exchange, the Company is accounting for its investment in PGE as a marketable equity security – available for sale, as the Company's shares represent less than a 20% ownership interest in PGE (which is not a partnership), the Company does not have significant influence and the common shares have a readily determinable fair value. Accordingly, the carrying amount previously included in Investments and Advances to Partially-Owned Entities has been reclassified to Marketable Securities on the Company's consolidated balance sheet as of September 30, 2003. The Company is also required to mark-to-market these securities based on the closing price of the PGE shares on the NYSE at the end of each reporting period. For the period from June 11, 2003 through September 30, 2003, the Company recorded a \$6,623,000 unrealized gain, which is not included in the Company's net income, but is reflected as a component of Accumulated Other Comprehensive Loss in the Shareholders' Equity section of the consolidated balance sheet. From the date of exchange, income recognition is limited to dividends received on the PGE shares.

On June 13, 2003, the Company received its \$5,000,000 share of a settlement with affiliates of Primestone Investment Partners of the amounts due under the guarantees of the Primestone loans. In connection therewith, the Company recognized a \$1,388,000 loss on settlement of the guarantees, which has been reflected as a component of "net gains on disposition of wholly-owned and partially-owned assets" in the Company's consolidated statement of income for the nine months ended September 30, 2003.

6. Notes and Mortgage Loans Receivable

On September 11, 2003, the Company made a loan of \$7,300,000 to a non-affiliated holder of the Company's Series C-1 convertible preferred and Class A operating partnership units. The loan is secured by the borrower's units (valued at approximately \$17,000,000 at September 30, 2003), bears interest at 3.0% per annum and matures on November 10, 2003.

On October 17, 2003, the Company made a \$200,000,000 mezzanine loan secured by partnership interests in the General Motors Building. The Company's loan is subordinate to \$900,000,000 of other debt. The loan is based on a rate of LIBOR plus 8.69% (with a LIBOR floor of 1.5%). The loan matures in October 2005, with three one-year extensions. Further, on October 30, 2003, the Company made an additional \$25,000,000 loan, as part of a \$50,000,000 loan, the balance of which was funded by an affiliate of Soros Fund Management LLC. This loan, which is junior to the \$1,100,000,000 of loans noted above, is based on a rate of LIBOR plus 12.81% (with a LIBOR floor of 1.5%). The loan will mature in October 2005, with three one-year extensions.

7. Notes and Mortgages Payable

Following is a summary of the Company's debt:

<u>(Amounts in thousands)</u>	<u>Maturity</u>	<u>Interest Rate as at September 30, 2003</u>	<u>Balance as of September 30, 2003</u>	<u>December 31, 2002</u>
Notes and Mortgages Payable:				
Fixed Interest:				
Office:				
NYC Office:				
Two Penn Plaza	03/04	7.08%	\$ 152,254	\$ 154,669
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	05/07	8.39%	49,582	50,383
866 UN Plaza	04/04	7.79%	33,000	33,000
CESCR Office:				
Crystal Park 1-5	07/06-08/13	6.66-7.08%	261,515	264,441
Crystal Gateway 1-4 Crystal Square 5	07/12-01/25	6.75-7.09%	214,801	215,978
Crystal Square 2, 3 and 4	10/10-11/14	6.82-7.08%	144,562	146,081
Skyline Place	08/06-12/09	6.60-6.93%	136,928	139,212
1101 17 th , 1140 Connecticut, 1730 M & 1150 17 th	08/10	6.74%	96,290	97,318
Courthouse Plaza 1 and 2	01/08	7.05%	79,215	80,062
Crystal Gateway N., Arlington Plaza and 1919 S. Eads	11/07	6.77%	71,819	72,721
Reston Executive I, II & III	01/06	6.75%	73,096	73,844
Crystal Plaza 1-6	10/04	6.65%	69,227	70,356

One Skyline Tower	06/08	7.12%	65,063	65,764
Crystal Malls 1-4	12/11	6.91%	62,087	65,877
1750 Pennsylvania Avenue	06/12	7.26%	49,464	49,794
One Democracy Plaza	02/05	6.75%	27,123	27,640
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	483,268	487,246
Green Acres Mall	02/08	6.75%	148,991	150,717
Las Catalinas Mall	11/13	6.97%	66,976	67,692
Montehiedra Town Center	05/07	8.23%	59,060	59,638
Merchandise Mart:				
Washington Design Center	10/11	6.95%	48,140	48,542
Market Square Complex	07/11	7.95%	47,291	48,213
Furniture Plaza	02/13	5.23%	46,224	—
Washington Office Center	02/04	6.80%	43,621	44,924
Other	02/05-06/13	7.52-7.71%	23,300	18,703
Other:				
Industrial Warehouses	10/11	6.95%	49,087	49,423
Student Housing Complex	11/07	7.45%	18,840	19,019
Other	08/21	9.90%	6,924	6,937
Total Fixed Interest Notes and Mortgages Payable		7.37%	2,732,748	2,713,194

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(Amounts in thousands)	Maturity	Spread over LIBOR	Interest Rate as at September 30, 2003	Balance as of	
				September 30, 2003	December 31, 2002
Notes and Mortgages Payable:					
Variable Interest:					
Office:					
NYC Office:					
One Penn Plaza	06/05	L+125	2.25%	\$ 275,000	\$ 275,000
770 Broadway (1)	06/06	L+105	2.18%	170,000	83,314
909 Third Avenue	(2)	L+70	1.83%	125,000	105,837
595 Madison Avenue	(2)	—	—	—	70,345
CESCR Office:					
Commerce Executive III, IV & V	(3)	L+135	2.35%	52,763	53,307
Tyson Dulles Plaza (1)	N/A	—	—	—	69,507
Merchandise Mart:					
Furniture Plaza	N/A	—	—	—	48,290
33 North Dearborn Street (1)	N/A	—	—	—	18,926
Other:					
Palisades construction loan	12/03	L+185	2.79%	99,066	100,000
Total Variable Interest Notes and Mortgages Payable			2.25%	721,829	824,526
Total Notes and Mortgages Payable			6.30%	\$ 3,454,577	\$ 3,537,720
Senior Unsecured Notes due 2007 at fair value (accreted face amount of \$499,463 and \$499,355)					
	06/07	L+77	1.96%	\$ 532,871	\$ 533,600
Unsecured revolving credit facility (4)					
	(4)	L+90	N/A	\$ —	\$ —

- On June 9, 2003, the Company completed a \$170,000 mortgage financing of its 770 Broadway property. The loan bears interest at LIBOR plus 1.05%, is prepayable after one year without penalty and matures in June 2006 with two-one year extension options. The proceeds of the new loan were used primarily to repay (i) a \$18,926 mortgage loan on 33 North Dearborn, (ii) a \$69,507 mortgage loan on Tysons Dulles Plaza, and (iii) \$40,000 of borrowings under the Company's unsecured revolving credit facility. In connection with the closing of the 770 Broadway loan, the Company purchased an interest rate cap, and simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments is expected to substantially offset one another. Simultaneously with the completion of the 770 Broadway loan, the Company used cash from its mortgage escrow account to repay \$133,659 of the \$153,659 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.
- On August 4, 2003, the Company completed a refinancing of its 909 Third Avenue mortgage loan. The new \$125,000 mortgage loan is for a term of three years and bears interest at LIBOR plus .70% and has two one-year extension options. Simultaneously with the completion of the 909 Third Avenue loan, the Company used cash from its mortgage escrow account to repay the balance of \$20,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties. In connection with the closing of the 909 Third Avenue loan, the Company purchased an interest rate cap, and simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments is expected to substantially offset one another.
- On July 31, 2003, the Company replaced the mortgage on the Commerce Executive property with (i) a new \$43,000 non-recourse mortgage loan at LIBOR plus 1.50% with a two-year term and a one-year extension option and (ii) a \$10,000 unsecured loan for three years at LIBOR plus .65% with a one-year extension option.
- On July 3, 2003, the Company entered into a new \$600 million unsecured revolving credit facility which has replaced its \$1 billion unsecured revolving credit facility which was to mature in July, 2003. The new facility has a three-year term, a one-year extension option and bears interest at LIBOR plus .65%. The Company also has the ability under the new facility to seek up to \$800 million of commitments during the facility's term. The new facility contains financial covenants similar to the prior facility.

8. Fee And Other Income

The following table sets forth the details of fee and other income:

(Amounts in thousands)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2003	2002	2003	2002
Tenant cleaning fees	\$ 7,087	\$ —	\$ 21,762	\$ —
Management and leasing fees	3,736	3,576	9,781	11,080
Other income	4,507	2,664	13,547	8,879
	<u>\$ 15,330</u>	<u>\$ 6,240</u>	<u>\$ 45,090</u>	<u>\$ 19,959</u>

Fee and other income above includes management fee income from Interstate Properties, a related party, of \$380,000 and \$439,000 in the three months ended September 30, 2003 and 2002 and \$943,000 and \$1,023,000 in the nine months ended September 30, 2003 and 2002. The above table excludes fee income from partially-owned entities which is included in income from partially-owned entities (see Note 5).

9. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of basic income per common share, which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and diluted income per common share, which includes the weighted average common shares and dilutive share equivalents. Potential dilutive share equivalents include the Company's Series A Convertible Preferred shares as well as Vornado Realty L.P.'s convertible preferred units.

(Amounts in thousands except per share amounts)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2003	2002	2003	2002
Numerator:				
Income from continuing operations	\$ 71,139	\$ 61,246	\$ 238,395	\$ 205,169
Discontinued operations	4,921	3,696	17,164	11,878
Cumulative effect of change in accounting principle	—	—	—	(30,129)
Net income	76,060	64,942	255,559	186,918
Preferred share dividends	(5,079)	(5,695)	(15,930)	(17,722)
Numerator for basic income per share – net income applicable to common shares	70,981	59,247	239,629	169,196
Impact of assumed conversions:				
Series A convertible preferred shares	—	—	3,265	—
Numerator for diluted income per share – net income applicable to common shares	<u>\$ 70,981</u>	<u>\$ 59,247</u>	<u>\$ 242,894</u>	<u>\$ 169,196</u>
Denominator:				
Denominator for basic income per share – weighted average shares	113,028	106,830	111,217	105,276
Effect of dilutive securities:				
Series A convertible preferred shares	—	—	1,855	—
Employee stock options	4,317	3,118	3,030	3,792
Deferred compensation shares issued but not yet earned	277	401	225	254
Denominator for diluted income per share – weighted average shares and assumed conversions	<u>117,622</u>	<u>110,349</u>	<u>116,327</u>	<u>109,322</u>
INCOME PER COMMON SHARE – BASIC:				
Income from continuing operations	\$.59	\$.52	\$ 2.00	\$ 1.79
Discontinued operations	.04	.03	.15	.11
Cumulative effect of change in accounting principle	—	—	—	(.29)
Net income per common share	<u>\$.63</u>	<u>\$.55</u>	<u>\$ 2.15</u>	<u>\$ 1.61</u>
INCOME PER COMMON SHARE – DILUTED:				
Income from continuing operations	\$.56	\$.51	\$ 1.94	\$ 1.72
Discontinued operations	.04	.03	.15	.11
Cumulative effect of change in accounting principle	—	—	—	(.28)
Net income per common share	<u>\$.60</u>	<u>\$.54</u>	<u>\$ 2.09</u>	<u>\$ 1.55</u>

10. Comprehensive Income

The following table sets forth the Company's comprehensive income:

(Amounts in thousands)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income	\$ 76,060	\$ 64,942	\$ 225,559	\$ 186,918
Preferred share dividends	(5,079)	(5,695)	(15,930)	(17,722)
Net income applicable to common shares	70,981	59,247	239,629	169,196

Other comprehensive income (loss)	5,273	(169)	9,033	(9,870)
Comprehensive income	<u>\$ 76,254</u>	<u>\$ 59,078</u>	<u>\$ 248,662</u>	<u>\$ 159,326</u>

11. Stock-Based Compensation

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. Dividends paid on both vested and unvested restricted share awards are charged to retained earnings. For the three and nine months ended September 30, 2003, the Company recognized compensation expense of \$862,000 and \$2,406,000, of which \$285,000 and \$759,000 related to the January 2003 awards.

Prior to 2003, the Company accounted for stock-based compensation using the intrinsic value method (i.e. the difference between the price per share at the grant date and the option exercise price). Accordingly, no stock-based compensation was recognized in the Company's financial statements for plan awards granted prior to 2003. If compensation cost for plan awards granted prior to 2003 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:

(Amounts in thousands, except per share amounts)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income applicable to common shares:				
As reported	\$ 70,981	\$ 59,247	\$ 239,629	\$ 169,196
Stock-based compensation cost, net of minority interest	(1,094)	(2,023)	(3,281)	(6,069)
Pro-forma	<u>\$ 69,887</u>	<u>\$ 57,224</u>	<u>\$ 236,348</u>	<u>\$ 163,127</u>
Net income per share applicable to common shares:				
Basic:				
As reported	\$.63	\$.55	\$ 2.15	\$ 1.61
Pro-forma	\$.62	\$.54	\$ 2.13	\$ 1.55
Diluted:				
As reported	\$.60	\$.54	\$ 2.09	\$ 1.55
Pro-forma	\$.59	\$.52	\$ 2.06	\$ 1.49

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12. Discontinued Operations

Assets related to discontinued operations at September 30, 2003 represents the Company's New York City office property located at Two Park Avenue and retail properties located in Vineland, New Jersey and Hagerstown, Maryland. The results of operations of these properties as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000) are shown as discontinued operations. The following is a summary of the combined results of operations of these properties:

(Amounts in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Total revenues	\$ 9,493	\$ 9,775	\$ 27,850	\$ 28,605
Total expenses	4,572	6,079	13,330	16,727
Net income	4,921	3,696	14,520	11,878
Gain on sale of Baltimore	—	—	2,644	—
Income from discontinued operations	<u>\$ 4,921</u>	<u>\$ 3,696</u>	<u>\$ 17,164</u>	<u>\$ 11,878</u>

On November 3, 2003, the Company sold its Hagerstown retail property located in Maryland for \$3,100,000. The Company's gain on sale after closing costs is approximately \$2,000,000, and will be recognized in the fourth quarter of 2003.

13. Commitments and Contingencies

At September 30, 2003, the Company's \$600,000,000 revolving credit facility had a zero balance, and the Company utilized \$9,167,000 of availability under the facility for letters of credit and guarantees. In addition, the Company has \$10,167,000 of other letters of credit outstanding as of September 30, 2003.

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's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company) 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 since the Company's current all risk insurance policies differ from policies in effect prior to September 11, 2001 as to coverage for terrorist acts, there are breaches of these debt instruments that allow the lenders to declare an event of default and accelerate repayment of debt. In addition, if lenders insist on coverage for these risks, as it existed prior to September 11, 2001, 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.

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.

14. Segment Information

The Company has four business segments: Office, Retail, Merchandise Mart Properties and Temperature Controlled Logistics. Effective with the first quarter of 2003, to comply with the Securities and Exchange Commission's Regulation G concerning non-GAAP financial measures, the Company has revised its definition of EBITDA to include minority interest, gains (losses) on the sale of depreciable real estate and income arising from the straight-lining of rent and the amortization of below market leases net of above market leases. EBITDA as disclosed represents "Earnings Before Interest, Taxes, Depreciation and Amortization". The prior period EBITDA has been restated to reflect these changes.

(Amounts in thousands)	2003						2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 307,502	\$ 208,018	\$ 34,712	\$ 47,706	\$ —	\$ 17,066	\$ 291,289	\$ 198,523	\$ 30,813	\$ 47,265	\$ —	\$ 14,688
Straight-line rents:												
Contractual rent increases	9,265	8,385	821	1	—	58	7,633	6,799	—	746	—	88
Amortization of free rent	2,127	416	1,104	483	—	124	3,439	2,574	879	498	—	(512)
Amortization of acquired below market leases, net	3,162	2,998	164	—	—	—	3,117	3,117	—	—	—	—
Total rentals	322,056	219,817	36,801	48,190	—	17,248	305,478	211,013	31,692	48,509	—	14,264
Expense reimbursements	46,456	26,582	14,383	4,455	—	1,036	42,831	25,740	13,090	2,742	—	1,259
Fee and other income:												
Tenant cleaning fees	7,087	7,087	—	—	—	—	—	—	—	—	—	—
Management and leasing fees	3,736	3,349	380	—	—	7	3,576	3,128	439	9	—	—
Other	4,507	1,270	2,368	786	—	83	2,664	1,348	36	1,487	—	(207)
Total revenues	383,842	258,105	53,932	53,431	—	18,374	354,549	241,229	45,257	52,747	—	15,316
Operating expenses	150,965	100,761	15,986	20,516	—	13,702	141,331	88,702	15,363	23,400	—	13,866
Depreciation and amortization	52,822	37,062	4,282	7,387	—	4,091	51,184	36,575	3,496	6,920	—	4,193
General and administrative	31,970	9,190	2,552	4,772	—	15,456	27,078	8,412	2,699	5,593	—	10,374
Amortization of officer's deferred compensation expense	—	—	—	—	—	—	6,875	—	—	—	—	6,875
Total expenses	235,757	147,013	22,820	32,675	—	33,249	226,468	133,689	21,558	35,913	—	35,308
Operating income	148,085	111,092	31,112	20,756	—	(14,875)	128,081	107,540	23,699	16,834	—	(19,992)
Income applicable to:												
Alexander's	739	—	—	—	—	739	12,554	—	—	—	—	12,554
Income from partially-owned entities	11,132	659	651	142	2,401(3)	7,279	6,692	598	(734)	(75)	(605)(3)	7,508
Interest and other investment income	2,800	248	47	26	—	2,479	6,407	1,202	88	147	—	4,970
Interest and debt expense	(57,031)	(33,173)	(14,924)	(3,609)	—	(5,325)	(60,842)	(35,065)	(14,007)	(4,516)	—	(7,254)
Net gain on disposition of wholly-owned and partially-owned assets	1,266	947	—	—	—	319	4,503	—	—	281	—	4,222
Minority interest	(35,852)	(301)	—	—	—	(35,551)	(36,149)	(787)	—	(204)	—	(35,158)
Income from continuing operations	71,139	79,472	16,886	17,315	2,401	(44,935)	61,246	73,488	9,046	12,467	(605)	(33,150)
Discontinued operations	4,921	4,995	(74)	—	—	—	3,696	3,629	67	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	—	—	—	—	—
Net income	76,060	84,467	16,812	17,315	2,401	(44,935)	64,942	77,117	9,113	12,467	(605)	(33,150)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	—	—	—	—	—
Interest and debt expense(2)	73,180	34,150	15,741	3,840	6,169	13,280	78,041	36,085	14,503	4,516	6,533	16,404
Depreciation and amortization(2)	67,555	38,253	4,848	7,476	8,687	8,291	64,713	38,311	4,322	6,920	8,389	6,771
EBITDA(1)	\$ 216,795	\$ 156,870	\$ 37,401	\$ 28,631	\$ 17,257	\$ (23,364)	\$ 207,696	\$ 151,513	\$ 27,938	\$ 23,903	\$ 14,317	\$ (9,975)

See footnotes on page 21.

(Amounts in thousands)	2003						2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 908,276	\$ 616,638	\$ 101,844	\$ 145,648	\$ —	\$ 44,146	\$ 866,745	\$ 594,557	\$ 89,543	\$ 142,289	\$ —	\$ 40,356
Straight-line rents:												
Contractual rent increases	25,819	21,465	2,935	1,371	—	48	24,591	20,895	760	2,837	—	99
Amortization of free rent	6,089	520	3,975	1,471	—	123	3,983	1,725	1,448	816	—	(6)
Amortization of acquired below market leases, net	6,914	6,423	491	—	—	—	9,351	9,351	—	—	—	—
Total rentals	947,098	645,046	109,245	148,490	—	44,317	904,670	626,528	91,751	145,942	—	40,449
Expense reimbursements	133,832	74,826	42,826	13,453	—	2,727	114,451	64,805	36,699	9,957	—	2,990
Fee and other income:												
Tenant cleaning fees	21,762	21,762	—	—	—	—	—	—	—	—	—	—
Management and leasing fees	9,781	8,807	943	—	—	31	11,080	10,031	1,023	26	—	—
Other	13,547	6,560	4,368	2,318	—	301	8,879	4,458	14	4,107	—	300
Total revenues	1,126,020	757,001	157,382	164,261	—	47,376	1,039,080	705,822	129,487	160,032	—	43,739
Operating expenses	440,725	284,242	53,687	64,649	—	38,147	385,890	244,723	43,116	63,535	—	34,516
Depreciation and amortization	158,332	111,783	12,689	21,209	—	12,651	147,828	104,221	10,520	20,688	—	12,399
General and administrative	86,642	26,817	7,606	14,438	—	37,781	73,797	25,535	5,760	15,298	—	27,204
Amortization of officer's deferred compensation expense	—	—	—	—	—	—	20,625	—	—	—	—	20,625
Total expenses	685,699	422,842	73,982	100,296	—	88,579	628,140	374,479	59,396	99,521	—	94,744
Operating income	440,321	334,159	83,400	63,965	—	(41,203)	410,940	331,343	70,091	60,511	—	(51,005)
Income applicable to:												
Alexander's	12,341	—	—	—	—	12,341	22,609	—	—	—	—	22,609
Income from partially-owned entities	54,165	2,068	2,905	145	11,203(3)	37,844	30,304	1,874	(803)	(62)	5,787(3)	23,508
Interest and other investment income	16,224	1,893	148	83	—	14,100	25,984	5,071	245	425	—	20,243
Interest and debt expense	(173,269)	(101,128)	(44,894)	(10,759)	—	(16,488)	(177,177)	(103,173)	(41,318)	(18,386)	—	(14,300)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	160	947	—	188	—	(975)	1,053	—	—	2,156	—	(1,103)
Minority interest	(111,547)	(1,119)	—	—	—	(110,428)	(108,544)	(2,573)	—	(976)	—	(104,995)
Income from continuing operations	238,395	236,820	41,559	53,622	11,203	(104,809)	205,169	232,542	28,215	43,668	5,787	(105,043)

operations	17,164	14,755	2,409	—	—	—	11,878	11,519	359	—	—	—
Discontinued operations												
Cumulative effect of change in accounting principle	—	—	—	—	—	—	(30,129)	—	—	—	(15,490)	(14,639)
Net income	255,559	251,575	43,968	53,622	11,203	(104,809)	186,918	244,061	28,574	43,668	(9,703)	(119,682)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	223,218	103,824	47,135	11,454	18,512	42,293	228,533	107,004	43,084	18,386	19,394	40,665
Depreciation and amortization(2)	201,237	114,872	14,846	21,475	26,157	23,887	188,519	108,091	12,331	20,688	25,642	21,767
EBITDA(1)	\$ 680,014	\$ 470,271	\$ 105,949	\$ 86,551	\$ 55,872	\$ (38,629)	\$ 634,099	\$ 459,156	\$ 83,989	\$ 82,742	\$ 50,823	\$ (42,611)

See footnotes on the following page.

Notes to segment information:

- (1) Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$8,416 and \$6,808 for the three months ended September 30, 2003 and 2002 and \$19,518 and \$12,361 for the nine months ended September 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Newkirk MLP:				
Equity in income of limited partnership	\$ 14,765	\$ 15,400	\$ 53,222	\$ 45,929
Interest and other income	2,650	2,200	6,221	6,671
Alexander's	2,192	14,980	16,944	30,340
Industrial warehouses	1,715	1,704	4,843	4,605
Palisades (placed in service March 1, 2002)	1,402	(925)	3,309	(1,185)
Student Housing	446	525	1,506	1,793
Hotel Pennsylvania	1,188	1,422	550	4,579
	24,358	35,306	86,595	92,732
Minority interest expense	(35,551)	(35,158)	(110,428)	(104,995)
Unallocated general and administrative expenses	(14,447)	(8,240)	(34,703)	(22,788)
Investment income and other	2,276	2,999	21,295	16,397
Amortization of officer's deferred compensation expense	—	(6,875)	—	(20,625)
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	—	(2,229)	(1,388)	(19,900)
Gain on sale of air rights	—	2,126	—	2,126
Gain on transfer of mortgages	—	2,096	—	2,096
Net gain on sale of marketable equity securities	—	—	—	12,346
Total	\$ (23,364)	\$ (9,975)	\$ (38,629)	\$ (42,611)

INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Vornado Realty Trust as of September 30, 2003, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2003 and 2002, and of cash flows for the nine-month periods ended September 30, 2003 and 2002. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Vornado Realty Trust as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 6, 2003, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company's adoption of SFAS No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Parsippany, New Jersey
November 6, 2003

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "intends," "plans" or similar expressions in this quarterly report on Form 10-Q. 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. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 under "Forward-Looking Statements" and "Item 1. Business – Certain Factors That May Adversely Affect the Company's Business and Operations." For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

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 three and nine months ended September 30, 2003 and 2002. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

A summary of the Company's critical accounting policies is included in the Company's annual report on Form 10-K for the year ended December 31, 2002 in Management's Discussion and Analysis of Financial Condition and Results of Operations and in the footnotes to the consolidated financial statements, Note 2 – Summary of Significant Accounting Policies also included in the Company's annual report on Form 10-K. There have been no significant changes to those policies during 2003.

Effective with the first quarter of 2003, to comply with the Securities and Exchange Commission's Regulation G concerning non-GAAP financial measures, the Company has revised its definition of EBITDA to include minority interest, gains (losses) on the sale of depreciable real estate and income arising from the straight-lining of rent and the amortization of below market leases net of above market leases. EBITDA as disclosed represents "Earnings before Interest, Taxes, Depreciation and Amortization." The prior period EBITDA has been restated to reflect these changes. Management considers EBITDA a supplemental measure for making decisions and assessing the unlevered performance of its segments as it is related to the return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA is not a surrogate for net income because net income is after interest expense and accordingly, is a measure of return on equity as opposed to return on assets.

Below is a summary of net income and a reconciliation of net income to EBITDA(1) by segment for the three months ended September 30, 2003 and 2002.

(Amounts in thousands)	Three Months Ended September 30, 2003					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 307,502	\$ 208,018	\$ 34,712	\$ 47,706	\$ —	\$ 17,066
Straight-line rents:						
Contractual rent increases	9,265	8,385	821	1	—	58
Amortization of free rent	2,127	416	1,104	483	—	124
Amortization of acquired below market leases, net	3,162	2,998	164	—	—	—
Total rentals	322,056	219,817	36,801	48,190	—	17,248
Expense reimbursements	46,456	26,582	14,383	4,455	—	1,036
Fee and other income:						
Tenant cleaning fees	7,087	7,087	—	—	—	—
Management and leasing fees	3,736	3,349	380	—	—	7
Other	4,507	1,270	2,368	786	—	83
Total revenues	383,842	258,105	53,932	53,431	—	18,374
Operating expenses	150,965	100,761	15,986	20,516	—	13,702
Depreciation and amortization	52,822	37,062	4,282	7,387	—	4,091
General and administrative	31,970	9,190	2,552	4,772	—	15,456
Amortization of officer's deferred compensation expense	—	—	—	—	—	—
Total expenses	235,757	147,013	22,820	32,675	—	33,249

Operating income	148,085	111,092	31,112	20,756	—	(14,875)
Income applicable to Alexander's	739	—	—	—	—	739
Income from partially-owned entities	11,132	659	651	142	2,401(3)	7,279
Interest and other investment income	2,800	248	47	26	—	2,479
Interest and debt expense	(57,031)	(33,173)	(14,924)	(3,609)	—	(5,325)
Net gains on disposition of wholly-owned and partially-owned assets	1,266	947	—	—	—	319
Minority interest	(35,852)	(301)	—	—	—	(35,551)
Income from continuing operations	71,139	79,472	16,886	17,315	2,401	(44,935)
Discontinued operations	4,921	4,995	(74)	—	—	—
Net income	76,060	84,467	16,812	17,315	2,401	(44,935)
Interest and debt expense(2)	73,180	34,150	15,741	3,840	6,169	13,280
Depreciation and amortization(2)	67,555	38,253	4,848	7,476	8,687	8,291
EBITDA(1)	\$ 216,795	\$ 156,870	\$ 37,401	\$ 28,631	\$ 17,257	\$ (23,364)

See footnotes on page 26.

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(Amounts in thousands)	Three Months Ended September 30, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 291,289	\$ 198,523	\$ 30,813	\$ 47,265	\$ —	\$ 14,688
Straight-line rents:						
Contractual rent increases	7,633	6,799	—	746	—	88
Amortization of free rent	3,439	2,574	879	498	—	(512)
Amortization of acquired below market leases, net	3,117	3,117	—	—	—	—
Total rentals	305,478	211,013	31,692	48,509	—	14,264
Expense reimbursements	42,831	25,740	13,090	2,742	—	1,259
Fee and other income:						
Tenant cleaning fees	—	—	—	—	—	—
Management and leasing fees	3,576	3,128	439	9	—	—
Other	2,664	1,348	36	1,487	—	(207)
Total revenues	354,549	241,229	45,257	52,747	—	15,316
Operating expenses	141,331	88,702	15,363	23,400	—	13,866
Depreciation and amortization	51,184	36,575	3,496	6,920	—	4,193
General and administrative	27,078	8,412	2,699	5,593	—	10,374
Amortization of officer's deferred compensation expense	6,875	—	—	—	—	6,875
Total expenses	226,468	133,689	21,558	35,913	—	35,308
Operating income	128,081	107,540	23,699	16,834	—	(19,992)
Income applicable to Alexander's	12,554	—	—	—	—	12,554
Income from partially-owned entities	6,692	598	(734)	(75)	(605)(3)	7,508
Interest and other investment income	6,407	1,202	88	147	—	4,970
Interest and debt expense	(60,842)	(35,065)	(14,007)	(4,516)	—	(7,254)
Net gains on disposition of wholly-owned and partially-owned assets	4,503	—	—	281	—	4,222
Minority interest	(36,149)	(787)	—	(204)	—	(35,158)
Income from continuing operations	61,246	73,488	9,046	12,467	(605)	(33,150)
Discontinued operations	3,696	3,629	67	—	—	—
Net income	64,942	77,117	9,113	12,467	(605)	(33,150)
Interest and debt expense(2)	78,041	36,085	14,503	4,516	6,533	16,404
Depreciation and amortization(2)	64,713	38,311	4,322	6,920	8,389	6,771
EBITDA(1)	\$ 207,696	\$ 151,513	\$ 27,938	\$ 23,903	\$ 14,317	\$ (9,975)

See following page for footnotes.

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Notes to Segment tables:

- (1) EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$8,416 and \$6,808 for the three months ended September 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

For the Three Months
Ended September 30,

2003 2002

(Amounts in thousands)

Newkirk MLP:			
Equity in income of limited partnership	\$	14,765	\$ 15,400
Interest and other income		2,650	2,200
Alexander's (A)		2,192	14,980
Industrial warehouses		1,715	1,704
Palisades		1,402	(925)
Student Housing		446	525
Hotel Pennsylvania (B)		1,188	1,422
		<u>24,358</u>	<u>35,306</u>
Minority interest expense		(35,551)	(35,158)
Unallocated general and administrative expenses		(14,447)	(8,240)
Investment income and other		2,276	2,999
Primestone litigation expenses		—	(2,229)
Gain on sale of air rights		—	2,126
Gain on transfer of mortgages		—	2,096
Amortization of Officer's deferred compensation expense		—	(6,875)
Total	\$	<u>(23,364)</u>	<u>\$ (9,975)</u>

(A) Includes Alexander's stock appreciation rights compensation expense, of which the Company's share was \$6,192 for the three months ended September 30, 2003, based on a closing price for Alexander's stock of \$105.50 on September 30, 2003. The three months ended September 30, 2002 includes the Company's share of income of (i) \$1,402 from the reversal of Alexander's stock appreciation rights compensation expense which was recognized in the second quarter of 2002 based on a closing stock price of \$61.00 on September 30, 2002 and (ii) \$3,431 from Alexander's gain on sale of its Third Avenue property.

(B) Average occupancy and REVPAR for the Hotel Pennsylvania were 67.3% and \$59.29 for the three months ended September 30, 2003 compared to 69.4% and \$56.07 for the prior year's quarter.

Results of Operations

Revenues

The Company's revenues, which consist of property rentals, expense reimbursements, hotel revenues, trade show revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141, and fee and other income, were \$383,842,000 for the quarter ended September 30, 2003, compared to \$354,549,000 in the prior year's quarter, an increase of \$29,293,000. Below are the details of the increase by segment:

(Amounts in thousands)	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Rentals:						
Acquisitions:						
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	September 2002	\$ 2,990	\$ —	\$ 2,990	\$ —	\$ —
2101 L Street	August 2003	1,712	1,712	—	—	—
435 Seventh Avenue (placed in service)	August 2002	1,001	—	1,001	—	—
424 Sixth Avenue	July 2002	213	—	213	—	—
Increase in amortization of acquired below market leases, net		3,162	2,998	164	—	—
Operations:						
Hotel activity		117	—	—	—	117
Trade shows activity		713	—	—	713	—
Leasing activity		6,670	4,094	741	(1,032)	2,867
Total increase (decrease) in property rentals		<u>16,578</u>	<u>8,804</u>	<u>5,109</u>	<u>(319)</u>	<u>2,984</u>
Tenant expense reimbursements:						
Acquisitions		1,444	110	1,334	—	—
Operations		2,182	732(2)	(41)	1,713	(222)
Total increase (decrease) in tenant expense reimbursements		<u>3,626</u>	<u>842</u>	<u>1,293</u>	<u>1,713</u>	<u>(222)</u>
Fee and other income:						
Acquisitions:						
BMS tenant cleaning fees		7,087	7,087	—	—	—
Kaempfer management and leasing fees		1,254	1,254	—	—	—
Increase (decrease) in:						
Lease cancellation fee income		107	12	—	95	—
Management and leasing fees		(1,075)	(1,014)(3)	(59)	(9)	7
Other		1,716	(109)	2,332(4)	(796)	289
Total increase (decrease) in fee and other income		<u>9,089</u>	<u>7,230</u>	<u>2,273</u>	<u>(710)</u>	<u>296</u>
Total increase in revenues		<u>\$ 29,293</u>	<u>\$ 16,876</u>	<u>\$ 8,675</u>	<u>\$ 684</u>	<u>\$ 3,058</u>

- (1) Average occupancy and REVPAR for the Hotel Pennsylvania were 67.3% and \$59.29 for the three months ended September 30, 2003 compared to 69.4% and \$56.07 for the prior year's quarter.
- (2) This increase is \$2,571 before a reduction of \$901 in the current quarter relating to the true-up of prior year's billings and a reduction in CESCRR reimbursements of \$938 primarily due to lower operating expenses.
- (3) Results primarily from a reduction in CESCRR third party leasing fees of \$900.
- (4) Includes a \$2,309 bankruptcy recovery from Bradlees.

See supplemental information on page 45 for further details of leasing activity and corresponding changes in occupancy.

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Expenses

The Company's expenses were \$235,757,000 for the quarter ended September 30, 2003, compared to \$226,468,000 in the prior year's quarter, an increase of \$9,289,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
BMS	\$ 4,770	\$ 4,770	\$ —	\$ —	\$ —
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	1,038	—	1,038	—	—
2101 L Street	677	677	—	—	—
435 Seventh Avenue	138	—	138	—	—
424 Sixth Avenue	26	—	26	—	—
Hotel activity	1,596	—	—	—	1,596
Trade Shows activity	(680)	—	—	(680)	—
Operations	2,071	6,612(1)	(579)	(2,204)(2)	(1,758)
	<u>9,636</u>	<u>12,059</u>	<u>623</u>	<u>(2,884)</u>	<u>(162)</u>
Depreciation and amortization:					
Acquisitions	1,431	834	597	—	—
Operations	207	(347)	189	467	(102)
	<u>1,638</u>	<u>487</u>	<u>786</u>	<u>467</u>	<u>(102)</u>
General and administrative:					
Acquisitions	887	884	3	—	—
Operations	4,003	(106)	(149)	(821)	5,079(3)
	<u>4,890</u>	<u>778</u>	<u>(146)</u>	<u>(821)</u>	<u>5,079</u>
Amortization of officer's deferred compensation expense	(6,875)	—	—	—	(6,875)
Total increase (decrease)	<u>\$ 9,289</u>	<u>\$ 13,324</u>	<u>\$ 1,263</u>	<u>\$ (3,238)</u>	<u>\$ (2,060)</u>

- (1) Results primarily from (i) an increase in real estate taxes in New York City of \$5,639, a substantial portion of which is reimbursed by tenants, and (ii) an increase in bad debt expense of \$885, partially offset by lower commission expenses of \$325 in connection with CESCRR's third party leasing business.
- (2) Results primarily from lower bad debt expenses in 2003 and charges in 2002 of \$954 in connection with the termination of a contract and the write-off of related deferred costs which did not reoccur in 2003.
- (3) Primarily due to (i) a severance payment of \$1,570 for an executive officer and the expense related to the accelerated vesting of his restricted stock awards amounting to \$867, (ii) a \$2,031 increase in payroll expense of which \$267 is due to a decrease in capitalized development payroll, \$185 is due to stock compensation expense (see below) and \$140 is due to the Company's deferred compensation plan (offset by an equal amount of investment income), (iii) a \$708 increase in professional fees in connection with corporate governance, insurance and other projects, (iv) a \$720 reimbursement of expenses received in 2002, partially offset by, (v) \$2,229 of Primestone litigation expenses in 2002.

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the third quarter of 2003, the Company recognized compensation expense of \$862,000, of which \$285,000 related to the January 2003 awards.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$739,000 in the quarter ended September 30, 2003, compared to \$12,554,000 in the prior year's quarter, a decrease of \$11,815,000. This decrease resulted primarily from Alexander's stock appreciation rights compensation expense, of which the Company's share was \$6,192,000 in 2003, as compared to the Company's share of income in 2002, of \$1,402,000 from the reversal of Alexander's second quarter expense, as Alexander's stock price declined to \$61.00 on September 30, 2002, and \$3,431,000 from Alexander's gain on sale of its Third Avenue property.

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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 quarters ended September 30, 2003 and 2002:

(Amounts in thousands)

For the three months ended:	Total	Monmouth Mall(1)	Temperature Controlled Logistics	Newkirk MLP	Las Catalinas Mall(2)	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
September 30, 2003:								
Revenues	\$ 126,725	\$ 5,329	\$ 26,201	\$ 65,656		\$ 346	\$ 29,193	
Expenses:								
Operating, general and administrative	(18,915)	(2,013)	(1,693)	(2,911)		(802)	(11,496)	
Depreciation	(31,719)	(999)	(14,141)	(11,436)		(193)	(4,950)	
Interest expense	(43,782)	(1,634)	(10,281)	(23,614)		—	(8,253)	
Other, net	8,797	(806)	1,416	(1,190)		229	9,148	
Net income (loss)	\$ 41,106	\$ (123)	\$ 1,502	\$ 26,505		\$ (420)	\$ 13,642	
Vornado's interest		50%	60%	22.6%		80%	5%	
Equity in net income	\$ 6,801	(61)	\$ 901	\$ 5,990		(336)	659	(352)
Interest and other income	2,707	823	102	1,782		—	—	—
Fee income	1,624	226	1,398	—		—	—	—
Income from partially-owned entities	\$ 11,132	\$ 988	\$ 2,401	\$ 7,772	N/A(2)	\$ (336)	\$ 659	\$ (352)
September 30, 2002:								
Revenues	\$ 114,035		\$ 23,627	\$ 73,743	\$ 3,342	\$ 289	\$ 13,034	
Expenses:								
Operating, general and administrative	(12,061)		(1,692)	(2,905)	(1,163)	(509)	(5,792)	
Depreciation	(32,577)		(14,454)	(15,201)	(450)	(329)	(2,143)	
Interest expense	(44,441)		(10,451)	(30,022)	(1,124)	—	(2,844)	
Other, net	5,332		(572)	6,948	(802)	(262)	20	
Net income (loss)	\$ 30,288		\$ (3,542)	\$ 32,563	\$ (197)	\$ (811)	\$ 2,275	
Vornado's interest			60%	21%	50%	80%	26%	
Equity in net income	\$ 4,259		\$ (2,125)	\$ 6,987	\$ (86)	\$ (648)	\$ 598	\$ (467)
Interest and other income	1,034		121	913	—	—	—	—
Fee income	1,399		1,399	—	—	—	—	—
Income from partially-owned entities	\$ 6,692	\$ N/A(1)	\$ (605)	\$ 7,900	\$ (86)(2)	\$ (648)	\$ 598	\$ (467)
Increase (decrease) in income from partially-owned entities								
	\$ 4,440	\$ 988	\$ 3,006(3)	\$ (128)	\$ 86	\$ 312	\$ 61	\$ 115

(1) The Company acquired a 50% interest in the Monmouth Mall on October 19, 2002.

(2) On September 23, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store it did not previously own. Accordingly, the operations of Las Catalinas are consolidated into the accounts of the Company subsequent to September 23, 2002.

(3) Results primarily from an increase in gross profit before rent of \$2,125 and lower general and administrative expenses offset by a decrease in other income.

Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$2,800,000 for the quarter ended September 30, 2003, compared to \$6,407,000 in the prior year's quarter, a decrease of \$3,607,000. This decrease resulted primarily from lower average investments and lower yields on the reinvestment of proceeds from the repayment of the Company's loans receivable during 2003.

Interest and Debt Expense

Interest and debt expense was \$57,031,000 for the three months ended September 30, 2003, compared to \$60,842,000 in the prior year's quarter, a decrease of \$3,811,000. This decrease was primarily comprised of a \$4,070,000 savings from a 1.06% reduction in weighted average interest rates of the Company's variable rate debt, partially offset by (i) the consolidation as of September 2002 of the Las Catalinas operations which were previously included in income from partially-owned entities and (ii) a reduction in interest capitalized in connection with development projects.

Net Gains on Disposition of Wholly-owned and Partially-owned Assets

The following table sets forth the details of net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate for the three months ended September 30, 2003 and 2002:

(Amounts in thousands)	For the Three Months Ended September 30,	
	2003	2002
Wholly-owned Assets:		
Gain on sale of land parcels	\$ 499	\$ —
Gain on transfer of mortgages	—	2,096
Net gain on sale of air rights	—	2,126
Gain on sale of Kinzie Park condominiums units	—	281
Partially-owned Assets:		
Recognition of deferred gain on sale of 50% interest in 570 Lexington Avenue	767	—
	<u>\$ 1,266</u>	<u>\$ 4,503</u>

Discontinued Operations

Assets related to discontinued operations at September 30, 2003 represents the Company's New York City office property located at Two Park Avenue and the retail properties located in Vineland, New Jersey and Hagerstown, Maryland. The following is a summary of the combined results of operations of these properties as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000):

(Amounts in thousands)	For The Three Months Ended September 30,	
	2003	2002
Total revenues	\$ 9,493	\$ 9,775
Total expenses	4,572	6,079
Income from discontinued operations	<u>\$ 4,921</u>	<u>\$ 3,696</u>

On November 3, 2003, the Company sold its Hagerstown retail property located in Maryland for \$3,100,000. The Company's gain on sale after closing costs is approximately \$2,000,000, and will be recognized in the fourth quarter of 2003.

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Three Months Ended September 30, 2003 and September 30, 2002

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

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended September 30, 2002	<u>\$ 207,696</u>	\$ 151,513	\$ 27,938	\$ 23,903	\$ 14,317	<u>\$ (9,975)</u>
2003 Operations:						
Same store operations(1)		228	1,183	1,647(3)	1,650(5)	
Acquisitions, dispositions and non-same store income and expenses		5,129	8,280	3,081(4)	1,290	
Three months ended September 30, 2003	<u>\$ 216,795</u>	<u>\$ 156,870</u>	<u>\$ 37,401</u>	<u>\$ 28,631</u>	<u>\$ 17,257</u>	<u>\$ (23,364)</u>
% increase in same store operations		0.2%(2)	4.2%	6.4%	11.2%(5)	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase (decrease) were \$83,303 and 2.5% for the New York office portfolio and \$73,567 and (2.5%) for the CESC portfolio. The CESC same store decrease of \$1,746 reflects a reduction in third party net leasing fees of \$575.
- (3) Represents a \$982 increase in the LA Mart as a result of higher rental revenue and lower marketing expenses and an increase of \$665 (2.6% same store) in the remainder of the portfolio primarily due to lower operating expenses.
- (4) The increase results primarily from (i) lease termination fees and bad debt recoveries of \$1,078 in the three months ended September 30, 2003 and (ii) charges in 2002 which did not reoccur in 2003, of \$954 in connection with the termination of a contract and \$312 for the settlement of a 1998 utility assessment.
- (5) 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 \$8,416 of rent it was due for the three months ended September 30, 2003, which together with previously deferred rent is \$43,868. The tenant has advised the Landlord that (i) its revenue for the current quarter ended September 30, 2003 from the warehouses it leases from the Landlord, is lower than last year by 0.4%, and (ii) its gross profit before rent at these warehouses for the corresponding period is higher than last year by \$2,125 (a 5.8% increase). In addition, the tenant had lower general and administrative expenses offset by a decrease in other income.

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Below is a summary of net income and a reconciliation of net income to EBITDA(1) by segment for the nine months ended September 30, 2003 and 2002.

Nine Months Ended September 30, 2003						
(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 908,276	\$ 616,638	\$ 101,844	\$ 145,648	\$ —	\$ 44,146
Straight-line rents:						
Contractual rent increases	25,819	21,465	2,935	1,371	—	48
Amortization of free rent	6,089	520	3,975	1,471	—	123
Amortization of acquired below market leases, net	6,914	6,423	491	—	—	—
Total rentals	947,098	645,046	109,245	148,490	—	44,317
Expense reimbursements	133,832	74,826	42,826	13,453	—	2,727
Fee and other income:						
Tenant cleaning fees	21,762	21,762	—	—	—	—
Management and leasing fees	9,781	8,807	943	—	—	31
Other	13,547	6,560	4,368	2,318	—	301
Total revenues	1,126,020	757,001	157,382	164,261	—	47,376
Operating expenses	440,725	284,242	53,687	64,649	—	38,147
Depreciation and amortization	158,332	111,783	12,689	21,209	—	12,651
General and administrative	86,642	26,817	7,606	14,438	—	37,781
Amortization of officer's deferred compensation expenses	—	—	—	—	—	—
Total expenses	685,699	422,842	73,982	100,296	—	88,579
Operating income	440,321	334,159	83,400	63,965	—	(41,203)
Income applicable to Alexander's	12,341	—	—	—	—	12,341
Income from partially-owned entities	54,165	2,068	2,905	145	11,203(3)	37,844
Interest and other investment income	16,224	1,893	148	83	—	14,100
Interest and debt expense	(173,269)	(101,128)	(44,894)	(10,759)	—	(16,488)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	160	947	—	188	—	(975)
Minority interest	(111,547)	(1,119)	—	—	—	(110,428)
Income from continuing operations	238,395	236,820	41,559	53,622	11,203	(104,809)
Discontinued operations	17,164	14,755	2,409	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Net income	255,559	251,575	43,968	53,622	11,203	(104,809)
Cumulative effect of change in accounting principle	—	—	—	—	—	—
Interest and debt expense(2)	223,218	103,824	47,135	11,454	18,512	42,293
Depreciation and amortization(2)	201,237	114,872	14,846	21,475	26,157	23,887
EBITDA(1)	\$ 680,014	\$ 470,271	\$ 105,949	\$ 86,551	\$ 55,872	\$ (38,629)

See footnotes on page 34.

Nine Months Ended September 30, 2002						
(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(4)
Property rentals	\$ 866,745	\$ 594,557	\$ 89,543	\$ 142,289	\$ —	\$ 40,356
Straight-line rents:						
Contractual rent increases	24,591	20,895	760	2,837	—	99
Amortization of free rent	3,983	1,725	1,448	816	—	(6)
Amortization of acquired below market leases, net	9,351	9,351	—	—	—	—
Total rentals	904,670	626,528	91,751	145,942	—	40,449
Expense reimbursements	114,451	64,805	36,699	9,957	—	2,990
Fee and other income:						
Tenant cleaning fees	—	—	—	—	—	—
Management and leasing fees	11,080	10,031	1,023	26	—	—
Other	8,879	4,458	14	4,107	—	300
Total revenues	1,039,080	705,822	129,487	160,032	—	43,739
Operating expenses	385,890	244,723	43,116	63,535	—	34,516
Depreciation and amortization	147,828	104,221	10,520	20,688	—	12,399
General and administrative	73,797	25,535	5,760	15,298	—	27,204
Amount of officer's deferred compensation expense	20,625	—	—	—	—	20,625
Total expenses	628,140	374,479	59,396	99,521	—	94,744
Operating income	410,940	331,343	70,091	60,511	—	(51,005)
Income applicable to Alexander's	22,609	—	—	—	—	22,609
Income from partially-owned entities	30,304	1,874	(803)	(62)	5,787(3)	23,508
Interest and other investment income	25,984	5,071	245	425	—	20,243

Interest and debt expense	(177,177)	(103,173)	(41,318)	(18,386)	—	(14,300)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	1,053	—	—	2,156	—	(1,103)
Minority interest	(108,544)	(2,573)	—	(976)	—	(104,995)
Income from continuing operations	205,169	232,542	28,215	43,668	5,787	(105,043)
Discontinued operations	11,878	11,519	359	—	—	—
Cumulative effect of change in accounting principle	(30,129)	—	—	—	(15,490)	(14,639)
Net income	186,918	244,061	28,574	43,668	(9,703)	(119,682)
Cumulative effect of change in accounting principle	30,129	—	—	—	15,490	14,639
Interest and debt expense(2)	228,533	107,004	43,084	18,386	19,394	40,665
Depreciation and amortization(2)	188,519	108,091	12,331	20,688	25,642	21,767
EBITDA(1)	\$ 634,099	\$ 459,156	\$ 83,989	\$ 82,742	\$ 50,823	\$ (42,611)

See footnotes on the following page.

Notes to segment tables:

- (1) EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) Interest and debt expense and depreciation and amortization included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.
- (3) Net of rent not recognized of \$19,518 and \$12,361 for the nine months ended September 30, 2003 and 2002.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)	For the Nine Months Ended September 30,	
	2003	2002
Newkirk MLP:		
Equity in income of limited partnership	\$ 53,222(A)	\$ 45,929
Interest and other income	6,221	6,671
Alexander's (B)	16,944	30,340
Industrial warehouses	4,843	4,605
Palisades (placed in service on March 1, 2002)	3,309	(1,185)
Student Housing	1,506	1,793
Hotel Pennsylvania (C)	550	4,579
	86,595	92,732
Minority interest expense	(110,428)	(104,995)
Unallocated general and administrative expenses	(34,703)	(22,788)
Investment income and other	21,295(D)	16,397
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	(1,388)	(19,900)
Net gain on sale of marketable securities	—	12,346
Gain on sale of air rights	—	2,126
Gain on transfer of mortgages	—	2,096
Amortization of Officer's deferred compensation expense	—	(20,625)
Total	\$ (38,629)	\$ (42,611)

- (A) Includes net gains of \$9,500 on sales of real estate and the early extinguishment of debt.
- (B) EBITDA for the nine months ended September 30, 2003, includes Alexander's stock appreciation rights compensation expense, of which the Company's share was \$9,477, based on a closing price for Alexander's stock of \$105.50 on September 30, 2003. EBITDA for the nine months ended September 30, 2002, includes \$3,431 representing the Company's share of Alexander's gain on sale of its Third Avenue property.
- (C) Average occupancy and REVPAR for the Hotel Pennsylvania were 58.6% and \$50.41 for the nine months ended September 30, 2003 compared to 61.7% and \$53.50 for the prior year's nine months.
- (D) Includes (i) \$12,592 for the Company's equity in EBITDA of Prime Group, which includes \$4,413 for the Company's share of lease termination fee income and (ii) \$5,655 of contingent interest income recognized in connection with the repayment of the Company's Dearborn Center Mezzanine loan.

Results of Operations

Revenues

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues, amortization of acquired below market leases net of above market leases pursuant to SFAS No. 141, and fee income, were \$1,126,020,000 for the nine months ended September 30, 2003, compared to \$1,039,080,000 in the prior year's nine months, an increase of \$86,940,000. Below are the details of the increase by segment:

(Amounts in thousands)

	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Rentals:						
Acquisitions:						
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	September 2002	\$ 8,546	\$ —	\$ 8,546	\$ —	\$ —
Crystal Gateway One	July 2002	5,851	5,851	—	—	—
435 Seventh Avenue (placed in service)	August 2002	4,528	—	4,528	—	—
2101 L Street	August 2003	1,712	1,712	—	—	—
424 Sixth Avenue	July 2002	557	—	557	—	—
Increase in amortization of acquired below market leases, net		680	189	491	—	—
Operations:						
Hotel activity		(1,810)	—	—	—	(1,810)(1)
Trade Shows activity		2,037	—	—	2,037(2)	—
Leasing activity		20,327	10,766	3,372	511	5,678
Total increase in rentals		42,428	18,518	17,494	2,548	3,868
Tenant expense reimbursements:						
Acquisitions		3,904	238	3,666	—	—
Operations		15,477	9,783	2,461	3,496	(263)
Total increase (decrease) in tenant expense reimbursements		19,381	10,021	6,127	3,496	(263)
Fee and other income						
Acquisitions:						
BMS Tenant cleaning fees		21,762	21,762	—	—	—
Kaempfer management and leasing fees		3,010	3,010	—	—	—
Increase (decrease) in:						
Lease cancellation fee income		3,137	1,093	2,000	44	—
Management and leasing fees		(4,309)	(4,234)(3)	(80)	(26)	31
Other		1,531	1,009	2,354	(1,833)	1
Total increase (decrease) in fee and other income		25,131	22,640	4,274	(1,815)	32
Total increase in revenues		\$ 86,940	\$ 51,179	\$ 27,895	\$ 4,229	\$ 3,637

- (1) Average occupancy and REVPAR for the Hotel Pennsylvania were 58.6% and \$50.41 for the nine months ended September 30, 2003 compared to 61.7% and \$53.50 for the prior year's nine months.
- (2) Reflects an increase of \$2,841 resulting from the rescheduling of two trade shows from the fourth quarter in which they were previously held to the first quarter of 2003, partially offset by lower trade show revenue in the second quarter of 2003 primarily due to a smaller April Market show this year as a result of a conversion of trade show space to permanent space.
- (3) Results primarily from a \$3,018 decrease in CESCO third party leasing revenue.

See supplemental information on page 45 for further details of leasing activity and corresponding changes in occupancy.

Expenses

The Company's expenses were \$685,699,000 for the nine months ended September 30, 2003, compared to \$628,140,000 in the prior year's nine months, an increase of \$57,559,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
BMS	\$ 15,171	\$ 15,171	\$ —	\$ —	\$ —
Las Catalinas (acquisition of remaining 50% and consolidation vs. equity method accounting for 50%)	3,007	—	3,007	—	—
Crystal Gateway One	1,742	1,742	—	—	—
2101 L Street	677	677	—	—	—
435 Seventh Avenue	503	—	503	—	—
424 Sixth Avenue	98	—	98	—	—
Hotel activity	2,717	—	—	—	2,717
Trade Shows activity	879	—	—	879	—
Operations	30,041	21,929(1)	6,963(2)	235(3)	914
	54,835	39,519	10,571	1,114	3,631

Depreciation and amortization:					
Acquisitions	6,037	4,098	1,939	—	—
Operations	4,467	3,464	230	521	252
	<u>10,504</u>	<u>7,562</u>	<u>2,169</u>	<u>521</u>	<u>252</u>
General and administrative:					
Acquisitions	3,437	2,796	641	—	—
Operations	9,408	(1,514)	1,205	(860)	10,577(4)
	<u>12,845</u>	<u>1,282</u>	<u>1,846</u>	<u>(860)</u>	<u>10,577</u>
Amortization of officer's deferred compensation expense					
	(20,625)	—	—	—	(20,625)
	<u>\$ 57,559</u>	<u>\$ 48,363</u>	<u>\$ 14,586</u>	<u>\$ 775</u>	<u>\$ (6,165)</u>

- (1) Results primarily from (i) an increase in real estate taxes and insurance of \$19,262, a substantial portion of which is reimbursed by tenants, and (ii) an increase in bad debt expense of \$1,885.
- (2) Results primarily from (i) an increase in real estate taxes and common area maintenance expenses of \$4,011, a substantial portion of which is reimbursed by tenants and (ii) an increase in bad debt expense in excess of recoveries, of \$2,441.
- (3) Reflects a charge of \$954 in the third quarter of 2002 in connection with the termination of a contract and the write-off of related deferred costs.
- (4) Primarily due to (i) a \$3,953 increase in payroll expense of which \$948 is due to a decrease in capitalized development payroll, \$492 is due to stock compensation expense (see below) and \$373 is due to the Company's deferred compensation plan (offset by an equal amount of investment income), (ii) a \$3,501 increase in professional fees in connection with corporate governance, insurance and other projects, (iii) a severance payment of \$1,570 for an executive officer and the expense related to the accelerated vesting of his restricted stock awards amounting to \$867, (iv) a \$720 reimbursement of expenses received in 2002, partially offset by, (v) \$2,229 of Primestone litigation expenses in 2002.

As part of the 2002 annual compensation review, in lieu of stock options, on January 28, 2003 the Company granted 166,990 restricted shares at \$34.50 per share (the then closing stock price on the NYSE) to employees of the Company. These awards vest over a 5-year period. Stock-based compensation expense is recognized on a straight-line basis over the vesting period. In the nine months ended September 30, 2003, the Company recognized compensation expense of \$2,406,000, of which \$759,000 related to the January 2003 awards.

Income Applicable to Alexander's

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was \$12,341,000 in the nine months ended September 30, 2003, compared to \$22,609,000 in the prior year's nine months, a decrease of \$10,268,000. This resulted primarily from the Company's share of Alexander's stock appreciation rights compensation expense of \$9,477,000 in 2003 as compared to zero in 2002.

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 nine months ended September 30, 2003 and 2002:

(Amounts in thousands)

For the nine months ended:	Total	Monmouth Mall(1)	Temperature Controlled Logistics	Newkirk MLP	Las Catalinas Mall(4)	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
September 30, 2003:								
Revenues	\$ 384,620	\$ 16,964	\$ 87,076	\$ 204,240		\$ 3,779	\$ 72,561	
Expenses:								
Operating, general and administrative	(51,415)	(7,485)	(5,252)	(9,105)		(2,172)	(27,401)	
Depreciation	(90,888)	(2,995)	(42,581)	(32,076)		(825)	(12,411)	
Interest expense	(130,254)	(4,481)	(30,853)	(75,643)		—	(19,277)	
Other, net	48,154	(2,429)	2,574	43,324		(866)	5,551	
Net income (loss)	<u>\$ 160,217</u>	<u>\$ (426)</u>	<u>\$ 10,964</u>	<u>\$ 130,740</u>		<u>\$ (84)</u>	<u>\$ 19,023</u>	
Vornado's interest 50% 60% 22.6% 80% 11%								
Equity in net income	41,001	\$ (213)	\$ 6,578	\$ 29,547(3)		\$ (67)	\$ 2,068	3,088
Interest and other income	8,295	2,468	474	5,353		—	—	—
Fee income	4,869	718	4,151	—		—	—	—
Income from partially-owned entities	<u>\$ 54,165</u>	<u>\$ 2,973</u>	<u>\$ 11,203</u>	<u>\$ 34,900</u>	<u>N/A(4)</u>	<u>\$ (67)</u>	<u>\$ 2,068</u>	<u>\$ 3,088</u>
September 30, 2002:								
Revenues	<u>\$ 356,963</u>		<u>\$ 86,336</u>	<u>\$ 220,864</u>	<u>\$ 10,671</u>	<u>\$ 406</u>	<u>\$ 38,686</u>	
Expenses:								
Operating, general and administrative	(37,012)		(5,909)	(10,414)	(3,102)	(1,422)	(16,165)	
Depreciation	(89,236)		(44,140)	(36,211)	(1,482)	(852)	(6,551)	

Interest expense	(135,097)	(32,324)	(90,615)	(3,643)	—	(8,515)		
Other, net	216	(2,377)	3,060	(802)	(200)	535		
Net income (loss)	<u>\$ 95,834</u>	<u>\$ 1,586</u>	<u>\$ 86,684</u>	<u>\$ 1,642</u>	<u>\$ (2,068)</u>	<u>\$ 7,990</u>		
Vornado's interest		60%	21%	50%	80%	23%		
Equity in net income	\$ 20,475	\$ 1,258	\$ 18,600	\$ 851	\$ (1,654)	\$ 1,874	\$ (454)	
Interest and other income	5,665	365	5,300	—	—	—	—	
Fee income	4,164	4,164	—	—	—	—	—	
Income from partially-owned entities	<u>\$ 30,304</u>	<u>N/A(1)</u>	<u>\$ 5,787</u>	<u>\$ 23,900</u>	<u>\$ 851(4)</u>	<u>\$ (1,654)</u>	<u>\$ 1,874</u>	<u>\$ (454)</u>
Increase (decrease) in income from partially-owned entities	<u>\$ 23,861</u>	<u>\$ 2,973</u>	<u>\$ 5,416(2)</u>	<u>\$ 11,000(3)</u>	<u>\$ (851(4))</u>	<u>\$ 1,587</u>	<u>\$ 194</u>	<u>\$ 3,542</u>

- (1) The Company acquired a 50% interest in the Monmouth Mall on October 19, 2002.
(2) Results primarily from an increase in gross profit before rent of \$552 and lower general and administrative expenses offset by a decrease in other income.
(3) The nine months ended September 30, 2003 includes a net gain of \$9,500 from the sale of properties and the early extinguishment of debt.
(4) On September 23, 2002, the Company acquired the remaining 50% of the Mall and 25% of the Kmart anchor store it did not previously own. Accordingly, the operations of Las Catalinas are consolidated into the accounts of the Company subsequent to September 23, 2002.

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Interest and Other Investment Income

Interest and other investment income (interest income on mortgage loans receivable, other interest income and dividend income) was \$16,224,000 for the nine months ended September 30, 2003, compared to \$25,984,000 in the nine months ended September 30, 2002, a decrease of \$9,760,000. This decrease resulted primarily from (i) lower yields on the reinvestment of proceeds received from the repayment of the loan from NorthStar Partnership L.P. in May 2002 and the repayment of other loans and (ii) lower average other investments at lower yields, partially offset by (iii) \$5,655,000 of contingent interest income recognized in connection with the repayment of the Dearborn Center loan.

Interest and Debt Expense

Interest and debt expense was \$173,269,000 for the nine months ended September 30, 2003, compared to \$177,177,000 in the nine months ended September 30, 2002, a decrease of \$3,908,000. This decrease was primarily comprised of a \$8,362,000 savings from a .87% reduction in weighted average interest rates of the Company's variable rate debt, partially offset by (i) the consolidation as of September 2002 of the Las Catalinas operations which were previously included in income from partially-owned entities and (ii) a reduction in interest capitalized in connection with development projects.

Net Gains on Disposition of Wholly-owned and Partially-owned Assets

The following table sets forth the details of net gains on disposition of wholly-owned and partially-owned assets other than depreciable real estate for the nine months ended September 30, 2003 and 2002:

(Amounts in thousands)	For the Nine Months Ended September 30,	
	2003	2002
Wholly-owned Assets:		
Loss on settlement of Primestone guarantees (2003) and foreclosure (2002)	\$ (1,388)	\$ (17,671)
Gain on sale of land parcels	499	—
Gain on sale of condominiums units	282	2,156
Gain on transfer of mortgages	—	2,096
Net gain on sale of air rights	—	2,126
Net gain on sale of marketable securities	—	12,346
Partially-owned Assets:		
Recognition of deferred gain on sale of 50% interest in 570 Lexington Avenue	767	—
	<u>\$ 160</u>	<u>\$ 1,053</u>

Discontinued Operations

Assets related to discontinued operations at September 30, 2003 represents the Company's New York City office property located at Two Park Avenue and retail properties located in Vineland, New Jersey and Hagerstown, Maryland. The following is a summary of the combined results of operations of these properties as well as the Company's Baltimore, Maryland retail property which was sold on January 9, 2003 (resulting in net gain of \$2,644,000):

	For the Nine Months Ended September 30,	
	2003	2002
Total revenues	\$ 27,850	\$ 28,605
Total expenses	13,330	16,727
Net income	14,520	11,878
Gain on sale of Baltimore	2,644	—
Income from discontinued operations	<u>\$ 17,164</u>	<u>\$ 11,878</u>

Cumulative Effect of Change in Accounting Principle

In September 2001, the Financial Accounting Standards Board issued 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. In the first quarter of 2002, the Company wrote-off goodwill of approximately \$30,129,000 of which (i) \$15,490,000 represents its share of the goodwill arising from the Company's investment in Temperature Controlled Logistics and (ii) \$14,639,000 represents goodwill arising from the Company's acquisition of the Hotel Pennsylvania. The write-off has been reflected as a cumulative effect of a change in accounting principle.

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Nine Months Ended September 30, 2003 and September 30, 2002

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

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Nine months ended September 30, 2002	\$ 634,099	\$ 459,156	\$ 83,989	\$ 82,742	\$ 50,823	\$ (42,611)
2003 Operations:						
Same store operations(1)		2,472	2,983	3,482	1,559(3)	
Acquisitions, dispositions and non-same store income and expenses		8,643	18,977	327	3,490	
Nine months ended September 30, 2003	\$ 680,014	\$ 470,271	\$ 105,949	\$ 86,551	\$ 55,872	\$ (38,629)
% increase in same store operations		0.6%(2)	3.6%	4.2%	2.9%(3)	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
- (2) EBITDA and the same store percentage increase (decrease) were \$251,467 and 2.4% for the New York office portfolio and \$218,804 and (1.5%) for the CESCRO portfolio. The CESCRO same store decrease of \$2,847 reflects a reduction in third party net leasing fees of \$1,443.
- (3) 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 \$19,518 of rent it was due for the nine months ended September 30, 2003, which together with previously deferred rent is \$43,868. The tenant has advised the Landlord that (i) its revenue for the nine months ended September 30, 2003 from the warehouses it leases from the Landlord, is lower than last year by 1.6%, and (ii) its gross profit before rent at these warehouses for the corresponding period is higher than last year by \$552 (a 0.5% increase). In addition, the tenant had lower general and administrative expenses offset by a decrease in other income.

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Liquidity And Capital Resources

Nine Months Ended September 30, 2003

Cash flows provided by operating activities of \$425,608,000 was primarily comprised of (i) income of \$255,559,000, (ii) adjustments for non-cash items of \$147,021,000, (iii) the net change in operating assets and liabilities of \$8,302,000 and (iv) net gains on sale of real estate of \$2,644,000. The adjustments for non-cash items are primarily comprised of (i) depreciation and amortization of \$158,332,000, and (ii) minority interest of \$111,547,000, partially offset by, (iii) the effect of straight-lining of rental income of \$31,908,000, (iv) equity in net income of partially-owned entities and income applicable to Alexander's of \$66,506,000 and (v) amortization of acquired below market leases net of above market leases of \$6,914,000.

Net cash used in investing activities of \$64,579,000 was primarily comprised of (i) recurring capital expenditures of \$65,775,000, (ii) non-recurring capital expenditures of \$5,002,000, (iii) development and redevelopment expenditures of \$102,254,000, (iv) investments in partially-owned entities of \$10,360,000, (v) the acquisition of Building Maintenance Service Company of \$13,000,000, (vi) the acquisition of Kaempfer company of \$27,622,000, and (vii) the acquisition of real estate of \$31,189,000, (viii) investments in notes and mortgage loans receivable of \$7,300,000, partially offset by, (ix) distributions from partially-owned entities of \$42,027,000, (x) proceeds from the sale of real estate of \$5,436,000, (xi) repayments on notes and mortgages receivable of \$26,092,000, and (xii) a decrease in restricted cash of \$142,363,000 (used primarily to repay the cross-collateralized mortgages on 770 Broadway and 595 Madison Avenue).

Net cash used in financing activities of \$445,371,000 was primarily comprised of (i) dividends paid on common shares of \$227,079,000 (ii) repayments of borrowings of \$593,780,000, (iii) dividends paid on preferred shares of \$15,930,000, and (iv) distributions to minority partners of \$112,043,000, partially offset by, (v) proceeds from borrowings of \$448,987,000 and (vi) proceeds of \$54,474,000 from the exercise by employees of stock options.

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.

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Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures and a reconciliation of total expenditures on an accrual basis to the cash expended in the nine months ended September 30, 2003. See page 45 for per square foot data.

(Amounts in thousands)	Total	New York Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures (Accrual basis):						
Expenditures to maintain the assets:						
Recurring	\$ 23,622	\$ 8,473	\$ 4,620	\$ 395	\$ 9,702	\$ 432
Non-recurring	2,795	—	2,795	—	—	—
	<u>26,417</u>	<u>8,473</u>	<u>7,415</u>	<u>395</u>	<u>9,702</u>	<u>432</u>
Tenant improvements:						
Recurring	55,733	17,507	20,164	2,802	15,260	—
Non-recurring	4,479	—	4,479	—	—	—
	<u>60,212</u>	<u>17,507</u>	<u>24,643</u>	<u>2,802</u>	<u>15,260</u>	<u>—</u>
Total	\$ 86,629	\$ 25,980	\$ 32,058	\$ 3,197	\$ 24,962	\$ 432
Leasing Commissions:						
Recurring	\$ 15,543	\$ 7,682	\$ 4,952	\$ 75	\$ 2,834	\$ —
Non-recurring	970	—	970	—	—	—
	<u>\$ 16,513</u>	<u>\$ 7,682</u>	<u>\$ 5,922</u>	<u>\$ 75</u>	<u>\$ 2,834</u>	<u>\$ —</u>
Total Capital Expenditures and Leasing Commissions (Accrual basis)	\$ 103,142	\$ 33,662	\$ 37,980	\$ 3,272	\$ 27,796	\$ 432
Adjustments to reconcile accrual basis to cash basis:						
Expenditures in the current year applicable to prior periods	34,557	7,881	11,719	11,096	3,861	—
Expenditures to be made in future periods for the current period	(51,291)	(17,485)	(23,858)	(1,933)	(8,015)	—
Total Capital Expenditures and Leasing Commissions (Cash basis)	\$ 86,408	\$ 24,058	\$ 25,841	\$ 12,435	\$ 23,642	\$ 432
Development and Redevelopment:						
Expenditures:						
400 North LaSalle	\$ 44,549	\$ —	\$ —	\$ —	\$ 44,549	\$ —
640 Fifth Avenue	22,084	22,084	—	—	—	—
4 Union Square South	8,462	—	—	8,462	—	—
Other	27,159	9,483	6,985	10,301	—	390
	<u>\$ 102,254</u>	<u>\$ 31,567</u>	<u>\$ 6,985</u>	<u>\$ 18,763</u>	<u>\$ 44,549</u>	<u>\$ 390</u>

Nine Months Ended September 30, 2002

Cash flow provided by operating activities of \$347,501,000 was primarily comprised of (i) income of \$186,918,000, (ii) adjustments for non-cash items of \$223,538,000, partially offset by (iii) the net change in operating assets and liabilities of \$62,955,000. The adjustments for non-cash items were primarily comprised of (i) a cumulative effect of change in accounting principle of \$30,129,000, (ii) amortization of officer's deferred compensation expense of \$20,625,000, (iii) depreciation and amortization of \$147,828,000, (iv) minority interest of \$108,544,000, partially offset by (v) the effect of straight-lining of rental income of \$29,622,000, (vi) equity in net income of partially-owned entities and income applicable to Alexander's of \$52,913,000, and (vii) a loss on the Primestone foreclosure of \$17,671,000.

Net cash provided by investing activities of \$55,674,000 was primarily comprised of (i) distributions from partially-owned entities of \$100,326,000, (ii) repayments on notes receivable of \$115,000,000, (iii) proceeds from the sale of marketable securities of \$73,685,000 partially offset by, (iv) recurring capital expenditures of \$34,645,000, (v) non-recurring capital expenditures of \$18,488,000, (vi) development and redevelopment expenditures of \$47,351,000, (vii) investment in notes and mortgages receivable of \$56,091,000, and (viii) investments in partially-owned entities of \$35,209,000, and (ix) acquisitions of real estate of \$23,659,000.

Net cash used in financing activities of \$354,396,000 was primarily comprised of (i) dividends paid on common shares of \$240,802,000, (ii) dividends paid on preferred shares of \$17,722,000, (iii) distributions to minority partners of \$108,477,000, (iv) repayments of borrowings of \$719,761,000, partially offset by proceeds from (v) the issuance of common shares of \$56,508,000, (vi) notes and mortgages payable of \$650,403,000, of which \$499,319,000 was from the issuance of the Company's senior unsecured notes on June 24, 2002, and (vii) the exercise of employee share options of \$25,455,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures for the nine months ended September 30, 2002.

(Amounts in thousands)	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Capital Expenditures:						
Expenditures to maintain the assets:						
Recurring	\$ 16,158	\$ 5,441	\$ 6,377	\$ 1,271	\$ 2,295	\$ 774
Non-recurring	14,485	5,965	4,423	—	4,097	—
	<u>30,643</u>	<u>11,406</u>	<u>10,800</u>	<u>1,271</u>	<u>6,392</u>	<u>774</u>

Tenant improvements:						
Recurring	18,487	8,249	5,818	2,212	2,208	—
Non-recurring	4,003	1,525	2,478	—	—	—
	<u>22,490</u>	<u>9,774</u>	<u>8,296</u>	<u>2,212</u>	<u>2,208</u>	<u>—</u>
Total	<u>\$ 53,133</u>	<u>\$ 21,180</u>	<u>\$ 19,096</u>	<u>\$ 3,483</u>	<u>\$ 8,600</u>	<u>\$ 774</u>
Leasing Commissions:						
Recurring	\$ 11,127	\$ 7,639	\$ 2,803	\$ 180	\$ 397	\$ 108
Non-recurring	3,393	1,725	1,668	—	—	—
	<u>\$ 14,520</u>	<u>\$ 9,364</u>	<u>\$ 4,471</u>	<u>\$ 180</u>	<u>\$ 397</u>	<u>\$ 108</u>
Total Capital Expenditures and Leasing Commissions:						
Recurring	\$ 45,772	\$ 21,329	\$ 14,998	\$ 3,663	\$ 4,900	\$ 882
Non-recurring	21,881	9,215	8,569	—	4,097	—
	<u>\$ 67,653</u>	<u>\$ 30,544</u>	<u>\$ 23,567</u>	<u>\$ 3,663</u>	<u>\$ 8,997</u>	<u>\$ 882</u>
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ (1)	\$ 12,338	\$ —	\$ —	\$ —	\$ —	\$ 12,338
Other	35,013	28,630	5,508	(879)(2)	724	1,030
	<u>\$ 47,351</u>	<u>\$ 28,630</u>	<u>\$ 5,508</u>	<u>\$ (879)</u>	<u>\$ 724</u>	<u>\$ 13,368</u>

- (1) Does not include \$9,103 of Fort Lee development costs funded by a construction loan.
(2) Represents reimbursements from tenants for expenditures incurred in the prior year.

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SUPPLEMENTAL INFORMATION

Three Months Ended September 30, 2003 vs. Three Months Ended June 30, 2003

Below are the details of the changes by segment in EBITDA for the three months ended September 30, 2003 from the three months ended June 30, 2003.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended June 30, 2003	<u>\$ 231,177</u>	<u>\$ 159,202</u>	<u>\$ 34,895</u>	<u>\$ 32,515</u>	<u>\$ 17,868</u>	<u>\$ (13,303)</u>
2003 Operations:						
Same store operations(1)		(1,519)	75	(4,765)(3)	(1,421)	
Acquisitions, dispositions and other non-same store income and expenses		(813)	2,431	881	810	
Three months ended September 30, 2003	<u>\$ 216,795</u>	<u>\$ 156,870</u>	<u>\$ 37,401</u>	<u>\$ 28,631</u>	<u>\$ 17,257</u>	<u>\$ (23,364)</u>
% increase (decrease) in same store operations		(1.0)%(2)	0.3%	(14.6)%(3)	(8.0)%	

- (1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.
(2) Same store percentage increase was 0.2% for the New York office portfolio, and (2.3)% for the CESCRO portfolio. The decrease in CESCRO same store operations resulted primarily from higher utility costs in the third quarter which is consistent with prior years.
(3) Primarily seasonality of operations.

Below is a reconciliation of net income and EBITDA for the three months ended June 30, 2003.

(Amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Net income (loss) for the three months ended June 30, 2003	\$ 87,757	\$ 84,852	\$ 14,044	\$ 21,421	\$ 2,950	\$ (35,510)
Interest and debt expense	75,848	35,368	15,864	4,286	6,197	14,133
Depreciation and amortization	67,572	38,982	4,987	6,808	8,721	8,074
EBITDA for the three months ended June 30, 2003	<u>\$ 231,177</u>	<u>\$ 159,202</u>	<u>\$ 34,895</u>	<u>\$ 32,515</u>	<u>\$ 17,868</u>	<u>\$ (13,303)</u>

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Senior Unsecured Debt Covenant Compliance Ratios

The following ratios as of and for the three months ended September 30, 2003, are computed pursuant to the covenants and definitions of the Company's senior unsecured notes due 2007.

Actual	Required
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Total Outstanding Debt/Total Assets	49%	Less than 60%
Secured Debt/Total Assets	44%	Less than 55%
Interest coverage (Annualized Combined EBITDA to Annualized Interest Expense)	2.91	Greater than 1.50
Unencumbered Assets/Unsecured Debt	518%	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 June 30, 2002.

The defined terms and amounts used to determine compliance with the above-referenced covenants differ from such terms and amounts determined in accordance with generally accepted accounting principles in the United States. Management believes that presentation of its status under these covenants is important to an understanding of the Company's financial and liquidity position and its ability to incur additional debt.

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 Controlled Logistics
	New York	CESCR	Retail	Office	Showroom	
As of September 30, 2003:						
Square feet	13,583	13,879	12,514	2,803	5,614	17,476
Cubic feet	—	—	—	—	—	440,700
Number of properties	20	62	62	9	9	87
Occupancy rate	95.9%	93.3%(3)	91.0%	92.6%	94.7%	76.7%
Leasing Activity:						
Quarter ended September 30, 2003:						
Square feet	261	669	234	5	259	—
Initial rent (1)	\$ 49.70	\$ 28.33	\$ 14.99	\$ 20.88	\$ 24.11	—
Rent per square foot on relet space:						
Square feet	171	555	234	5	259	—
Initial rent (1)	\$ 50.82	\$ 28.54	\$ 14.99	\$ 20.88	\$ 24.11	—
Prior escalated rent	\$ 46.82	\$ 28.01	\$ 14.08	\$ 22.19	\$ 22.98	—
Percentage increase (decrease)	8.5%	1.9%	6.5%	(5.9)%	4.9%	—
Rent per square foot on space previously vacant:						
Square feet	90	114	—	—	—	—
Initial rent (1)	\$ 47.60	\$ 27.32	—	—	—	—
Tenant improvements per square foot (2)	\$ 31.39	\$ 8.39	\$ 1.30	\$ 10.00	\$ 6.54	—
Leasing commissions per square foot (2)	\$ 14.24	\$ 2.93	\$ —	\$ 2.00	—	—
Nine Months ended September 30, 2003:						
Square feet	621	2,358	878	181	939	—
Initial rent (1)	\$ 45.80	\$ 30.46	\$ 15.80	\$ 22.32	\$ 22.81	—
Rent per square foot on relet space:						
Square feet	413	2,122	878	181	939	—
Initial rent (1)	\$ 45.93	\$ 30.74	\$ 15.80	\$ 22.32	\$ 22.81	—
Prior escalated rent	\$ 39.79	\$ 29.97	\$ 13.69	\$ 21.18	\$ 20.92	—
Percentage increase (decrease)	15.4%	2.6%	15.4%	5.4%	9.0%	—
Rent per square foot on space previously vacant:						
Square feet	208	236	—	—	—	—
Initial rent (1)	\$ 45.56	\$ 28.02	—	—	—	—
Tenant improvements per square foot(2)	\$ 28.90	\$ 10.45	\$ 3.19	\$ 38.50	\$ 6.04	—
Leasing commissions per square foot (2)	\$ 12.63	\$ 2.51	\$.09	\$ 15.56	—	—
As of June 30, 2003:						
Square feet	14,524	13,509	12,514	2,804	5,601	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	61	62	9	9	88
Occupancy rate	95.9%	94.0%(3)	89.2%	93.2%	95.4%	70.6%
As of December 31, 2002:						
Square feet	14,304	13,395	12,528	2,838	5,528	17,509
Cubic feet	—	—	—	—	—	441,500
Number of properties	21	55	62	9	9	88
Occupancy rate	95.9%	93.6%	88.3%	91.7%	95.2%	78.5%
As of September 30, 2002:						
Square feet	14,373	13,396	11,827	2,815	5,515	17,509
Cubic feet	—	—	—	—	—	441,500

Number of properties	22	51	55	9	9	88
Occupancy rate	95.5%	93.3%	87.4%	91.1%	95.6%	83.3%

- (1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
(2) May not be indicative of the amounts for the full year.
(3) Primarily reflects a decrease in occupancy at Tysons Dulles.

In addition to the above, 35,000 square feet and 45,000 feet of retail space included in the NYC office properties was leased for the quarter and the nine months ended September 30, 2003, respectively, at an initial rent of \$162.84 per square foot and \$194.23 per square foot.

Funds From Operations (FFO) for the Three and Nine Months Ended September 30, 2003 and 2002

Three Months Ended September 30, 2003 and 2002

FFO was \$123,914,000, or \$1.04 per diluted share for three months ended September 30, 2003, compared to \$111,041,000, or \$.98 per diluted share for prior year's quarter, an increase of \$12,873,000 or \$.06 per share. Effective with the filing of the Company's first quarter 2003 Form 10-Q, in order to report FFO in accordance with the Securities and Exchange Commission's recent Regulation G concerning non-GAAP financial measures, adhere to NAREIT's definition of FFO and to disclose FFO on a comparable basis with the vast majority of other companies in the industry, the Company has revised its definition of funds from operations to include both the effect of income arising from the straight-lining of rents and income from the amortization of acquired below market leases net of above market leases. Income from the straight-lining of rents amounted to \$9,265,000, or \$.06 per diluted share for the three months ended September 30, 2003, and \$7,633,000, or \$.05 per diluted share for the three months ended September 30, 2002. Income from the amortization of acquired below market leases net of above market leases amounted to \$3,162,000, or \$.02 per diluted share for the three months ended September 30, 2003 and \$3,117,000, or \$.02 per diluted share for the three months ended September 30, 2002. Such amounts are included in reported FFO above.

Included in FFO are certain items that affect comparability as detailed below. Before these items, second quarter 2003 FFO is 6.9% higher than third quarter 2002 on a per share basis.

(Amounts in thousands, except per share amounts)	For the Three Months Ended			
	September 30, 2003		September 30, 2002	
	Amount	Per Share	Amount	Per Share
FFO as shown above	\$ 123,914	\$ 1.04	\$ 111,041	\$.98
Items that affect comparability of FFO:				
Alexander's stock appreciation rights compensation expense (income)	\$ 6,192	\$.05	\$ (1,402)	\$ (.01)
Amortization of officer's employment arrangement	—	—	6,875	.06
Primestone litigation expenses	—	—	2,229	.02
Gain on sale of air rights	—	—	(2,126)	(.02)
Gain on transfer of mortgages	—	—	(2,096)	(.02)
Gain on sale of condominiums	—	—	(281)	—
Minority interest's share of above adjustments	(1,135)	(.01)	(657)	—
	\$ 5,057	\$.04	\$ 2,542	\$.03

Nine Months Ended September 30, 2003 and 2002

FFO was \$387,430,000, or \$3.33 per diluted share for the nine months ended September 30, 2003, compared to \$346,268,000, or \$3.08 per diluted share for the nine months ended September 30, 2002, an increase of \$41,162,000 or \$.25 per share. As disclosed above, FFO includes income from the straight-lining of rents and amortization of acquired below market leases, net of above market leases. Income from the straight-lining of rents amounted to \$25,819,000, or \$.18 per diluted share for the nine months ended September 30, 2003, and \$24,591,000, or \$.17 per diluted share for the nine months ended September 30, 2002. Income from the amortization of acquired below market leases net of above market leases amounted to \$6,914,000, or \$.05 per diluted share for the nine months ended September 30, 2003 and \$9,351,000, or \$.07 per diluted share for the nine months ended September 30, 2002. Such amounts are included in reported FFO above.

Included in FFO are certain items that affect comparability as detailed below. Before these items, nine months ended September 30, 2003 FFO is 5.0% higher than nine months ended September 30, 2002 on a per share basis.

(Amounts in thousands, except per share amounts)	For the Nine Months Ended			
	September 30, 2003		September 30, 2002	
	Amount	Per Share	Amount	Per Share
FFO as shown above	\$ 387,430	\$ 3.33	\$ 346,268	\$ 3.08
Items that affect comparability of FFO:				
Alexander's stock appreciation rights compensation expense	\$ 9,477	\$.08	\$ —	\$ —
Gain on early extinguishment of debt of a partially-owned entity (Newkirk MLP)	(1,600)	(.01)	—	—
Loss on Primestone foreclosure (2002) and settlement of guarantees (2003)	1,388	.01	19,900	.18
Gain on sale of condominiums	(282)	—	(2,156)	(.02)
Amortization of officer's employment arrangement	—	—	20,625	.18
Gain on sale of marketable securities	—	—	(12,346)	(.11)
Gain on sale of air rights	—	—	(2,126)	(.02)
Gain on transfer of mortgages	—	—	(2,096)	(.02)
Minority interest's share of above adjustments	(1,694)	(.02)	(4,479)	(.04)
	\$ 7,289	\$.06	\$ 17,322	\$.15

The following table reconciles FFO and net income:

(Amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income applicable to common shares	\$ 70,981	\$ 59,247	\$ 239,629	\$ 169,196
Cumulative effect of change in accounting principle	—	—	—	30,129
Depreciation and amortization of real property	49,926	49,823	150,499	144,424
Net gains on sale of real estate	(767)	—	(3,411)	—
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	13,522	12,140	40,307	37,924
Net gains on sale of real estate	(86)	—	(7,886)	—
Other	58	(473)	934	673
Minority interest's share of above adjustments	(10,549)	(11,140)	(35,822)	(41,050)
	123,085	109,597	384,250	341,296
Series A preferred dividends	829	1,444	3,180	4,972
FFO applicable to common shares (1)	\$ 123,914	\$ 111,041	\$ 387,430	\$ 346,268

- (1) 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 FFO and the shares used in calculating FFO per share would be increased to reflect the conversion. The following table reconciles FFO as shown above, to the Operating Partnership's FFO for the three and nine months ended September 30, 2003 and 2002:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
FFO, as shown above	\$ 123,914	\$ 111,041	\$ 387,430	\$ 346,268
Addback of minority interest reflected as equity in the Operating Partnership	27,822	28,699	90,554	89,533
Operating Partnership FFO	\$ 151,736	\$ 139,740	\$ 477,984	\$ 435,801

The number of shares used in determining Operating Partnership FFO per share is as follows:

Shares used for determining FFO per share	119,193	112,858	116,327	112,536
Convertible units:				
Non-Vornado owned Class A units	18,994	21,401	19,272	21,330
B-1 units	822	822	822	822
B-2 units	411	411	411	411
C-1 units	855	855	855	855
E-1 units	5,680	5,680	5,680	5,680
Shares used for determining Operating Partnership FFO per share	145,955	142,027	143,367	141,634

FFO 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. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. Management considers FFO a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs. FFO is computed in accordance with NAREIT's definition, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with NAREIT's definition.

Acquisitions and Dispositions

On January 1, 2003, the Company acquired for \$13,000,000 in cash BMS, which provides cleaning, security and engineering 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. David R. Greenbaum, one of the Company's executive officers. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of BMS are consolidated into the accounts of the Company beginning January 1, 2003.

On April 9, 2003, the Company acquired Kaempfer, which owns partial interests in six Class "A" office properties in Washington D.C., manages and leases these properties and four others for which it receives customary fees and has options to acquire certain other real estate interests, including 50% of Kaempfer's 5% interest in the planned redevelopment of Waterfront, located at 401 M Street, a mixed-use project in Southwest Washington D.C. (the "Waterfront interest"). Kaempfer's equity interest in the properties approximates 5.0%. The aggregate purchase price for the equity interests and the management and leasing business was \$33,400,000 (consisting of \$29,800,000 in cash and approximately 99,300 Vornado Realty L.P. partnership units valued at \$3,600,000) and may be increased by up to \$9,000,000 based on the performance of the management company. This acquisition was recorded as a business combination under the purchase method of accounting. Accordingly, the operations of Kaempfer are consolidated into the accounts of the Company beginning April 9, 2003. The six Class "A" office buildings contain 1.8 million square feet and are as follows: the Warner Building located at 1299 Pennsylvania Avenue containing 600,000 square feet, the Investment Building located at 1501 K Street containing 380,000 square feet, the Commonwealth Tower located at 1300 Wilson Boulevard in Rosslyn, VA, containing 343,000 square feet, the Bowen Building (under development) located at 875 15th Street containing 220,000 square feet, 1925 K Street containing 150,000 square feet, and the Executive Tower located at 1399 New York Avenue, containing

123,000 square feet. Kaempfer, which was founded in 1977 and has 65 employees, was combined with the Company's Charles E. Smith Commercial Realty division ("CESCR"). Mitchell N. Schear, the President of Kaempfer, has become President of CESCR.

On October 7, 2003, the Company acquired the Waterfront interest described above for \$2,000,000, of which the Company paid \$1,545,000 in cash and issued 12,500 Vornado Realty L.P. partnership units valued at \$455,000. The partnership units were issued to Mitchell N. Schear, one of the partners in the Waterfront interest, and the President of the Company's CESCR division.

On May 2, 2003, the Company acquired the remaining 40% of a 78-year leasehold interest in 20 Broad Street it did not already own. The purchase price was approximately \$30,000,000 in cash. 20 Broad Street contains 466,000 square feet of office space, of which 348,000 square feet is leased to the New York Stock Exchange. Prior to the acquisition of the remaining 40%, the Company consolidated the operations of this property and reflected the 40% interest that it did not own as a component of minority interest. Subsequent to this acquisition, the Company will no longer reflect the 40% minority interest.

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

Dispositions

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

The Company recognized gains on sale of residential condominiums in Chicago, Illinois of \$188,000 during the first quarter of 2003 and \$282,000 and \$2,156,000 during the three and nine months ended September 30, 2002. Such gains are included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets."

On June 13, 2003, the Company received its \$5,000,000 share of a settlement with affiliates of Primestone Investment Partners of the amounts due under the guarantees of the Primestone loans. In connection therewith, the Company recognized a \$1,388,000 loss on settlement of the guarantees which is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the nine months ended September 30, 2003.

On June 27, 2003, the Park Laurel joint venture completed the sale of the remaining condominium unit in the project resulting in a net gain to the Company of \$94,000, which is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the nine months ended September 30, 2003.

On August 18, 2003, the Company recognized a \$767,000 deferred gain on the sale of its 50% interest in 570 Lexington Avenue which was sold on May 17, 2001, and is included in the income statement caption "net gains on disposition of wholly-owned and partially-owned assets" for the three and nine months ended September 30, 2003.

On October 10, 2003, the Company sold Two Park Avenue, a 965,000 square foot office building, for \$292,000,000 to SEB Immobilien-Investment GMBH, a German capital investment company. The Company's net gain on the sale after closing costs is approximately \$157,000,000 and will be recognized in the fourth quarter of 2003.

On November 3, 2003, the Company sold its Hagerstown retail property located in Maryland for \$3,100,000. The Company's gain on sale after closing costs is approximately \$2,000,000, and will be recognized in the fourth quarter of 2003.

Financings

On June 9, 2003, the Company completed a \$170,000,000 mortgage financing of its 770 Broadway property. The loan bears interest at LIBOR plus 1.05%, is prepayable after one year without penalty and matures in June 2006 with two-one year extension options. The proceeds of the new loan were used primarily to repay (i) a \$18,926,000 mortgage loan on 33 North Dearborn, (ii) a \$69,507,000 mortgage loan on Tysons Dulles Plaza and (iii) \$40,000,000 of borrowings under the Company's unsecured revolving credit facility. In connection with the closing of the 770 Broadway loan, the Company purchased an interest rate cap, and simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments are expected to substantially offset one another. Simultaneously with the completion of the 770 Broadway loan, the Company used cash from its mortgage escrow account to repay \$133,659,000 of the \$153,659,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties.

On July 3, 2003, the Company entered into a new \$600 million unsecured revolving credit facility which has replaced its \$1 billion unsecured revolving credit facility which was to mature in July, 2003. The Company has reduced the capacity because historically it has not utilized this additional capacity and to reduce costs. The new facility has a three-year term with a one-year extension option and bears interest at LIBOR plus .65%. The Company also has the ability under the new facility to seek up to \$800 million of commitments during the facility's term. The new facility contains financial covenants similar to the prior facility.

On July 31, 2003, the Company replaced the mortgage on the Commerce Executive property with (i) a new \$43,000,000 non-recourse mortgage loan at LIBOR plus 1.50% with a two-year term and a one-year extension option and (ii) a \$10,000,000 unsecured loan for three years at LIBOR plus .65% with a one-year extension option.

On August 4, 2003, the Company completed a refinancing of its 909 Third Avenue property. The new \$125,000,000 mortgage loan is for a term of three years and bears interest at LIBOR plus .70% and has two one-year extension options. Simultaneously with the completion of the 909 Third Avenue loan, the Company used cash from its mortgage escrow account to repay the balance of \$20,000,000 of debt previously cross-collateralized by its 770 Broadway and 595 Madison Avenue properties. In connection with the closing of the 909 Third Avenue loan, the Company purchased an interest rate cap, and

simultaneously sold an interest rate cap with the same terms. Since these instruments do not reduce the Company's net interest rate risk exposure, they do not qualify as hedges and changes in their respective values are charged to earnings. As the significant terms of these arrangements are the same, the effects of a revaluation of these instruments are expected to substantially offset one another.

On October 10, 2003, the Company called for the redemption of all of its 8.5% Series D-1 Cumulative Redeemable Preferred Units issued in 1998. The Preferred Units will be redeemed on November 12, 2003 at a redemption price equal to \$25.00 per unit or an aggregate of \$87,500,000 plus accrued distributions of \$849,000. In conjunction with the redemption, the Company will write-off \$2,100,000 of issuance costs in the fourth quarter of 2003.

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 would require funding from borrowings or equity offerings.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

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

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:

(Amounts in thousands, except per share amounts)

	As at September 30, 2003			As at December 31, 2002	
	Balance	Weighted Average Interest Rate	Effect of 1% Increase In Base Rates	Balance	Weighted Average Interest Rate
Wholly-owned debt:					
Variable rate	\$ 1,254,700(1)	2.13%	\$ 12,547	\$ 1,358,126	2.69%
Fixed rate	2,732,748	7.37%	—	2,713,194	7.17%
	<u>\$ 3,987,448</u>	<u>5.72%</u>	<u>12,547</u>	<u>\$ 4,071,320</u>	<u>5.61%</u>
Partially-owned debt:					
Variable rate	\$ 133,328	3.69%	1,333	\$ 131,100	4.54%
Fixed rate	804,184	8.26%	—	917,008	8.41%
	<u>\$ 937,512</u>	<u>7.61%</u>	<u>1,333</u>	<u>\$ 1,048,108</u>	<u>7.92%</u>
Minority interest			(2,776)		
Total decrease in the Company's annual net income			\$ 11,104		
Per share-diluted			<u>\$.09</u>		

(1) Includes \$532,871 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 (1.96% if set on September 30, 2003). In accordance with SFAS 133, as amended, the Company is required to fair value the debt at each reporting period. At September 30, 2003, the fair value adjustment was \$33,408, and is included in the balance of the senior unsecured notes above.

The fair value of the Company's debt, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, exceeds the aggregate carrying amount by approximately \$127,043,000 at September 30, 2003.

Item 4. Controls and Procedures

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 matters referred to below, is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The following supplements and amends the discussion set forth under Item 3 "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as updated by the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003.

Stop & Shop

As previously disclosed, on January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey ("USDC-NJ") claiming the Company has no right to reallocate and therefore continue to collect the \$5,000,000 of annual rent from Stop & Shop pursuant to the Master Agreement and Guaranty, because of the expiration of the East Brunswick, Jersey City, Middletown, Union and Woodbridge leases to which the \$5,000,000 of additional rent was previously allocated. Stop & Shop asserted that a prior order of the Bankruptcy Court for the Southern District of New York dated February 6, 2001, as modified on appeal to the District Court for the Southern District of New York on February 13, 2001, terminated the Company's right to reallocate. On March 3, 2003, after the Company moved to dismiss for lack of jurisdiction, Stop & Shop voluntarily withdrew its complaint.

On March 26, 2003, Stop & Shop filed a new complaint in New York Supreme Court, asserting substantially the same claims as in its USDC-NJ complaint. On April 9, 2003, the Company moved the New York Supreme Court action to the United States District Court for the Southern District of New York. On June 30, 2003, the District Court ordered that the case be placed in suspension and ordered the parties to proceed in a related case that the Company commenced in the United States Bankruptcy Court for the Southern District of New York. On July 24, 2003, the Bankruptcy Court referred the related case to mediation. If this matter is not resolved through mediation, the hearing will reconvene on November 20, 2003. The Company believes that the additional rent provision of the guaranty expires at the earliest in 2012 and will vigorously oppose Stop & Shop's complaint.

Item 2. Changes in Securities and Use of Proceeds

During the three months ended September 30, 2003, the Company issued 4,625 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. All of the common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) of that Act.

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Item 5. Other Information

In the third quarter of 2003, Mr. Paul Larner, the Company's Executive Vice President - Chief Administrative Officer and Secretary, resigned effective October 3, 2003.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index.
- (b) Reports on Form 8-K:

Period Covered:
(Date of Earliest Event
Reported)

September 23, 2003

Items Reported

Press release announcing investor conference.

Dated Filed

September 23, 2003

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VORNADO REALTY TRUST

(Registrant)

Date: November 7, 2003

By: /s/ Joseph Macnow

Joseph Macnow, Executive Vice President -
Finance and Administration and
Chief Financial Officer (duly authorized officer
and principal financial and accounting officer)

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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. 001-11954), 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 3.5 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
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)	*

* Incorporated by reference.

Exhibit No.			
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)	*
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 3.11 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
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	*

* Incorporated by reference.

Exhibit No.			
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	*
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 3.26 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003.	*
3.27	—	Amendment to the Partnership Agreement, dated as of December 16, 1997 - Incorporated by reference to Exhibit 3.27 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
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	*

* Incorporated by reference.

Exhibit No.			
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	—	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	*
3.32	—	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	*

3.33	—	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	*
3.34	—	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	*
3.35	—	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	*
3.36	—	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	*
3.37	—	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	*
3.38	—	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	*
3.39	—	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	*
3.40	—	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	*
3.41	—	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	*

* Incorporated by reference.

Exhibit No.			
3.42	—	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	*
3.43	—	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	*
3.44	—	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. 001-11954), filed on March 18, 2002	*
3.45	—	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)	*
3.46	—	Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.27 of Vornado's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
3.47	—	Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003	
4.1	—	Instruments defining the rights of security holders (see Exhibits 3.1 through 3.24 of this Quarterly Report on Form 10-Q)	*
4.2	—	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	*
4.3	—	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 4.3 of Vornado's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003	*
4.4	—	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	*
4.5	—	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	*

4.6 — 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. 001-11954), filed on March 9, 2000

* Incorporated by reference.

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**Exhibit
No.**

4.7	—	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	*
4.8	—	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**	—	Employment agreement between Vornado Realty Trust and Mitchell N. Schear, dated April 7, 2003 - Incorporated by reference to Exhibit 10.1 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.2	—	Revolving Credit Agreement, dated as of July 2, 2003 among Vornado Realty L.P., as borrower, Vornado Realty Trust, as general partner, and JPMorgan Chase Bank (as Administrative Agent), Bank of America, N.A. and Citicorp North American, Inc., Deutsche Bank Trust Company Americas and Fleet National Bank, and JPMorgan Chase Bank (in its individual capacity) – Incorporated by reference to Exhibit 10.2 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.3	—	Guaranty of Payment, made as of July 2, 2003, by Vornado Realty Trust, for the benefit of JPMorgan Chase Bank – Incorporated by reference to Exhibit 10.3 of Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 001-11954), filed on August 8, 2003	*
10.4	—	Registration Rights Agreement, dated as of July 31, 2003, by and between Vornado Realty Trust and the Unit Holders named therein	
10.5	—	Second Amendment to the Registration Rights Agreement, dated as of July 31, 2003, between Vornado Realty Trust and the Unit Holders named therein	
15.1	—	Letter regarding Unaudited Interim Financial Information	
31.1	—	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended	
31.2	—	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended	
32.1	—	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2	—	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

* Incorporated by reference.

** Management contract or compensatory agreement.

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TWENTY-FIRST AMENDMENT

TO

SECOND AMENDED AND RESTATED AGREEMENT

OF

LIMITED PARTNERSHIP

OF

VORNADO REALTY L.P.

Dated as of July 31, 2003

THIS TWENTY-FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF VORNADO REALTY L.P. (this "Amendment") is hereby adopted by Vornado Realty Trust, a Maryland real estate investment trust (defined therein as the "General Partner"), as the general partner of Vornado Realty L.P., a Delaware limited partnership (the "Partnership"). For ease of reference, capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., as amended by the Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 16, 1997, and further amended by the Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 1, 1998, and the Third Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 12, 1998, and the Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 30, 1998, and the Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 3, 1999, and the Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of March 17, 1999, and the Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 20, 1999, and the Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 27, 1999, and the Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Tenth

Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 3, 1999, and the Eleventh Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of November 24, 1999, and the Twelfth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 1, 2000, and the Thirteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of May 25, 2000, and the Fourteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 8, 2000, and the Fifteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of December 15, 2000, and the Sixteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 25, 2001, and the Seventeenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of September 21, 2001, and the Eighteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of January 1, 2002, and the Nineteenth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of July 1, 2002, and the Twentieth Amendment to Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of April 9, 2003 (as so amended and as the same may be further amended, the "Agreement").

WHEREAS, on June 16, 2003, the Partnership, the General Partner, CESC 2101 L Street L.L.C. (the "VNO Transaction Sub"), a Delaware limited liability company and wholly-owned subsidiary of the Partnership, 1100 21st Street Associates Limited Partnership, a Maryland limited partnership ("L Street Partnership"), and Robert H. Smith and Ralph S. Dweck, each individually, as a representative of the partners of L Street Partnership and as a general partner of L Street Partnership, entered into a Contribution Agreement (the "L Street Contribution Agreement") pursuant to which the parties agreed to the contribution by the L Street Partnership of the office building located at 2101 L Street, N.W. in Washington, D.C. (and certain related assets and liabilities) to the VNO Transaction Sub in exchange for the issuance by the Partnership of certain Class A Units (such units, the "L Street Units") to the L Street Partnership, subject to satisfaction of the conditions set forth in the L Street Contribution Agreement (the "L Street Transaction");

WHEREAS, as a condition to the closing of the L Street Transaction, the General Partner and the Partnership have agreed to amend the Agreement to acknowledge the issuance of the L Street Units and to make certain other related changes;

WHEREAS, the L Street Contribution Agreement contemplates that the L Street Partnership will distribute the L Street Units to the holders of partnership

interests in the L Street Partnership in accordance with the terms set forth in the L Street Contribution Agreement and the documents executed in connection therewith, including the deposit of certain of such units in escrow to satisfy indemnity obligations of the L Street Partnership;

WHEREAS, Section 4.2.A of the Agreement grants the General Partner authority to cause the Partnership to issue interests in the Partnership to a person other than the General Partner in one or more classes or series, with such designations, preferences and relative, participating, optional or other special rights, powers and duties as may be determined by the General Partner in its sole and absolute discretion so long as the issuance does not violate Section 4.2.E of the Agreement;

WHEREAS, the General Partner has determined that the issuance of the L Street Units will not violate Section 4.2.E of the Agreement;

WHEREAS, Section 14.1.B of the Agreement grants the General Partner power and authority to amend the Agreement without the consent of any of the Partnership's limited partners if the amendment does not adversely affect or eliminate any right granted to a limited partner pursuant to any of the provisions of the Agreement specified in Section 14.1.C or Section 14.1.D of the Agreement as requiring a particular minimum vote; and

WHEREAS, the General Partner has determined that the amendments effected hereby do not adversely affect or eliminate any of the limited partner rights specified in Section 14.1.C or Section 14.1.D of the Agreement as requiring a particular minimum vote.

NOW, THEREFORE, the General Partner hereby amends the Agreement as follows:

1. Section 4.2 of the Agreement is hereby supplemented by adding the following paragraph to the end thereof:

“W. Issuance of L Street Units to L Street Unitholders.

(1) Pursuant to the Contribution Agreement dated as of June 16, 2003 (the “L Street Contribution Agreement”), by and among the General Partner, the Partnership, CESC 2101 L Street L.L.C., a wholly-owned subsidiary of the Partnership (“CESC LLC”), 1100 21st Street Associates Limited Partnership (“L Street Partnership”) and Robert H. Smith and Ralph S. Dweck, each individually, as a representative of the partners of L Street

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Partnership and as a general partner of L Street Partnership, the Partnership issued certain Class A Units (such Units, the “L Street Units”) to L Street Partnership in exchange for the contribution of the office building located at 2101 L Street, N.W. in Washington, DC and certain related assets and liabilities from the L Street Partnership to CESC LLC, subject to and in accordance with the terms of the L Street Contribution Agreement. Thereafter, the L Street Partnership distributed the L Street Units to the holders of partnership interests in the L Street Partnership that executed and delivered or on whose behalf a Limited Partner Acceptance of Partnership Agreement was executed and delivered satisfactory to the General Partner, with the balance of such units, if any, retained by the L Street Partnership pending receipt of such an acceptance agreement; PROVIDED THAT certain of such units were deposited with an escrow agent immediately thereafter to be held for approximately one year after the closing of the L Street Transaction to satisfy certain indemnity obligations of the L Street Partnership and expenses of the escrow agreement pursuant to the Contribution Agreement. At the end of the applicable indemnity period, it is contemplated that the remaining units, if any, would be released to the holders of partnership interests in L Street Partnership who have executed and delivered or on whose behalf a Limited Partner Acceptance of Partnership Agreement was executed and delivered, with the balance, if any, to be held by the L Street Partnership pending receipt of such acceptance agreements. Upon the execution and delivery of a limited partner acceptance of partnership agreement by each of the holders of the L Street Units satisfactory to the General Partner, each of the limited partners of L Street Partnership listed in the books and records of L Street Partnership immediately prior to the contribution automatically shall be admitted to the Partnership as an Additional Limited Partner, without any further act, approval or vote of any Person. Each such Additional Limited Partner shall, upon such

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admission, be subject to, and bound by, this Agreement, including, without limitation, all of the terms and conditions of this Agreement and the power of attorney granted in Section 15.11 hereof.

(2) Except as expressly set forth in the third sentence of this subsection (2), holders from time to time of the L Street Units (each an “L Street Unitholder” and collectively, the “L Street Unitholders”) shall not be entitled to participate in any distributions in respect of the L Street Units for any period prior to their issuance to such holders and, notwithstanding any provisions of Section 5.1.B of this Agreement to the contrary, in the event that the L Street Units are issued on or effective as of any date other than the first day of a period to which a distribution is attributable, any distributions to be made to holders of the L Street Units in respect of the distribution period in which the date of issuance falls shall be prorated based on the actual number of days in the entire period to which the distribution is attributable and the number of days in the period that the L Street Units were outstanding. For clarification, under current practices the Partnership's regular quarterly distributions made during any calendar quarter are attributable to the immediately preceding calendar quarter. If, at any time after the date of issuance of the L Street Units, the General Partner declares any Special Distribution, the Special Distribution is attributable to any period prior to the date of issuance of the L Street Units and the Partnership Record Date for determining partners entitled to participate in the distribution is on or after the date of issuance of the L Street Units, then L Street Unitholders shall be entitled to participate in that Special Distribution pro rata as if their L Street Units had been outstanding for the entire period to which that Special Distribution is attributable.

(3) Section 8.6 of this Agreement is hereby irrevocably modified with respect to all L Street Units such that for any redemption of any

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such Units that will not qualify as either (A) a Block Transfer or (B) a Non-Qualifying Redemption, the waiting period applicable to the Limited Partner between the date the Partnership receives a Notice of Redemption for the Limited Partner and the Specified Redemption Date and/or the Valuation Date shall be up to sixty (60) days, as determined by the General Partner in its sole discretion, and the General Partner shall have all requisite power and authority to amend the provisions of Section 8.6 of this Agreement applicable in respect of the L Street Units as it deems necessary or appropriate to (x) increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60)

days for any Non-Qualifying Redemption and/or (y) implement any other amendment to this Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Regulations Section 1.7704-1(f). In furtherance of the foregoing, each L Street Unitholder appoints the General Partner, any Liquidator and any authorized officers of the General Partner and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing sentence on such L Street Unitholder's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the L Street Unitholder as a Limited Partner and shall extend to the heirs, executors, administrators, legal representatives, successors and assigns.

(4) Section 8.6.C is hereby modified with respect to the L Street Units by adding the following at the end of such section: "In addition,

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notwithstanding the provisions of Sections 8.6.A and 8.6.B, no L Street Unitholder shall be entitled to exercise the redemption right pursuant to Section 8.6.A until the date on which a registration statement under the Securities Act of 1933 relating to the issuance of Shares in satisfaction of the exercise of the Redemption Right with respect to the L Street Units is declared effective by the Securities and Exchange Commission or is withdrawn by the General Partner, if the General Partner, on or before the first anniversary of the initial issuance of the L Street Units, shall have (x) filed such a registration statement, or (y) given notice to the L Street Unitholders of its intention to file such a registration statement and thereafter shall have filed such a registration statement no later than two weeks following such first anniversary."

(5) By accepting the L Street Units, each L Street Unitholder covenants and agrees that it does not and will not while it owns, directly or indirectly, equity interests in the Partnership with an aggregate value equal to or exceeding five (5) percent of the total value of the outstanding equity interests in the Partnership own, either directly or under the attribution rules of Section 318(a) of the Code (as modified by Section 856(d)(5) of the Code and using the principles of Section 7704(d)(3)(B) of the Code in determining when interests owned, directly or under the attribution rules, by a partner in an entity that is treated as a partnership for federal tax purposes are treated as owned by such entity), any equity interests in any of the Vornado Tenants; PROVIDED that the foregoing covenant shall not be treated as breached by a Limited Partner unless at such time the ownership of equity interests by such Limited Partner in one or more Vornado Tenants would cause either (a) the General Partner to fail to qualify as a REIT for purposes of Section 856 of the Code or (b) the Partnership to be treated as a publicly traded partnership treated as a corporation under Section 7704(a) of the Code. If at any time the Limited

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Partner would, but for the provisions of this paragraph (5), own both (i) five (5) percent or more (by value) of the outstanding equity interests in the Partnership and (ii) an equity interest in one or more Vornado Tenants in breach of the covenant set forth in the first sentence of this Section 4.2.W.(5) (applied taking into account the proviso in the first sentence of this Section 4.2.W.(5)), then, effective immediately prior to such point in time, the smallest portion of the interests in the Partnership owned (directly or indirectly) by the Limited Partner that is necessary to cause such Limited Partner to be considered to own (directly or indirectly) interests in the Partnership with a value that is not in excess of four and nine tenths (4.9) percent of the value of the Partnership's outstanding equity interests, shall become Excess Units. While interests in the Partnership are Excess Units, such interests will be deemed to have been transferred by operation of law to a Special Trust. The Partnership, as trustee for the Special Trust, shall be entitled to receive all distributions made in respect of Excess Units. Any distributions made in respect of Excess Units prior to the discovery that interests in the Partnership had become Excess Units shall be repaid by the recipients thereof to the Partnership as trustee of the Special Trust. The trustee shall exercise all rights associated with interests in the Partnership that have become Excess Units during the period that such interests are Excess Units. The Partnership shall have the right to transfer the Excess Units held in the Special Trust to any person. The Limited Partner (or its successor) shall be entitled to receive, from the proceeds of such a transfer, an amount not in excess of the lesser of (i) the fair market value of the interests that became Excess Units on the date that they became Excess Units and (ii) the net consideration received by the Partnership for the transfer of the Excess Units after deducting any expenses incurred by the Partnership in connection therewith. Excess Units shall cease to be treated as Excess Units following such a transfer and instead shall have the

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attributes that existed immediately before becoming Excess Units. In the event that a liquidating distribution is made in respect of Excess Units, the Limited Partner (or its successor) shall be entitled to receive a portion of such distribution not in excess of the fair market value of the interests that became Excess Units on the date that they became Excess Units. The Partnership agrees that, if it becomes aware that partnership interests held by a Limited Partner or any person that owns ten (10) percent or more of the capital stock of the Limited Partner (in the case of a Limited Partner that is a corporation) or twenty five (25) percent or more of the capital or profits interests of a Limited Partner (in the case of a Limited Partner that is treated as a partnership for U.S. federal income tax purposes) have become Excess Units, then it will make commercially reasonable efforts to cause a transfer of such Excess Units as promptly as practicable (PROVIDED, HOWEVER, that it shall not be required to incur any material expense or expend any significant time or manpower in such efforts). The Limited Partner has no liability under this paragraph (5) for damages, monetary or otherwise, as a result of a breach of the covenant under this paragraph (5) other than having its interests become Excess Units under this paragraph (5) and, as a result, being liable to pay over any distribution or other amounts which the Limited Partner receives to which it is not entitled under the Excess Units provisions of this paragraph (5). The General Partner may, in its sole and absolute discretion exercised in good faith, take any commercially reasonable and appropriate actions to enforce the provisions of this paragraph (5).

(6) By accepting the L Street Units, each L Street Unitholder covenants and agrees that it will not transfer any interest in the Partnership (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an interdealer quotation system that regularly disseminates firm

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buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership or (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others. The L Street Unitholder represents and agrees that it is not, and without the prior consent of the Partnership shall not become, a lender, or person related to a lender within the meaning of Treasury Regulations Section 1.752-2(c), with respect to indebtedness of the Partnership or any of the Partnership's direct or indirect noncorporate subsidiaries.

(7) To the extent that the provisions of Articles 7 and 8 of the Tax Protection Agreement being entered into by the Partnership concurrently with the issuance of the L Street Units (and the related definitions in the Tax Protection Agreement and the related Schedules to the Tax Protection Agreement), copies of which are attached hereto as EXHIBIT W, address matters addressed in, and/or provide for rights required to be provided for in Article VI and/or EXHIBIT B and EXHIBIT C to the Agreement, the referenced portions of the Tax Protection Agreement constitute amendments to Article VI and/or EXHIBIT B and EXHIBIT C to the Agreement, as applicable, insofar as that Article and/or EXHIBIT B and EXHIBIT C apply to the L Street Units."

2. EXHIBIT A of the Agreement and EXHIBIT B of the Agreement are incorrectly labeled. In order to make the content of such EXHIBITS consistent with the labels, EXHIBIT A is hereby re-labeled "Partners and Partnership Interests" and EXHIBIT B is hereby re-labeled "Capital Account Maintenance."

3. EXHIBIT A of the Agreement (now labeled "Partners and Partnership Interests") is hereby amended to reflect the issuance of Units to the Property Partnership and the distribution of any of such Units by the Property Partnership to the partners of the Property Partnership in accordance with an instruction letter from the Property Partnership to the Partnership's Transfer Agent by adding the

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names of the parties that are admitted as limited partners in the Partnership and their interests to Exhibit A.

4. EXHIBIT W of the Agreement is attached hereto as ATTACHMENT 1.

5. Except as expressly amended hereby, the Agreement shall remain in full force and effect.

6. To facilitate execution, this Amendment may be executed in as many counterparts as may be required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart, but it shall be sufficient that the signature of, or on behalf of, each party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereof.

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IN WITNESS WHEREOF, the General Partner has executed this Amendment as of the date first written above.

VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

Acknowledged and agreed:

1100 21ST STREET ASSOCIATES
LIMITED PARTNERSHIP

By: /s/ Robert H. Smith
Name: Robert H. Smith
Title: General Partner

By: /s/ Ralph S. Dweck
Name: Ralph S. Dweck

ATTACHMENT 1

EXHIBIT W
Provisions regarding L Street Tax Protection

Capitalized terms not otherwise defined herein shall have the meanings set forth in that certain Tax Protection Agreement executed and delivered concurrently with the issuance of the L Street Units pursuant to the Contribution Agreement.

Article 7
Section 704(c) Method and Allocations

(a) Application of “Traditional Method.” Notwithstanding any provision of the Partnership Agreement, the Operating Partnership shall use the “traditional method” under Regulations § 1.704-3(b) for purposes of making all allocations under Section 704(c) of the Code (with no “curative allocations” to offset the effect of a “Ceiling Rule Disparity,” as described in Section 7(b) below, except as set forth in Sections 7(c) and 7(d) below) with respect to (i) each of the assets acquired by the Operating Partnership in the Transaction. The 704(c) Value shall be as determined by agreement between the Property Partnership and the Operating Partnership pursuant to this Agreement, or in the absence of such agreement, as determined by the Company, in its capacity as general partner of the Operating Partnership, in good faith for purposes of preparing the financial statements of the Company and the Operating Partnership reflecting the results of the Transaction so long as the outside accountants of the Company and the Operating Partnership have approved such financial statements as being in accordance with general accepted accounting procedures.

(b) “Ceiling Rule Disparities.” For purposes of Section 7(a), Section 7(c) and Section 7(d), the term “Ceiling Rule Disparity” shall mean, with respect to the Protected Property for each Fiscal Year, the excess, if any, of (i) the amount of Depreciation with respect to such asset allocated to the “non-contributing partners” (that is, the holders of Units who are not subject to Section 704(c) of the Code and Treasury Regulations § 1.704-3 with respect to such asset), over (ii) the actual amount of depreciation deductions with respect to such asset allocated to the “non-contributing partners” for federal income tax purposes for such Fiscal Year. It is agreed that the Operating Partnership and any partners in the Operating Partnership other than the 21st Street Partners (but only with respect to their 21st Street Units) shall be treated as “non-contributing partners” for this purpose. The term “Cumulative Net Ceiling Rule Disparity” with respect to the Protected Property, as that term is used in Section 7(d), means the sum of the Ceiling Rule Disparities for such Protected Property for all Fiscal Years through the date of determination, reduced by all Curative Allocations considered attributable to such Protected Property for prior Fiscal Years, determined as set forth in Section 7(d) below.

(c) Annual Curative Allocations. In order to offset the effect of Ceiling Rule Disparities, the Operating Partnership shall make the Curative Allocation with respect to each 21st Street Unit each Fiscal Year, provided that no Curative Allocation shall be made with respect to any 21st Street Unit acquired by the Operating Partnership or the Company from 21st Street Partners as a result of the exercise of their redemption right

under Section 8.6 of the Partnership Agreement), with respect to any Fiscal Year (or portion thereof) following such acquisition.

(d) Additional Curative Allocations Upon Disposition. For each Fiscal Year, the Ceiling Rule Disparity, as described in Section 7(b), with respect to the Protected Property shall be reduced by the amount of the Curative Allocation. For this purpose, the Curative Allocation for each Fiscal Year in which the term Protected Property as used in this Agreement is deemed to include more than one Protected Property shall be considered allocable among the Protected Properties based upon ratio of the Ceiling Rule Disparity for each Protected Property for the Fiscal Year in question to the aggregate Ceiling Rule Disparity for all such Protected Properties for such Fiscal Year, provided that if the Curative Allocation for a particular Fiscal Year exceeds the aggregate Ceiling Rule Disparity for all Protected Properties for the Fiscal Year in question, the excess amount of the Curative Allocation shall be allocated to reduce the Cumulative Net Ceiling Rule Disparities with respect to prior years for each such Protected Property (based upon the relative amounts of such Cumulative Net Ceiling Rule Disparities for all such Protected Properties). To the extent that the cumulative Curative Allocations provided for herein are not sufficient to eliminate the effect of the Cumulative Net Ceiling Rule Disparity with respect to the Protected Property, the Operating Partnership shall make an additional “curative allocation” upon a disposition of the Protected Property to offset the remaining balance, if any, of the remaining Cumulative Net Ceiling Rule Disparity with respect to the Protected Property, with such “curative allocation” to be comprised of income and gain of such character (*e.g.*, ordinary income, long-term capital gain, and “unrecaptured Section 1250 gain”) as the character of the income and recognized by the Operating Partnership in connection with such disposition, in the same proportion as the aggregate amounts thereof recognized by the Operating Partnership. For example, if fifty percent of the gain recognized by the Operating Partnership is “unrecaptured Section 1250 gain” and fifty percent is long-term capital gain, then 50% of the curative allocation would be comprised of “unrecaptured Section 1250 gain” and fifty percent would be comprised of long-term capital gain.

Article 8
Allocations of Liabilities Pursuant to Regulations Under Section 752

(a) Allocation Methods to be Followed. All tax returns prepared by the Operating Partnership during the Protected Period that allocate liabilities of the Operating Partnership for purposes of Section 752 and the Treasury Regulations thereunder shall treat each Partner Guarantor as being allocated for federal income tax purposes an amount of recourse debt (in addition to any nonrecourse debt otherwise allocable to such Partner Guarantor in accordance with the Partnership Agreement and Treasury Regulations § 1.752-3 and any other recourse liabilities allocable to such Partner Guarantor by reason of guarantees of indebtedness entered into pursuant other agreements with the Operating Partnership) pursuant to Treasury Regulation § 1.752-2 equal to such Partner Guarantor’s Scheduled Guarantee Amount, as set forth on Schedule 5 hereto and as may be reduced pursuant to the terms of this Agreement, and the Operating Partnership and the Company shall not, during or with respect to the Protected Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as Forms K-1, provided to partners in the Operating Partnership and returns of Subsidiaries of the Operating Partnership) or any dealings involving the

Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of the Operating Partnership or the tax treatment of any holder of partnership interests the Operating Partnership).

(b) Exception to Required Allocation Method. Notwithstanding the provisions of this Tax Reporting and Protection Agreement, the Operating Partnership shall not be required to make allocations of Guaranteed Debt or other recourse debt of the Operating Partnership to the 21st Street Partners as set forth in this Agreement if and to the extent that the Operating Partnership determines in good faith that there may not be “substantial authority” (within the meaning of Section 6662(d)(2)(B)(i) of the Code for such allocation; provided that the Operating Partnership shall provide to Mr. Robert H. Smith and Mr. Ralph S. Dweck (or in the event of their death or disability, their executor, guardian or custodian, as applicable), notice of such determination and if, within forty-five (45) days after the receipt thereof, the Operating Partnership is provided an opinion of Hogan & Hartson L.L.P., Sullivan & Cromwell or Roberts & Holland (or another comparable firm of attorneys) or a nationally recognized public accounting firm to the effect that there is “substantial authority” (within the meaning of Section 6662(d)(2)(B)(i) of the Code) for such allocations, the Operating Partnership shall continue to make allocations of Guaranteed Debt or other recourse debt of the Operating Partnership to the 21st Street Partners as set forth in this Agreement; provided further that if there shall have been a judicial determination in a proceeding to which the Operating Partnership is a party and as to which the General Partners have been allowed to participate as and to the extent contemplated in Section 10 to the effect that such allocations are not correct, Section 8(a) shall not apply unless the matter is being appealed to an applicable court of appeals, the requirements of Sections 10(c)(i) and 10(c)(iii) shall have been satisfied in connection therewith, and the opinion described above from counsel or accountants engaged by Messrs. Smith and Dweck shall have been provided, except that such opinion shall be to the effect that it is more likely than not that such allocations will be respected. In no event shall this Section 8(b) be construed to relieve the Operating Partnership for liability arising from a failure by the Operating Partnership to comply with one or more of the provisions of Article 3 of this Agreement.

(c) Cooperation in the Event of a Change. If a change in the Operating Partnership’s allocations of Guaranteed Debt or other recourse debt of the Operating Partnership to the 21st Street Partners is required by reason of circumstances described in the Section 8(b), the Operating Partnership and its professional tax advisors shall cooperate in good faith with Messrs. Robert H. Smith and Ralph S. Dweck (or in the event of their death or disability, their executor, guardian or custodian, as applicable) and their professional tax advisors to develop alternative allocation arrangements and/or other mechanisms that protect the federal income tax positions of the 21st Street Partners in the manner contemplated by the allocations of Guaranteed Debt or other recourse debt of the Operating Partnership to the 21st Street Partners as set forth in this Agreement.

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of July 31, 2003 by and between VORNADO REALTY TRUST, a Maryland real estate investment trust (the "Company"), and the persons identified on Schedule A hereto (each a "Holder" and collectively, together with their respective assigns permitted under Section 6.3 hereof, the "Holders").

WHEREAS, the Company, Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"), CESC 2101 L Street L.L.C., a Delaware limited liability company (the "VNO Transaction Sub"), 1100 21st Street Associates Limited Partnership, a Maryland limited partnership (the "Property Partnership"), and Robert H. Smith and Ralph S. Dweck, the general partners of the Property Partnership, are parties to the Contribution Agreement, dated as of June 16, 2003, pursuant to which the Property Partnership will contribute the office building located at 2101 L Street N.W. in Washington, DC (along with certain related assets and liabilities) to the VNO Transaction Sub in exchange for the issuance by the Operating Partnership of certain Class A Units (such units, the "Units") to the Property Partnership for distribution to the Holders (the "Transaction") as set forth opposite their names on Schedule A hereto;

WHEREAS, pursuant to the terms of Section 8.6 and the other related provisions of the Second Amended and Restated Agreement of Limited Partnership of the Partnership (such agreement, as amended from time to time, the "Partnership Agreement"), commencing on (or shortly after) the first anniversary of the date of issuance, and subject to the various conditions contained in the Partnership Agreement and other instruments being delivered in connection with the Transaction, the Holders will be entitled to redeem their Units for cash or, at the Company's election, common shares of beneficial interest, par value \$0.04 per share, of the Company ("Common Shares");

WHEREAS, the Company has agreed to grant to the Holders the Registration Rights (as defined in Section 1 hereof);

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings set forth in the Contribution Agreements; and

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, and the mutual covenants and agreements hereinafter set forth, hereby agree as follows:

SECTION 1. REGISTRATION RIGHTS

Subject to the various terms and conditions of the Partnership Agreement and the limitations upon Holders' redemption of the Units set forth in other instruments being delivered in connection with the Transaction, if any Holder receives Common Shares upon redemption of the Units held by such Holder ("Redemption Shares"), then, unless the Redemption Shares are issued to the Holder pursuant to an Issuer Registration Statement as provided in Section 2 below, each Holder shall be entitled to offer the Redemption Shares for sale pursuant to a shelf registration statement, subject to the terms and conditions set forth in Section 3 hereof (the "Registration Rights").

SECTION 2. ISSUER REGISTRATION STATEMENT

Anything contained herein to the contrary notwithstanding, in the event that the Redemption Shares are issued by the Company to a Holder and included at the time of issuance in an effective registration statement (an "Issuer Registration Statement") filed with the Securities and Exchange Commission (the "Commission"), the Company shall be deemed to have satisfied all of its registration obligations under this Agreement in respect of such Redemption Shares.

SECTION 3. DEMAND REGISTRATION RIGHTS

3.1 (a) Registration Procedure. Unless such Redemption Shares are included at the time of issuance in an Issuer Registration Statement as provided in Section 2 above, then subject to Sections 3.1(c) and 3.2 hereof, if any Holder desires to exercise its Registration Rights with respect to the Redemption Shares, the Holder shall deliver to the Company a written notice (a "Registration Notice") informing the Company of such exercise and specifying the number of shares to be offered by such Holder (such shares to be offered being referred to herein as the "Registrable Securities"). Such notice may be given at any time on or after the date a notice of redemption is delivered by the Holder to the Partnership pursuant to the Partnership Agreement, but must be given at least sixty (60) days prior to the date on which the Holder desires to consummate of the sale of Registrable Securities. Upon receipt of the Registration Notice, the Company, if it has not already caused the Registrable Securities to be included as part of an existing shelf registration statement and related prospectus that the Company then has on file with, and has been declared effective by, the Commission (the "Shelf Registration Statement") (in which event the Company shall be deemed to have satisfied its registration obligation under this Section 3), will cause to be filed with the Commission as soon as reasonably practicable after receiving the Registration Notice a new registration statement and related prospectus (a "New Registration Statement") that complies as to form in all material respects with applicable Commission rules providing for the sale by such Holder of the Registrable

Securities, and agrees (subject to Section 3.2 hereof) to use commercially reasonable efforts to cause such New Registration Statement to be declared effective by the Commission as soon as practicable. (As used herein, "Registration Statement" and "Prospectus" refer to the Shelf Registration Statement and related prospectus (including any preliminary prospectus) or the New Registration Statement and related prospectus (including any preliminary prospectus), whichever is utilized by the Company to satisfy Holder's Registration Rights pursuant to this Section 3, including in each case any documents incorporated therein by reference).

Subject to Section 3.2 hereof, the Company agrees to use commercially reasonable efforts to keep the Registration Statement effective (including the preparation and filing of any amendments and supplements necessary for that purpose) until the earlier of (i) the forty-sixth (46th) day following commencement of the offering contemplated therein (*provided*, that the forty-five (45) day period will be extended one day for each day that the Company suspends the offering pursuant to its rights in Section 3.2 hereof) or, if sooner, the date on which Holder consummates the sale of all of the Registrable Securities registered under the Registration Statement and (ii) the date on which all of the Registrable Securities are eligible for sale pursuant to

Rule 144(k) (or any successor provision) or in a single transaction pursuant to Rule 144(e) (or any successor provision) under the Securities Act of 1933, as amended (the "Act"). The Company agrees to provide each exercising Holder a reasonable number of copies of the final Prospectus and any amendments or supplements thereto. Notwithstanding the foregoing, the Company may at any time, in its sole discretion and prior to receiving any Registration Notice from any Holder, include all of any Holder's Redemption Shares or any portion thereof in any Registration Statement (in which event the Company shall be deemed to have satisfied its registration obligation under this Section 3.1(a)).

In connection with any Registration Statement utilized by the Company to satisfy the Registration Rights pursuant to this Section 3, each Holder agrees to cooperate with the Company in connection with the preparation of the Registration Statement, and each Holder agrees that it will (i) respond within five (5) Business Days to any written request by the Company to provide or verify information regarding Holder or Holder's Registrable Securities (including the proposed manner of sale) that may be required to be included in such Registration Statement pursuant to the rules and regulations of the Commission, and (ii) provide in a timely manner information regarding the proposed distribution by such Holder of the Registrable Securities and such other information as may be requested by the Company from time to time in connection with the preparation of and for inclusion in the Registration Statement and related Prospectus. As used in this Agreement, a "Business Day" is any Monday, Tuesday, Wednesday, Thursday or Friday other than a day on which banks and other financial institutions are authorized or required to be closed for business in the State of New York or Maryland.

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(b) Offers and Sales. All offers and sales by a Holder under the Registration Statement referred to in this Section 3 shall be completed within the period during which the Registration Statement is required to remain effective pursuant to Section 3.1(a) above, and upon expiration of such period no Holder will offer or sell any Registrable Securities under the Registration Statement. If directed by the Company, each Holder will return all undistributed copies of the Prospectus in its possession upon the expiration of such period.

(c) Limitations on Registration Rights. Each exercise of a Registration Right shall be with respect to a minimum of the lesser of (i) Fifty Thousand (50,000) Redemption Shares and (ii) the total number of Redemption Shares held by the exercising Holder at such time plus the number of Redemption Shares that may be issued upon redemption of Units by the exercising Holder. The right of any Holder to deliver a Registration Notice commences upon the first date the Holder is permitted to redeem Units pursuant to the Partnership Agreement and other instruments being delivered in connection with the Transaction. The right of any Holder to deliver a Registration Notice shall expire on the date on which all of the Redemption Shares held by the Holder or issuable upon redemption of Units held by the Holder are eligible for sale pursuant to Rule 144(k) (or any successor provision) or in a single transaction pursuant to Rule 144(e) (or any successor provision) under the Act.

3.2 Suspension of Offering. Upon any notice by the Company, either before or after a Holder has delivered a Registration Notice, that a negotiation or consummation of a transaction by the Company or any of its affiliates is pending or an event has occurred, which negotiation, consummation or event would require additional disclosure by the Company in the Registration Statement of material information which the Company has a *bona fide* business purpose for keeping confidential and the nondisclosure of which in the Registration Statement might cause the Registration Statement to fail to comply with applicable disclosure requirements (a "Materiality Notice"), each Holder agrees that it will immediately discontinue offers and sales of the Registrable Securities under the Registration Statement until the Holder receives copies of a supplemental or amended Prospectus that corrects the misstatement(s) or omission(s) referred to above and receives notice that any post-effective amendment has become effective; *provided*, that the Company may delay, suspend or withdraw the Registration Statement for such reason for no more than ninety (90) days after delivery of the Materiality Notice at any one time. If so directed by the Company, Holder will deliver to the Company all copies of the Prospectus covering the Registrable Securities current at the time of receipt of any Materiality Notice.

3.3 Qualification. The Company agrees to use commercially reasonable efforts to register or qualify the Registrable Securities by the time the applicable Registration Statement is declared effective by the Commission under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder may

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reasonably request in writing, to keep each such registration or qualification effective during the period such Registration Statement is required to be kept effective pursuant to this Agreement or during the period offers or sales are being made by Holder after delivery of a Registration Notice to the Company, whichever is shorter, and to do any and all other similar acts and things which may be reasonably necessary or advisable to enable Holder to consummate the disposition of the Registrable Securities owned by Holder in each such jurisdiction; *provided, however*, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Agreement, (ii) take any action that would cause it to become subject to any taxation in any jurisdiction where it would not otherwise be subject to such taxation, or (iii) take any action that would subject it to the general service of process in any jurisdiction where it is not now so subject.

3.4 Obligations of the Company. When the Company is required to effect the registration of Redemption Shares under the Act pursuant to Section 3.1 of this Agreement, subject to Section 3.2 hereof, the Company shall:

(a) prepare and file with the Commission (as soon as reasonably practicable after receiving the Registration Notice, and in any event within sixty (60) days after receipt of such Registration Notice) the requisite Registration Statement to effect such registration, which Registration Statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and the Company shall use commercially reasonable efforts to cause such Registration Statement to become effective; *provided, however*, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, or comparable statements under securities or "blue sky" laws of any jurisdiction, the Company shall (i) provide each Holder with an adequate and appropriate opportunity to participate in the preparation of such Registration Statement and each Prospectus included therein (and each amendment or supplement thereto or comparable statement) to be filed with the Commission, and (ii) not file any such Registration Statement or Prospectus (or amendment or supplement thereto or comparable statement) with the Commission to which any Holder shall have reasonably objected on the grounds that such filing does not comply in all material respects with the requirements of the Act or of the rules or regulations thereunder;

(b) prepare and file with the Commission such amendments and supplements as to the Registration Statement and the Prospectus used in connection therewith as may be necessary (i) to keep such Registration Statement effective, and (ii) to comply with the provisions of the Act with respect to

the disposition of the Redemption Shares covered by such Registration Statement, in each case for such time as is contemplated in Section 3.1(a) above; *provided*, that in

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any event the period need not extend beyond nine months from the effective date of the Registration Statement;

(c) furnish, without charge, to the Holders of the securities covered by the Registration Statement, such number of copies of the Registration Statement, each amendment and supplement thereto (in each case including all exhibits), and the Prospectus included in such Registration Statement (including each preliminary Prospectus) in conformity with the requirements of the Act, and other documents, as the Holders may reasonably request in order to facilitate the public sale or other disposition of the Redemption Shares owned by the Holders;

(d) promptly notify the Holders of securities covered by the Registration Statement: (i) when the Registration Statement, any pre-effective amendment, the Prospectus or any prospectus supplement related thereto or post-effective amendment to the Registration Statement has been filed, and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any state securities or blue sky authority for amendments or supplements to the Registration Statement or the Prospectus related thereto or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat 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 any Redemption Shares for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose;

(e) following receipt of a Registration Notice and thereafter until the sooner of completion, abandonment or termination of the offering or sale contemplated thereby and the expiring of the period during which the Company is required to maintain the effectiveness of the related Registration Statement as set forth in Section 3.1 (a) above, promptly notify the Holders of securities covered by the Registration Statement: (i) of the existence of any fact of which the Company is aware or the happening of any event which has resulted in (A) the Registration Statement, as then in effect, containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein not misleading, or (B) the Prospectus included in such Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate or that there exist circumstances not yet disclosed to the public which make further sales under such Registration Statement inadvisable pending such disclosure and post-effective amendment; and, if the notification relates to any event described in either of the clauses (i) or (ii) of this Section 3.4(e), subject to Section 3.2 above, at the

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request of the Holders, the Company shall prepare and furnish to the Holders of securities covered by the Registration Statement, a reasonable number of copies of a supplement or post-effective amendment to such Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that (1) such Registration Statement shall not contain any 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 (2) as thereafter delivered to the purchasers of the Redemption Shares being sold thereunder, such Prospectus shall not include 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, in the light of the circumstances under which they were made, not misleading;

(f) make available for reasonable inspection by the Holders and any attorney, accountant or other agent retained by any Holder, material financial and other relevant information concerning the business and operations of the Company and the properties of the Company and any subsidiaries thereof as may be in existence at such time as shall be necessary to enable them to conduct a reasonable investigation within the meaning of the Act, and cause the Company's officers, directors and employees to supply such relevant information as may be reasonably requested by any such parties in connection with such Registration Statement; *provided, however*, that, if the Holders or any of their advisors or agents request any information that the Company determines to be confidential or non-public, the Company shall be entitled to condition access to that information upon the Holders and each other recipient of such information having entered into a confidentiality agreement with the Company in form and substance satisfactory to the Company acting reasonably, pursuant to which each such recipient agrees to maintain that information as confidential and use it solely for the purposes of exercising rights under this Agreement, and *provided further*, that the Company shall not be required to disclose any information subject to the attorney-client or attorney work product privilege if and to the extent such disclosure would constitute a waiver of such privilege;

(g) use commercially reasonable efforts to cause all such Redemption Shares to be listed on the national securities exchange on which the Common Shares are then listed, if the listing of Redemption Shares is then permitted under the rules of such national securities exchange; and

(h) if requested by any Holder participating in the offering of Registrable Securities, incorporate in a prospectus supplement or post-effective amendment such information concerning the Holder or the intended method of distribution as the Holder reasonably requests to be included therein and as is appropriate in the reasonable judgment of the Company, including, without limitation, information with respect to the number of Redemption Shares being sold, the purchase price being paid therefore and any other material terms of the

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offering of the Redemption Shares to be sold in such offering; *provided, however*, that the Company shall not be obligated to include in any such prospectus supplement or post-effective amendment any requested information that is unreasonable in scope compared with the Company's most recent prospectus or prospectus supplement used in connection with a primary or secondary offering of equity securities by the Company.

3.5 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any of their officers, directors, employees or representatives, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which the Registrable Securities were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the

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extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 3.5 does not apply to any Holder with respect to any loss, liability, claim, damage, judgment or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto), or (B) any Holder's failure to deliver an amended or supplemental Prospectus provided to the Holder by the Company if such loss, liability, claim, damage, judgment or expense would not have arisen had such delivery occurred.

3.6 Indemnification by Holder. Each Holder of securities covered by a Registration Statement (and each permitted assignee of such Holder, on a several basis) severally and not jointly agrees to indemnify and hold harmless the Company, and each of its trustees/directors and officers (including each trustee/director and officer of the Company who signed a Registration Statement), and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, as follows:

(i) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Registrable Securities of such Holder were registered under the Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage, judgment and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or

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omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Holder; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 3.6 shall only apply with respect to any loss, liability, claim, damage, judgment or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto), or (B) any Holder's failure to deliver an amended or supplemental Prospectus provided to the Holder by the Company if such loss, liability, claim, damage or expense would not have arisen had such delivery occurred. Notwithstanding the provisions of this Section 3.6, a Holder and any permitted assignee shall not be required to indemnify the Company, its officers, trustees/directors or control persons with respect to any amount in excess of the amount of the total proceeds to the Holder or such permitted assignee, as the case may be, from sales of the Registrable Securities of the Holder under the Registration Statement.

3.7 Conduct of Indemnification Proceedings. An indemnified party hereunder shall give reasonably prompt notice to the indemnifying party of any action or proceeding commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify the indemnifying party (i) shall not relieve it from any liability which it may have under the indemnity agreement provided in Section 3.5 or 3.6 above, unless and only to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses, and (ii) shall not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided under Section 3.5 or 3.6 above. If the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party and

indemnified party unless, as a condition to such settlement, the indemnifying party secures the unconditional release of the indemnified party; and *provided further*, that, if the indemnified party reasonably determines that a conflict of interest exists where it is advisable for the indemnified party to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to it which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to assume such defense and the indemnified party shall be entitled to separate counsel at the indemnifying party's expense. If the indemnifying party is not entitled to assume the defense of such action or proceeding as a result of the second proviso to the preceding sentence, the indemnifying party's counsel shall be entitled to conduct the indemnifying party's defense and counsel for the indemnified party shall be entitled to conduct the defense of the indemnified party, it being understood that both such counsel will cooperate with each other to conduct the defense of such action or proceeding as efficiently as possible. If the indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this paragraph, the indemnifying party will pay the reasonable fees and expenses of counsel for the indemnified party. In such event, however, the indemnifying party will not be liable for any settlement effected without the written consent of the indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this paragraph, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified party incurred thereafter in connection with such action or proceeding.

3.8 **Contribution.** In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Sections 3.5 and 3.6 above is for any reason held to be unenforceable by the indemnified party although applicable in accordance with its terms, the Company and the relevant Holder shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company and the Holder, (i) in such proportion as is appropriate to reflect the relative fault of and benefits to the Company on the one hand and the Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities, or expenses or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative fault of, but also the relative benefits to, the Company on the one hand and the Holder on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits to the indemnifying party and indemnified party shall be determined

by reference to, among other things, the total proceeds received by the indemnifying party and indemnified party in connection with the offering to which such losses, claims, damages, liabilities or expenses relate. The relative fault of the indemnifying party and indemnified party shall be determined by reference to, among other things, whether the action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, the indemnifying party or the indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action.

The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 3.8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 3.8, a Holder shall not be required to contribute any amount in excess of the amount of the total proceeds to the Holder from sales of the Registrable Securities of such Holder under the Registration Statement.

Notwithstanding the foregoing, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 3.8, each person, if any, who controls a Holder within the meaning of Section 15 of the Act shall have the same rights to contribution as the Holder, and each trustee/director of the Company, each officer of the Company who signed a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act shall have the same rights to contribution as the Company.

SECTION 4. EXPENSES

The Company shall pay all expenses incident to the performance by the Company of its registration obligations under Sections 2 and 3 above, including (i) all stock exchange, Commission and state securities registration, listing and filing fees, (ii) all expenses incurred in connection with the preparation, printing and distribution of any Issuer Registration Statement or Registration Statement and Prospectus, and (iii) fees and disbursements of counsel for the Company and of the independent public accountants of the Company. Each Holder shall be responsible for the payment of any brokerage and sales commissions, fees and disbursements of the Holder's counsel, accountants and other advisors, and any transfer taxes relating to the sale or disposition of the Registrable Securities by such Holder pursuant to this Agreement.

SECTION 5. RULE 144 COMPLIANCE

The Company covenants that it will use its best *efforts* to timely file the reports required to be filed by the Company under the Act and the Exchange

Act so as to enable each Holder to sell Registrable Securities pursuant to Rule 144 under the Act. In connection with any sale, transfer or other disposition by a Holder of any Registrable Securities pursuant to Rule 144 under the Act, the Company shall cooperate with the Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as Holder may reasonably request at least ten (10) Business Days prior to any sale of Registrable Securities hereunder.

SECTION 6. MISCELLANEOUS

6.1 Integration, Amendment. This Agreement constitutes the entire agreement among the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior oral or written agreements, commitments and understandings among the parties with respect to the matters set forth herein. Except as otherwise expressly provided in this Agreement, no amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by the Company and each Holder against whom such amendment, modification or discharge is sought to be enforced.

6.2 Waivers. No waiver by a party hereto shall be effective unless made in a written instrument duly executed by the party against whom such waiver is sought to be enforced, and only to the extent set forth in such instrument. Neither the waiver by any of the parties hereto of a breach or a default under any of the provisions of this Agreement, nor the failure of any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

6.3 Assignment; Successors and Assigns. This Agreement and the rights granted hereunder may not be assigned by any Holder without the written consent of the Company; *provided, however*, that a Holder may assign its rights and obligations hereunder, to a transferee in connection with a transfer of some or all of such Holder's Units in accordance with the terms of the Partnership Agreement, if such transferee agrees in writing to be bound by all of the provisions hereof. This Agreement shall inure to the benefit of and be binding upon of all of the parties hereto and their respective successors and permitted assigns.

6.4 Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the

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addresses set forth in Schedule A hereto, or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this Section 6.4 for the service of notices; *provided, however*, that notices of a change of address shall be effective only upon receipt thereof. Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; *provided, however*, that if such day is not a Business Day, then the notice shall be deemed to have been given and received on the Business Day next following such day and if any party rejects delivery of any notice attempted to be given hereunder, delivery shall be deemed given on the date of such rejection. Any notice sent by facsimile transmission shall be deemed to have been given and received on the Business Day next following the transmission.

6.5 Specific Performance. The parties hereto acknowledge that the obligations undertaken by them hereunder are unique and that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to (i) compel specific performance of the obligations, covenants and agreements of any other party under this Agreement in accordance with the terms and conditions of this Agreement and (ii) obtain preliminary injunctive relief to secure specific performance and to prevent a breach or contemplated breach of this Agreement in any court of the United States or any State thereof having jurisdiction.

6.6 Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York, but not including the choice of law rules thereof.

6.7 Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

6.8 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

6.9 Execution in Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signature of or on behalf of each party appears on each counterpart, but it shall be sufficient that the signature of or on behalf of each party appears on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in any proof of this

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Agreement to produce or account for more than a number of counterparts containing the respective signatures of or on behalf of all of the parties.

6.10 Severability. If fulfillment of any provision of this Agreement, at the time such fulfillment shall be due, shall transcend the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

Signatures on following page

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed on its behalf as of the date first herein above set forth.

VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

**THE HOLDERS IDENTIFIED ON
SCHEDULE A**

By: Robert H. Smith
Name: Robert H. Smith
Title: Representative and Attorney-in-Fact

By: Ralph S. Dweck
Name: Ralph S. Dweck
Title: Representative and Attorney-in-Fact

**SECOND AMENDMENT TO
REGISTRATION RIGHTS AGREEMENT**

THIS SECOND AMENDMENT TO REGISTRATION RIGHTS AGREEMENT (this "Amendment") is entered into by and among the undersigned parties as of July 31, 2003.

WHEREAS, on January 1, 2002, Vornado Realty Trust (the "Company"), Robert H. Smith, Robert P. Kogod, Clarice R. Smith, Arlene R. Kogod and Charles E. Smith Management, Inc. entered into a registration rights agreement, and such agreement was amended on or about May 17, 2002 (as amended, the "Agreement")

WHEREAS, on June 16, 2003, the Company, Vornado Realty L.P. ("VRLP"), CESC 2101 L Street L.L.C., 1100 21ST Street Associates Limited Partnership (the "2101 L Street Property Partnership"), Robert H. Smith and Ralph S. Dweck, entered into a Contribution Agreement (the "Contribution Agreement");

WHEREAS, pursuant to the Contribution Agreement, (i) the 2101 L Street Property Partnership will contribute the property located at 2101 L Street N.W. in Washington, D.C. (and certain related assets and liabilities), to a wholly-owned subsidiary of VRLP in exchange for the issuance of Class A Units in VRLP (the "2101 L Street Units") to the Property Partnership, and (ii) following the closing of such transactions, the 2101 L Street Property Partnership will distribute such Class A Units to the partners of the 2101 L Street Property Partnership (the "PP Partners") (including the parties to the Agreement who are also partners of the Property Partnership) on a pro rata basis; provided that certain of such units will be deposited with an escrow agent to satisfy indemnity obligations of the 2101 L Street Property Partnership under the Contribution Agreement;

WHEREAS, pursuant to the Second Amended and Restated Agreement of Limited Partnership of VRLP, as amended, and the Contribution Agreement, subject to various limitations set forth in such agreements, the 2101 L Street Property Partnership and the PP Partners will be entitled to redeem their respective Class A Units for cash or, at the Company's election, common shares of beneficial interest of the Company (the "Common Shares" and such redemption right, the "L Street Redemption Right") commencing on (or shortly after) the first anniversary of the closing under the Contribution Agreement;

WHEREAS, the parties desire to amend the Agreement to provide that upon any exercise of the L Street Redemption Right that is satisfied with Common Shares, the Common Shares issued to the PP Partners who are also parties to the

Agreement shall be deemed Registrable Shares (as defined in the Agreement) for all purposes of the Agreement; and

WHEREAS, capitalized terms shall have the meanings ascribed to them in the Agreement unless otherwise defined herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the undersigned hereby acknowledge and agree as follows:

1. Amendment of Definition of Registrable Shares. The definition of "Registrable Shares" in the Agreement shall be amended to include the following immediately before the phrase "but excluding any such Common Shares,":

"and all Common Shares issued or issuable upon redemption of the 2101 L Street Units that are issued to the 2101 L Street Property Partnership and are subsequently distributed to and held by the Holders (assuming the Company elects to deliver Common Shares in satisfaction of the 2101 L Street Redemption Right)".

2. Except as modified herein, all terms and conditions of the Agreement shall remain in full force and effect, which terms and conditions the undersigned hereby ratify and affirm.

3. This Amendment may be executed in two or more counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original.

[signature page follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date first set forth above.

VORNADO REALTY TRUST

By: /s/ Joseph Macnow
Name: Joseph Macnow
Title: Executive Vice President

/s/ Robert H. Smith
ROBERT H. SMITH

/s/ Clarice R. Smith
CLARICE R. SMITH

/s/ Robert P. Kogod
ROBERT P. KOGOD

/s/ Arlene R. Kogod
ARLENE R. KOGOD

CHARLES E. SMITH MANAGEMENT, INC.

By: /s/ Robert H. Smith
Name: Robert H. Smith
Title: Vice President

November 6, 2003

Vornado Realty Trust
New York, New York

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Vornado Realty Trust for the periods ended September 30, 2003 and 2002, as indicated in our report dated November 6, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, is incorporated by reference in:

Registration Statement No. 333-68462 on Form S-8
Amendment No. 1 to Registration Statement No. 333-36080 on Form S-3
Registration Statement No. 333-64015 on Form S-3
Amendment No. 1 to Registration Statement No. 333-50095 on Form S-3
Registration Statement No. 333-52573 on Form S-8
Registration Statement No. 333-29011 on Form S-8
Registration Statement No. 333-09159 on Form S-8
Registration Statement No. 333-76327 on Form S-3
Amendment No. 1 to Registration Statement No. 333-89667 on Form S-3
Registration Statement No. 333-81497 on Form S-8
Registration Statement No. 333-102216 on Form S-8
Amendment No. 1 to Registration Statement No. 333-102215 on Form S-3
Amendment No. 1 to Registration Statement No. 333-102217 on Form S-3
Registration Statement No. 333-105838 on Form S-3
Registration Statement No. 333-107024 on Form S-3
Registration Statement No. 333-109661 on Form S-3

and in 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
Registration Statement No. 333-108138 on Form S-3

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
Parsippany, New Jersey

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2003

/s/ Steven Roth

Steven Roth

Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2003

/s/ Joseph Macnow

Joseph Macnow,
Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Vornado Realty Trust (the "Company") hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2003

/s/ Steven Roth

Name: Steven Roth

Title: Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Vornado Realty Trust (the "Company") hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2003

/s/ Joseph Macnow

Name: Joseph Macnow

Title: Chief Financial Officer
