

## PRESS RELEASE

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### Vornado's operating results for quarter ended September 30th, 2002

PARAMUS, NEW JERSEY.....VORNADO REALTY TRUST (NYSE:VNO) today reported:

#### Third Quarter 2002 Results

Funds from operations for the quarter ended September 30, 2002 was \$101.8 million, or \$.90 per diluted share, compared to \$104.6 million, or \$1.05 per diluted share, for the quarter ended September 30, 2001. Adjusting funds from operations for certain items which affect comparability, third quarter 2002 funds from operations is 5.1% lower than third quarter 2001 on a per share basis, as detailed below:

(amounts in thousands, except per share amounts)	FOR THE THREE MONTHS ENDED			
	September 30, 2002		September 30, 2001	
	Amount	Per Share	Amount	Per Share
Funds from operations as shown above .....	\$101,820	\$ .90	\$104,607	\$ 1.05
Adjustments:				
Amortization of an officer's employment arrangement .....	6,875		--	
Primestone litigation expenses .....	2,229		--	
Gain on sale of air rights .....	(2,126)		--	
Gain on transfer of mortgages .....	(2,096)			
Gain on sale of Chicago condominiums .....	(281)		--	
Write-off of net investment in Russian Tea Room .....	--		7,374	
After-tax net gain on sale of Park Laurel condominium units .....	--		(13,869)	
Minority interest .....	(843)		758	
Total adjustments .....	3,758	.04	(5,737)	(.06)
Funds from operations, as adjusted .....	\$105,578	\$ .94	\$ 98,870	\$ .99

Net income applicable to common shares for the quarter ended September 30, 2002 was \$57.1 million, or \$.52 per diluted share, versus \$67.9 million, or \$.74 per diluted share, for the quarter ended September 30, 2001.

Net income for the quarter ended September 30, 2002 includes the net charges of \$3.8 million in the table above and the Company's \$3.4 million share of Alexander's net gain on sale of real estate. These items, net of minority interest, reduced net income by \$1.0 million, or \$.01 per diluted share.

Net income for the quarter ended September 30, 2001 includes the items in the above table, increasing net income by \$5.7 million, or \$.06 per diluted share.

#### Nine Months Ended 2002 Results

Funds from operations for the nine months ended September 30, 2002 was \$318.4 million, or \$2.83 per diluted share, compared to \$270.4 million, or \$2.75 per diluted share, for the nine months ended September 30, 2001. Adjusting funds from operations for certain items which affect comparability, the nine months ended September 30, 2002 funds from operations is 2.8% higher than the nine months ended September 30, 2001 on a per share basis, as detailed below:

(amounts in thousands, except per share amounts)	FOR THE NINE MONTHS ENDED			
	September 30, 2002		September 30, 2001	
	Amount	Per Share	Amount	Per Share
Funds from operations as shown above .....	\$318,393	\$ 2.83	\$270,445	\$ 2.75
Adjustments:				

Amortization of an officer's employment arrangement .....	20,625	--	--	--
Primestone litigation expenses .....	2,229	--	--	--
Loss on Primestone foreclosure .....	17,671	--	--	--
Gain on sale of marketable securities .....	(12,346)	--	--	--
Gain on sale of Chicago condominiums .....	(2,156)	--	--	--
Gain on sale of air rights .....	(2,126)	--	--	--
Gain on transfer of mortgages .....	(2,096)	--	--	--
After-tax net gain on sale of Park Laurel condominium units .....	--	(13,896)	--	--
Write-off of equity investments in technology companies .....	--	18,284	--	--
Write-off of net investment in Russian Tea Room .....	--	7,374	--	--
Costs of acquisitions not consummated .....	--	5,000	--	--
Minority interest .....	(4,479)	(2,093)	--	--
Total adjustments .....	17,322	.15	14,696	.15
Funds from operations, as adjusted .....	<u>\$ 335,715</u>	<u>\$ 2.98</u>	<u>\$ 285,141</u>	<u>\$ 2.90</u>

Net income applicable to common shares for the nine months ended September 30, 2002 was \$163.2 million, or \$1.49 per diluted share, versus \$171.6 million, or \$1.90 per diluted share, for the nine months ended September 30, 2001.

Net income for the nine months ended September 30, 2002, includes the net charges of \$17.3 million in the above table and the Company's \$3.4 million share of Alexander's net gain on sale of real estate. These items, net of minority interest, reduced net income by an aggregate of \$14.6 million, or \$.13 per diluted share.

Net income for the nine months ended September 30, 2001 includes (i) the net charges of \$14.7 million in the above table, (ii) gains of \$15.5 million on the sale of real estate, (iii) the Company's \$6.3 million share of Alexander's net gain on sale of real estate, (iv) the Company's \$1.2 million share of Alexander's extraordinary gain on early extinguishment of debt, and (v) a charge of \$4.1 million resulting from the cumulative effect of the application of SFAS 133, 'Accounting for Derivative Instruments and Hedging Activities. Net income after these items and net of minority interest is unchanged.

Below is a table of Operating Results:

(amounts in thousands, except per share amounts)	FOR THE THREE MONTHS ENDED	
	September 30, 2002	September 30, 2001
Revenues .....	<u>\$ 361,208</u>	<u>\$ 250,265</u>
Net income .....	\$ 62,805	\$ 76,780
Preferred share dividends .....	(5,695)	(8,904)
Net income applicable to common shares .....	<u>\$ 57,110</u>	<u>\$ 67,876</u>
Funds from operations .....	<u>\$ 101,620</u>	<u>\$ 104,607</u>
Per Common Share:		
Net income:		
Basic .....	<u>\$ .53</u>	<u>\$ .76</u>
Diluted .....	<u>\$ .52</u>	<u>\$ .74</u>
Average number of common shares and share equivalents outstanding .....	<u>110,348,533</u>	<u>92,058,891</u>
Funds from operations .....	<u>\$ .90</u>	<u>\$ 1.05</u>
Average number of common shares and share equivalents outstanding used for determining funds from operations per share .....	<u>112,858,000</u>	<u>99,992,334</u>
	FOR THE NINE MONTHS ENDED	
(amounts in thousands, except share and per share amounts)	September 30, 2002	September 30, 2001
Revenues .....	<u>\$ 1,060,779</u>	<u>\$ 738,950</u>
Income before cumulative effect of change in accounting principle and extraordinary item .....	\$ 211,048	\$ 202,341
Cumulative effect of change in accounting principle .....	(30,129)	(4,110)
Extraordinary item .....	--	1,170
Net income .....	180,919	199,401

Preferred share dividends.....	<u>(17,722)</u>	<u>(27,769)</u>
Net income applicable to common shares.....	<u>\$ 163,197</u>	<u>\$ 171,632</u>
Funds from operations.....	<u>\$ 318,393</u>	<u>\$ 270,445</u>
Per Common Share:		
Net income:		
Basic .....	<u>\$ 1.55</u>	<u>\$ 1.96</u>
Diluted .....	<u>\$ 1.49</u>	<u>\$ 1.90</u>
Average number of common shares and share equivalents outstanding .....	<u>109,322,086</u>	<u>90,355,255</u>
Funds from operations.....	<u>\$ 2.83</u>	<u>\$ 2.75</u>
Average number of common shares and share equivalents outstanding used for determining funds from operations per share .....	<u>112,535,948</u>	<u>98,288,459</u>

The following table reconciles funds from operations and net income:

(amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
	Net income applicable to common shares.....	\$ 57,110	\$ 67,876	\$ 163,197
Cumulative effect of a change in accounting principle..	--	--	30,129	4,110
Extraordinary item.....	--	--	--	(1,170)
Depreciation and amortization of real property.....	49,262	28,342	142,741	88,423
Straight-lining of property rentals for rent escalations...	(7,560)	(7,952)	(25,101)	(21,026)
Leasing fees received in excess of income recognized...	413	(124)	1,163	(372)
Appreciation of securities held in officer's deferred compensation trust.....	--	607	--	1,276
Net gain on sale of real estate and partially-owned entities .....	--	--	--	(12,445)
Net gain from condemnation proceedings.....	--	--	--	(3,050)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:				
Depreciation and amortization of real property....	12,140	16,612	37,924	48,219
Net gains on sale of real estate .....	(3,431)	--	(3,431)	(6,298)
Other.....	2,344	(540)	2,550	(1,290)
Minority interest in excess of preferential distributions....	<u>(9,902)</u>	<u>(4,869)</u>	<u>(35,751)</u>	<u>(12,585)</u>
	100,376	99,952	313,421	255,424
Series A preferred shares .....	<u>1,444</u>	<u>4,655</u>	<u>4,972</u>	<u>15,021</u>
Funds from operations—diluted .....	<u>\$ 101,820</u>	<u>\$ 104,607</u>	<u>\$ 318,393</u>	<u>\$ 270,445</u>
Shares used for determining diluted funds from operations per share .....	<u>112,858,000</u>	<u>99,992,334</u>	<u>112,535,948</u>	<u>98,288,459</u>

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

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. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.