

Vornado Announces Third Quarter 2006 FFO of \$1.31 per share

Company Release - 10/31/2006

PARAMUS, N.J.--(BUSINESS WIRE)--

VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Third Quarter 2006 Results

NET INCOME applicable to common shares for the quarter ended September 30, 2006 was \$113.6 million, or \$0.76 per diluted share, versus \$27.2 million, or \$0.19 per diluted share, for the quarter ended September 30, 2005. Net income for the three months ended September 30, 2006 includes a net loss of \$40.7 million from our investment in Toys "R" Us ("Toys") and a \$10.8 million net gain on sale of real estate. Net income for the three months ended September 30, 2005 includes a net loss of \$0.5 million from our investment in Toys and a \$3.5 million net gain on sale of real estate. Net income for the three months ended September 30, 2006 and 2005 also include certain other items that affect comparability which are listed in the table below. The aggregate of these items, the net gains on sales of real estate and our share of Toys' net loss, net of minority interest, increased net income applicable to common shares for the quarter ended September 30, 2006 by \$14.9 million, or \$0.10 per diluted share and decreased net income applicable to common shares for the quarter ended September 30, 2005 by \$58.7 million, or \$0.41 per diluted share.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions ("FFO") for the quarter ended September 30, 2006 was \$204.5 million, or \$1.31 per diluted share, compared to \$93.3 million, or \$0.65 per diluted share, for the quarter ended September 30, 2005. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended September 30, 2006 and 2005 were \$192.0 million and \$154.1 million, or \$1.23 and \$1.07 per share, respectively.

For the Three

Months

(Amounts in thousands, except per share amounts) Ended September 30,

	2006	2005		
FFO applicable to common shares plus assumed conversions (1)	\$204,535	\$93,272		
Per Share	\$1.31	\$0.65		
Items that affect comparability (income) expense:				
Derivatives:				
McDonalds shares	\$(68,796)	\$(9,859)		
GMH warrants	--	(5,250)		
Sears Holdings shares	--	66,627		
Other	(1,891)	--		
33% share of Alexander's:				
Stock appreciation rights compensation expense	10,797	5,961		
Net gain on sale of 731 Lexington Avenue condominiums	--	(1,960)		
Other:				
H Street litigation costs	3,033	--		
Prepayment penalties and write-off of unamortized financing costs	8,548	--		
Write-off of perpetual preferred share and unit issuance costs	1,125	16,067		
Other, net	586	(612)		
	(46,598)	70,974		
32.9% share of Toys "R" Us Negative FFO (FFO)	32,750	(714)		
	(13,848)	70,260		
Minority limited partners' share of above adjustments	1,318	(9,399)		
	\$(12,530)	\$60,861		
Per share	\$(0.08)	\$0.42		
FFO as adjusted for comparability	\$192,005	\$154,133		
Per share	\$1.23	\$1.07		

(1) See page 4 for a reconciliation of net income to FFO for the three months ended September 30, 2006 and 2005.

Nine Months Ended September 30, 2006 Results

Net income applicable to common shares for the nine months ended September 30, 2006 was \$397.2 million, or \$2.66 per diluted share, versus \$387.4 million, or \$2.79 per diluted share, for the nine months ended September 30, 2005. Net income for the nine months ended September 30, 2006 includes \$4.2 million of income from our investment in Toys and \$43.5 million of net gains on sales of real estate, as well as certain items that affect comparability which are listed in the table below. Net income for the nine months ended September 30, 2005 includes a net loss of \$0.5 million from our investment in Toys and \$35.3 million of net gains on sale of real estate, as well as certain items that affect comparability which are listed in the table below. The aggregate of these items, net gains on sale of real estate and our share of earnings from Toys, net of minority interest, increased net income applicable to common shares for the nine months ended September 30, 2006 by \$114.9 million, or \$0.77 per diluted share, and increased net income applicable to common shares for the nine months ended September 30, 2005 by \$92.2 million, or \$0.66 per diluted share.

FFO for the nine months ended September 30, 2006 was \$646.9 million, or \$4.17 per diluted share, compared to \$563.4 million, or \$3.95 per diluted share, for the prior year's nine months. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the nine months ended September 30, 2006 and 2005 were \$544.2 million and \$499.1 million, or \$3.51 and \$3.50 per share, respectively.

For the Nine Months
(Amounts in thousands, except per share amounts) Ended September 30,

	2006	2005
FFO applicable to common shares plus assumed conversions (1)	\$646,881	\$563,377
Per Share	\$4.17	\$3.95

Items that affect comparability (income) expense:

Derivatives:

Sears Holdings shares	\$(18,611)	\$(65,226)
GMH warrants	16,370	(7,813)
McDonalds shares	(60,581)	(9,859)
Other	(2,767)	--

33% share of Alexander's:

Stock appreciation rights compensation expense	18,356	15,428
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Net gain on sale of 731 Lexington Avenue condominiums	(4,580)	(28,134)	
Other:			
Net gain on sale of Sears Canada common shares	(55,438)	--	
Prepayment penalties and write off of unamortized financing costs	13,481	--	
H Street litigation costs	6,594	--	
Senior unsecured notes consent solicitation advisory fees	1,415	--	
Write-off of perpetual preferred share and unit issuance costs	1,125	22,119	
Other, net	586	1,935	

	(84,050)	(71,550)	
32.9% share of Toys "R" Us FFO	(29,540)	(714)	

	(113,590)	(72,264)	
Minority limited partners' share of above adjustments	10,895	7,975	

	\$(102,695)	\$(64,289)	
	=====	=====	
Per share	\$(0.66)	\$(0.45)	
	=====	=====	
FFO as adjusted for comparability	\$544,186	\$499,088	
	=====	=====	
Per share	\$3.51	\$3.50	
	=====	=====	

(1) See page 4 for a reconciliation of net income to FFO for the nine months ended September 30, 2006 and 2005.

Supplemental Financial Information

Further details regarding the Company's 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. 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 NINE MONTHS ENDED

SEPTEMBER 30, 2006 AND 2005

FOR THE THREE MONTHS ENDED SEPTEMBER, 30 FOR THE NINE MONTHS ENDED SEPTEMBER, 30

(Amounts in thousands,
except per share
amounts)

	2006	2005	2006	2005
Revenues	\$678,474	\$653,464	\$1,988,843	\$1,840,188
Income from continuing operations	\$147,761	\$68,070	\$470,190	\$499,218
Income from discontinued operations, net	8	1,229	33,505	35,845
Income before allocation to limited partners	147,769	69,299	503,695	535,063
Minority limited partners' interest in the Operating Partnership	(13,103)	(3,342)	(46,301)	(54,512)
Perpetual preferred unit distributions of the Operating Partnership	(6,683)	(27,215)	(17,030)	(60,908)
Net income	127,983	38,742	440,364	419,643
Preferred share dividends	(14,351)	(11,519)	(43,162)	(32,290)
Net income applicable to common shares	\$113,632	\$27,223	\$397,202	\$387,353
Net income per common share:				
Basic	\$0.80	\$0.20	\$2.81	\$2.94

Diluted	\$0.76	\$0.19	\$2.66	\$2.79
	=====	=====	=====	=====

Average number of
common shares and
share equivalents
outstanding:

Basic	141,684	136,452	141,413	131,682
	=====	=====	=====	=====
Diluted	150,096	143,811	149,637	138,876
	=====	=====	=====	=====

FFO applicable to common
shares plus assumed

conversions	\$204,535	\$93,272	\$646,881	\$563,377
	=====	=====	=====	=====

FFO per diluted share	\$1.31	\$0.65	\$4.17	\$3.95
	=====	=====	=====	=====

Average number of
common shares and
share equivalents
outstanding used for
determining FFO per

diluted share	155,628	144,197	155,168	142,589
	=====	=====	=====	=====

The following table reconciles net income to FFO:

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

	2006	2005	2006	2005
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Net income	\$127,983	\$38,742	\$440,364	\$419,643
Depreciation and amortization of real property	86,235	68,164	246,834	200,458
Net gains on sale of real estate	--	--	(33,769)	(31,614)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO: Depreciation and amortization of real property	27,526	9,250	75,546	21,837

Net gains on sale of real estate	(11,171)	(3,509)	(10,842)	(3,723)	
Income tax effect of Toys "R" Us adjustments included above	(5,190)	--	(16,031)	--	
Minority limited partners' share of above adjustments	(11,729)	(8,082)	(27,849)	(22,327)	

FFO	213,654	104,565	674,253	584,274	
Preferred share dividends	(14,351)	(11,519)	(43,162)	(32,290)	

FFO applicable to common shares	199,303	93,046	631,091	551,984	
Interest on 3.875% exchangeable senior debentures	5,093	--	15,281	10,672	
Series A convertible preferred share dividends		139	226	509	721

FFO applicable to common shares plus assumed conversions	\$204,535	\$93,272	\$646,881	\$563,377	
	=====				

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

alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. In addition to FFO, the Company also discloses FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, the Company believes it provides a meaningful presentation of operating performance. A reconciliation of net income to FFO is provided above. In addition, a reconciliation of FFO to FFO before certain items that affect comparability is provided on page 1 and 2 of this press release.

Source: Vornado Realty Trust

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