

Vornado Announces Second Quarter 2011 FFO of \$1.27 per share

Company Release - 8/1/2011

PARAMUS, N.J.--(BUSINESS WIRE)-- VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Second Quarter 2011 Results

NET INCOME attributable to common shareholders for the quarter ended June 30, 2011 was \$91.9 million, or \$0.49 per diluted share, compared to \$57.8 million, or \$0.31 per diluted share, for the quarter ended June 30, 2010. Net income for the quarter ended June 30, 2011 includes \$3.1 million of net gains on sale of real estate. In addition, the quarters ended June 30, 2011 and 2010 include certain other items that affect comparability, which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by \$11.0 million, or \$0.06 per diluted share for the quarter ended June 30, 2011 and decreased net income attributable to common shareholders for the quarter ended June 30, 2010 by \$13.3 million, or \$0.07 per diluted share.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended June 30, 2011 was \$243.4 million, or \$1.27 per diluted share, compared to \$204.8 million, or \$1.11 per diluted share, for the prior year's quarter. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended June 30, 2011 and 2010 was \$235.2 million and \$214.8 million, or \$1.23 and \$1.16 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Three Months Ended June 30,	
	2011	2010
FFO (1)	\$ 243,418	\$ 204,772
Per Share	\$ 1.27	\$ 1.11
Items that affect comparability income (expense):		
Net gain resulting from Lexington's stock issuances	\$ 8,308	\$ -
Our share of LNR's net gain from asset sales	6,020	-

Discount on redemption of perpetual preferred units	2,000	4,818
Loss from the mark-to-market of J.C. Penney derivative position	(6,762)	-
Real Estate Fund placement fees	(403)	(2,656)
Mezzanine loans loss accrual	-	(6,900)
Default interest and fees accrued on loans in special servicing	-	(6,558)
Net loss on extinguishment of debt	-	(1,072)
FFO attributable to discontinued operations	-	2,819
Other, net	(430)	(1,208)
	<u>8,733</u>	<u>(10,757)</u>
Noncontrolling interests' share of above adjustments	(549)	777
Items that affect comparability, net	<u>\$ 8,184</u>	<u>\$ (9,980)</u>
FFO as adjusted for comparability	<u>\$ 235,234</u>	<u>\$ 214,752</u>
Per Share	<u>\$ 1.23</u>	<u>\$ 1.16</u>

(1) See page 4 for a reconciliation of our net income to FFO for the three months ended June 30, 2011 and 2010.

First Half 2011 Results

NET INCOME attributable to common shareholders for the six months ended June 30, 2011 was \$491.1 million, or \$2.63 per diluted share, compared to \$258.1 million, or \$1.41 per diluted share, for the six months ended June 30, 2010. Net income for the six months ended June 30, 2011 and 2010 include \$55.9 million and \$0.3 million, respectively, of net gains on sale of real estate. In addition, the six months ended June 30, 2011 and 2010 include certain items that affect comparability, which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the six months ended June 30, 2011 by \$228.1 million, or \$1.19 per diluted share and decreased net income attributable to common shareholders for the six months ended June 30, 2010 by \$10.9 million, or \$0.06 per diluted share.

FFO for the six months ended June 30, 2011 was \$749.3 million, or \$3.91 per diluted share, compared to \$565.1 million, or \$2.98 per diluted share, for the prior year's six months. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the six months ended June 30, 2011 and 2010 was \$573.6 million and \$569.8 million, or \$2.99 and \$3.01 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Six Months Ended June 30,	
	2011	2010
FFO (1)	<u>\$ 749,349</u>	<u>\$ 565,066</u>
Per Share	<u>\$ 3.91</u>	<u>\$ 2.98</u>
Items that affect comparability income (expense):		
Net gain (loss) on early extinguishment of debt	\$ 83,907	\$ (1,072)
Mezzanine loans loss (accrual) reversal and net gain on disposition	82,744	(6,900)
Our share of LNR's asset sales and tax settlement gains	14,997	-
Income from the mark-to-market of J.C. Penney derivative position	10,401	-
Net gain resulting from Lexington's stock issuances	9,760	5,998
Net gain on sale of condominiums	4,586	3,149
Discount on redemption of perpetual preferred units	2,000	6,972
Buy-out of a below-market lease	(15,000)	-
Real Estate Fund placement fees	(3,451)	(2,730)
Litigation loss accrual	-	(10,056)
Default interest and fees accrued on loans in special servicing	-	(6,558)
(Negative FFO) FFO attributable to discontinued operations	(757)	6,569

Other, net	(1,666)	(483)
	187,521	(5,111)
Noncontrolling interests' share of above adjustments	(11,810)	358
Items that affect comparability, net	\$ 175,711	\$ (4,753)
FFO as adjusted for comparability	\$ 573,638	\$ 569,819
Per Share	\$ 2.99	\$ 3.01

(1) See page 4 for a reconciliation of our net income to FFO for the six months ended June 30, 2011 and 2010.

Supplemental Financial Information

Further details regarding results of operations, properties and tenants can be accessed at the Company's website www.vno.com.

Vornado Realty Trust is a fully – integrated equity real estate investment trust.

Certain statements contained herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion of factors that could materially affect the outcome of our forward-looking statements and our future results and financial condition, see “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

VORNADO REALTY TRUST OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Amounts in thousands, except per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues	\$ 730,151	\$ 683,989	\$ 1,467,262	\$ 1,369,303
Income from continuing operations	\$ 130,511	\$ 80,892	\$ 442,017	\$ 323,006
Income (loss) from discontinued operations	458	(3,681)	134,773	(13,251)
Net income	130,969	77,211	576,790	309,755
Less:				
Net income attributable to noncontrolling interests in consolidated subsidiaries	(13,657)	(981)	(15,007)	(1,194)
Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(8,731)	(4,124)	(40,539)	(21,903)
Net income attributable to Vornado	108,581	72,106	521,244	286,658
Preferred share dividends	(16,668)	(14,266)	(30,116)	(28,533)
Net income attributable to common shareholders	\$ 91,913	\$ 57,840	\$ 491,128	\$ 258,125

Net income per common share:

Basic	\$ 0.50	\$ 0.32	\$ 2.67	\$ 1.42
Diluted	\$ 0.49	\$ 0.31	\$ 2.63	\$ 1.41
Weighted average shares:				
Basic	184,268	182,027	184,129	181,786
Diluted	186,144	183,644	191,736	183,598
FFO attributable to common shareholders plus assumed conversions	\$ 243,418	\$ 204,772	\$ 749,349	\$ 565,066
FFO per diluted share	\$ 1.27	\$ 1.11	\$ 3.91	\$ 2.98
Weighted average shares used in determining FFO per diluted share	191,935	183,715	191,736	189,334

The following table reconciles our net income to FFO:

(Amounts in thousands)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2011	2010	2011	2010
Reconciliation of our net income to FFO:				
Net income attributable to Vornado	\$ 108,581	\$ 72,106	\$ 521,244	\$ 286,658
Depreciation and amortization of real property	124,326	127,181	248,647	254,795
Net gain on sales of real estate	(458)	-	(51,623)	-
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	17,168	17,663	34,897	35,164
Net gain on sales of real estate	(491)	-	(491)	-
Income tax effect of above adjustment	(5,835)	(6,182)	(12,040)	(12,307)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:				
Depreciation and amortization of real property	22,233	19,533	46,202	39,074
Net gain on sales of real estate	(2,120)	-	(3,769)	(307)
Noncontrolling interests' share of above adjustments	(9,906)	(11,303)	(16,756)	(22,474)
FFO	253,498	218,998	766,311	580,603
Preferred share dividends	(16,668)	(14,266)	(30,116)	(28,533)
FFO attributable to common shareholders	236,830	204,732	736,195	552,070
Interest on 3.88% exchangeable senior debentures	6,556	-	13,090	12,915
Convertible preferred share dividends	32	40	64	81
FFO attributable to common shareholders plus assumed conversions	\$ 243,418	\$ 204,772	\$ 749,349	\$ 565,066

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro-rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. A reconciliation of our net income (loss) to FFO is provided above. In addition to FFO, we also disclose FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, we believe it provides a meaningful

presentation of operating performance. Reconciliations of FFO to FFO as adjusted for comparability are provided on pages 1 and 2 of this press release.

Source: Vornado Realty Trust

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