

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the Fiscal Year Ended: December 31, 2008

OR

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

For the transition period from _____ to _____

Commission File Number: 1-11954

VORNADO REALTY TRUST

(Exact name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-1657560

(I.R.S. Employer Identification Number)

888 Seventh Avenue, New York, New York

(Address of Principal Executive Offices)

10019

(Zip Code)

Registrant's telephone number including area code: (212) 894-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Shares of beneficial interest,
\$.04 par value per share

New York Stock Exchange

Series A Convertible Preferred Shares
of beneficial interest, no par value

New York Stock Exchange

Cumulative Redeemable Preferred Shares of beneficial
interest, no par value:

8.5% Series B

New York Stock Exchange

8.5% Series C

New York Stock Exchange

7.0% Series E

New York Stock Exchange

6.75% Series F

New York Stock Exchange

6.625% Series G

New York Stock Exchange

6.75% Series H

New York Stock Exchange

6.625% Series I

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, i.e. by persons other than officers and trustees of Vornado Realty Trust, was \$11,989,973,000 at June 30, 2008.

As of February 6, 2009, there were 155,460,522 of the registrant's common shares of beneficial interest outstanding.

Documents Incorporated by Reference

Part III: Portions of Proxy Statement for Annual Meeting of Shareholders to be held on May 14, 2009.

Explanatory Note

In accordance with Rule 3-09 of Regulation S-X, Vornado Realty Trust (the "Registrant" or "Vornado") is required to include in its Annual Report on Form 10-K for the year ended December 31, 2008, audited financial statements of Lexington Realty Trust ("Lexington"), an equity method investee in which Vornado owns approximately 17.2% of the outstanding common shares. On February 24, 2009, Vornado filed its annual report for the year ended December 31, 2008 on Form 10-K with the Securities and Exchange Commission indicating on the cover page that it would file an amendment to the Form 10-K to include Lexington's audited financial statements and related disclosures as soon as practicable after they were available. On March 2, 2009, Lexington filed its Annual Report on Form 10-K for its fiscal year ended December 31, 2008. Accordingly, Vornado is filing this Amendment No. 1 on Form 10-K/A to Vornado's Form 10-K, filed on February 24, 2009, to incorporate by reference into Item 8, Lexington's audited financial statements and related disclosures and to include the consent of KPMG LLP, Lexington's independent registered public accounting firm with respect to its report on such audited financial statements and consent of PricewaterhouseCoopers, LLP. Except as otherwise expressly noted herein, this Amendment No. 1 does not reflect events occurring after the filing of Vornado's original Form 10-K on February 24, 2009 in any way, except to reflect the changes discussed herein. Accordingly, this Amendment No. 1 should be read in conjunction with Vornado's original Form 10-K.

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Consolidated Financial Statements of Lexington Realty Trust, Report of Independent Registered Public Accounting Firm thereon and Notes to Such Consolidated Financial Statements (incorporated herein by reference to Item 8 of Lexington Realty Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (file no. 001-12386), filed with the Securities and Exchange Commission on March 2, 2009	Not applicable

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

We have audited the accompanying consolidated balance sheets of Vornado Realty Trust (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedules listed in the Index in Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vornado Realty Trust at December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 16 to the consolidated financial statements, effective December 31, 2008, the Company retrospectively adopted the measurement provisions of Emerging Issues Task Force Topic D-98, *Classification and Measurement of Redeemable Securities*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 24, 2009

VORNADO REALTY TRUST
CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)

ASSETS	December 31,	
	2008	2007
Real estate, at cost:		
Land	\$ 4,516,141	\$ 4,576,479
Buildings and improvements	12,146,558	11,523,977
Development costs and construction in progress	1,088,356	821,991
Leasehold improvements and equipment	118,603	106,060
Total	17,869,658	17,028,507
Less accumulated depreciation and amortization	(2,161,093)	(1,802,055)
Real estate, net	15,708,565	15,226,452
Cash and cash equivalents	1,526,853	1,154,595
Escrow deposits and restricted cash	375,888	378,732
Marketable securities	334,322	322,992
Accounts receivable, net of allowance for doubtful accounts of \$32,834 and \$19,151	201,566	168,183
Investments in partially owned entities, including Alexander's of \$137,305 and \$122,797	790,154	1,206,742
Investment in Toys "R" Us	293,096	298,089
Mezzanine loans receivable, net of allowance of \$46,700 and \$57,000	472,539	492,339
Receivable arising from the straight-lining of rents, net of allowance of \$5,773 and \$3,076	592,726	513,137
Deferred leasing and financing costs, net of accumulated amortization of \$168,714 and \$123,624	306,748	273,958
Assets related to discontinued operations	110,380	1,632,318
Due from officers	13,185	13,228
Other assets	692,188	798,170
	<u>\$ 21,418,210</u>	<u>\$ 22,478,935</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	\$ 8,835,387	\$ 7,938,457
Convertible senior debentures	2,342,914	2,360,412
Senior unsecured notes	617,816	698,656
Exchangeable senior debentures	494,501	492,857
Revolving credit facility debt	358,468	405,656
Accounts payable and accrued expenses	515,607	480,123
Deferred credit	764,774	848,852
Deferred compensation plan	69,945	67,714
Deferred tax liabilities	19,895	241,895
Liabilities related to discontinued operations	750	1,332,630
Other liabilities	142,777	118,983
Total liabilities	14,162,834	14,986,235
Minority interest, including unitholders in the Operating Partnership	1,590,891	2,074,601
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 110,000,000 shares; issued and outstanding 33,954,124 and 33,980,362 shares	823,807	825,095
Common shares of beneficial interest: \$.04 par value per share; authorized 250,000,000 shares; issued and outstanding 155,285,903 and 153,076,606 shares	6,195	6,140
Additional capital	5,817,380	5,278,717
Earnings less than distributions	(975,998)	(721,625)
Accumulated other comprehensive (loss) income	(6,899)	29,772
Total shareholders' equity	5,664,485	5,418,099
	<u>\$ 21,418,210</u>	<u>\$ 22,478,935</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2008	2007	2006
(Amounts in thousands, except per share amounts)			
REVENUES:			
Property rentals	\$ 2,211,311	\$ 1,977,023	\$ 1,544,741
Tenant expense reimbursements	358,437	323,544	260,772
Fee and other income	127,303	109,949	103,587
Total revenues	<u>2,697,051</u>	<u>2,410,516</u>	<u>1,909,100</u>
EXPENSES:			
Operating	1,070,118	951,582	737,452
Depreciation and amortization	537,427	441,209	319,066
General and administrative	194,027	189,041	180,167
Impairment losses on development projects and cost of acquisitions not consummated	81,447	10,375	—
Total expenses	<u>1,883,019</u>	<u>1,592,207</u>	<u>1,236,685</u>
Operating income	814,032	818,309	672,415
Income (loss) applicable to Alexander's	36,671	50,589	(14,530)
Income (loss) applicable to Toys "R" Us	2,380	(14,337)	(47,520)
(Loss) income from partially owned entities	(195,878)	31,891	60,355
Interest and other investment (loss) income, net	(2,682)	226,425	255,391
Interest and debt expense (including amortization of deferred financing costs of \$17,507, \$15,182 and \$11,718)	(586,358)	(569,386)	(394,571)
Net gains on disposition of wholly owned and partially owned assets other than depreciable real estate	7,757	39,493	76,073
Minority interest of partially owned entities	3,263	3,494	1,363
Income before income taxes	79,185	586,478	608,976
Income tax benefit (expense)	204,537	(9,179)	(491)
Income from continuing operations	283,722	577,299	608,485
Income from discontinued operations, net of minority interest	154,442	58,389	32,215
Income before allocation to minority limited partners	438,164	635,688	640,700
Minority limited partners' interest in the Operating Partnership	(21,037)	(47,508)	(58,712)
Perpetual preferred unit distributions of the Operating Partnership	(22,084)	(19,274)	(21,848)
Net income	395,043	568,906	560,140
Preferred share dividends	(57,091)	(57,177)	(57,511)
NET INCOME applicable to common shares	<u>\$ 337,952</u>	<u>\$ 511,729</u>	<u>\$ 502,629</u>
INCOME PER COMMON SHARE – BASIC:			
Income from continuing operations	\$ 1.20	\$ 2.98	\$ 3.31
Income from discontinued operations	1.00	0.39	0.23
Net income per common share	<u>\$ 2.20</u>	<u>\$ 3.37</u>	<u>\$ 3.54</u>
INCOME PER COMMON SHARE – DILUTED:			
Income from continuing operations	\$ 1.16	\$ 2.86	\$ 3.13
Income from discontinued operations	0.98	0.37	0.22
Net income per common share	<u>\$ 2.14</u>	<u>\$ 3.23</u>	<u>\$ 3.35</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	<u>Preferred Shares</u>	<u>Common Shares</u>	<u>Additional Capital</u>	<u>Earnings in Excess of (Less Than) Distributions</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Shareholders' Equity</u>	<u>Comprehensive Income (Loss)</u>
(Amounts in thousands, except per share amounts)							
Balance, December 31, 2005	\$ 834,527	\$ 5,675	\$ 4,236,841	\$ 103,061	\$ 83,406	\$ 5,263,510	
Cumulative effect of change in accounting principle	—	—	—	(639,447)	—	(639,447)	
Balance, January 1, 2006	834,527	5,675	4,236,841	(536,386)	83,406	4,624,063	
Net Income	—	—	—	560,140	—	560,140	\$ 560,140
Dividends paid on common shares (\$3.79 per share, including \$.54 in special cash dividends)	—	—	—	(537,298)	—	(537,298)	—
Dividends paid on Preferred Shares:							
Series A Preferred Shares (\$3.25 per share)	—	—	—	(604)	—	(604)	—
Series D-10 preferred shares (\$1.75 per share)	—	—	—	(2,800)	—	(2,800)	—
Series E Preferred Shares (\$1.75 per share)	—	—	—	(5,250)	—	(5,250)	—
Series F Preferred Shares (\$1.6875 per share)	—	—	—	(10,125)	—	(10,125)	—
Series G Preferred Shares (\$1.65625 per share)	—	—	—	(13,250)	—	(13,250)	—
Series H Preferred Shares (\$1.6875 per share)	—	—	—	(7,594)	—	(7,594)	—
Series I Preferred Shares (\$1.65625 per share)	—	—	—	(17,888)	—	(17,888)	—
Proceeds from the issuance of common shares	—	324	1,004,481	—	—	1,004,805	—
Conversion of Series A Preferred shares to common shares	(5,897)	7	5,890	—	—	—	—
Deferred compensation shares and options	—	(57)	(59,209)	(137,580)	—	(196,846)	—
Common shares issued:							
Under employees' share option plan	—	110	75,555	—	—	75,665	—
Upon redemption of Class A Operating Partnership Units, at redemption value	—	23	56,490	—	—	56,513	—
In connection with dividend reinvestment plan	—	1	2,207	—	—	2,208	—
Change in unrealized net gain on securities available for sale	—	—	—	—	70,416	70,416	70,416
Sale of securities available for sale	—	—	—	—	(69,863)	(69,863)	—
Common share offering costs	—	—	(411)	—	—	(411)	—
Change in pension plans	—	—	—	—	2,269	2,269	2,269
Adjustments to reflect Class A Operating Partnership Units at redemption value	—	—	(630,732)	—	—	(630,732)	—
Other	30	—	536	1	6,735	7,302	6,735
Balance, December 31, 2006	<u>\$ 828,660</u>	<u>\$ 6,083</u>	<u>\$ 4,691,648</u>	<u>\$ (708,634)</u>	<u>\$ 92,963</u>	<u>\$ 4,910,720</u>	<u>\$ 639,560</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED

	<u>Preferred Shares</u>	<u>Common Shares</u>	<u>Additional Capital</u>	<u>Earnings in Excess of (Less Than) Distributions</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Shareholders' Equity</u>	<u>Comprehensive Income (Loss)</u>
(Amounts in thousands, except per share amounts)							
Balance, December 31, 2006	\$ 828,660	\$ 6,083	\$ 4,691,648	\$ (708,634)	\$ 92,963	\$ 4,910,720	
Net Income	—	—	—	568,906	—	568,906	\$ 568,906
Dividends paid on common shares (\$3.45 per share)	—	—	—	(524,719)	—	(524,719)	—
Dividends paid on Preferred Shares:							
Series A Preferred Shares (\$3.25 per share)	—	—	—	(270)	—	(270)	—
Series D-10 preferred shares (\$1.75 per share)	—	—	—	(2,800)	—	(2,800)	—
Series E Preferred Shares (\$1.75 per share)	—	—	—	(5,250)	—	(5,250)	—
Series F Preferred Shares (\$1.6875 per share)	—	—	—	(10,125)	—	(10,125)	—
Series G Preferred Shares (\$1.65625 per share)	—	—	—	(13,250)	—	(13,250)	—
Series H Preferred Shares (\$1.6875 per share)	—	—	—	(7,594)	—	(7,594)	—
Series I Preferred Shares (\$1.65625 per share)	—	—	—	(17,888)	—	(17,888)	—
Conversion of Series A Preferred shares to common shares	(3,565)	4	3,561	—	—	—	—
Deferred compensation shares and options	—	(17)	(36,422)	—	—	(36,439)	—
Common shares issued:							
Under employees' share option plan	—	30	34,617	—	—	34,647	—
Upon redemption of Class A Operating Partnership Units, at redemption value	—	39	116,046	—	—	116,085	—
In connection with dividend reinvestment plan	—	1	2,030	—	—	2,031	—
Change in unrealized net loss on securities available for sale	—	—	—	—	(38,842)	(38,842)	(38,842)
Sale of securities available for sale	—	—	—	—	(36,563)	(36,563)	—
Change in pension plans	—	—	—	—	895	895	895
Adjustments to reflect Class A Operating Partnership Units at redemption value	—	—	467,165	—	—	467,165	—
Other	—	—	72	(1)	11,319	11,390	11,319
Balance, December 31, 2007	<u>\$ 825,095</u>	<u>\$ 6,140</u>	<u>\$ 5,278,717</u>	<u>\$ (721,625)</u>	<u>\$ 29,772</u>	<u>\$ 5,418,099</u>	<u>\$ 542,278</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED

	<u>Preferred Shares</u>	<u>Common Shares</u>	<u>Additional Capital</u>	<u>Earnings in Excess of (Less Than) Distributions</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Shareholders' Equity</u>	<u>Comprehensive Income (Loss)</u>
(Amounts in thousands, except per share amounts)							
Balance, December 31, 2007	\$ 825,095	\$ 6,140	\$ 5,278,717	\$ (721,625)	\$ 29,772	\$ 5,418,099	\$ —
Net Income	—	—	—	395,043	—	395,043	395,043
Dividends paid on common shares (\$3.65 per share)	—	—	—	(561,981)	—	(561,981)	—
Dividends paid on Preferred Shares:							
Series A Preferred Shares (\$3.25 per share)	—	—	—	(184)	—	(184)	—
Series D-10 preferred shares (\$1.75 per share)	—	—	—	(2,800)	—	(2,800)	—
Series E Preferred Shares (\$1.75 per share)	—	—	—	(5,250)	—	(5,250)	—
Series F Preferred Shares (\$1.6875 per share)	—	—	—	(10,125)	—	(10,125)	—
Series G Preferred Shares (\$1.65625 per share)	—	—	—	(13,250)	—	(13,250)	—
Series H Preferred Shares (\$1.6875 per share)	—	—	—	(7,594)	—	(7,594)	—
Series I Preferred Shares (\$1.65625 per share)	—	—	—	(17,888)	—	(17,888)	—
Conversion of Series A Preferred shares to common shares	(1,312)	2	1,310	—	—	—	—
Deferred compensation shares and options	—	1	11,410	—	—	11,411	—
Common shares issued:							
Under employees' share option plan	—	7	26,897	(30,345)	—	(3,441)	—
Upon redemption of Class A Operating Partnership Units, at redemption value	—	40	82,290	—	—	82,330	—
In connection with dividend reinvestment plan	—	1	2,373	—	—	2,374	—
Change in unrealized net loss on securities available for sale	—	—	—	—	(20,150)	(20,150)	(20,150)
Sale of securities available for sale	—	—	—	—	6,128	6,128	6,128
Change in pension plans	—	—	—	—	3,251	3,251	3,251
Adjustments to reflect Class A Operating Partnership Units at redemption value	—	—	404,447	—	—	404,447	—
Conversion of Series F-1 preferred units	—	4	9,996	—	—	10,000	—
Other	24	—	(60)	1	(25,900)	(25,935)	(25,960)
Balance, December 31, 2008	<u>\$ 823,807</u>	<u>\$ 6,195</u>	<u>\$ 5,817,380</u>	<u>\$ (975,998)</u>	<u>\$ (6,899)</u>	<u>\$ 5,664,485</u>	<u>\$ 358,312</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

(Amounts in thousands)

	2008	2007	2006
Cash Flows from Operating Activities:			
Net income	\$ 395,043	\$ 568,906	\$ 560,140
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including amortization of debt issuance costs	577,338	545,885	413,162
Reversal of H Street deferred tax liability	(222,174)	—	—
Net gain on sale of Americold Realty Trust	(112,690)	—	—
Impairment loss – Lexington Realty Trust	107,882	—	—
Amortization of below-market leases, net	(96,176)	(83,250)	(23,814)
Write-off of real estate joint ventures' development costs	96,037	—	—
Straight-lining of rental income	(91,060)	(77,699)	(62,655)
Impairment loss – marketable equity securities	76,352	—	—
Net gains on sale of real estate	(57,523)	(64,981)	(33,769)
Equity in income of partially owned entities, including Alexander's and Toys	(47,460)	(69,656)	273
Minority limited partners' interest in the Operating Partnership	37,127	53,565	58,700
Distributions of income from partially owned entities	44,690	24,044	35,911
Net loss (gain) from derivative positions, including McDonalds, Sears Holdings and GMH	33,740	(113,503)	(153,208)
Perpetual preferred unit distributions of the Operating Partnership	22,084	19,274	21,848
Impairment losses on development projects and costs of acquisitions not consummated	81,447	10,375	—
Mezzanine loan loss (reversal) accrual	(10,300)	57,000	—
(Gain) loss on early extinguishment of debt and write-off of unamortized financing costs	(9,820)	7,670	33,488
Net gains on dispositions of wholly owned and partially owned assets other than depreciable real estate	(7,757)	(39,493)	(76,073)
Minority interest of partially owned entities	(6,838)	(18,559)	(20,173)
Other non-cash adjustments, including amortization of stock-based compensation	47,764	23,373	2,079
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,646)	(25,877)	24,373
Accounts payable and accrued expenses	(5,207)	(89,961)	60,348
Other assets	(39,831)	(52,478)	(62,224)
Other liabilities	6,790	22,690	46,262
Net cash provided by operating activities	<u>817,812</u>	<u>697,325</u>	<u>824,668</u>
Cash Flows from Investing Activities:			
Development costs and construction in progress	(598,688)	(358,748)	(233,492)
Proceeds from sales of real estate	390,468	297,234	110,388
Distributions of capital from partially owned entities	218,367	22,541	114,041
Additions to real estate	(207,885)	(166,319)	(198,215)
Purchases of marketable securities	(164,886)	(152,683)	(153,914)
Investments in partially owned entities	(156,227)	(271,423)	(233,651)
Proceeds received from repayment of mezzanine loans receivable	52,470	241,289	172,445
Proceeds from sales of, and return of investment in, marketable securities	51,185	112,779	173,027
Acquisitions of real estate and other	(26,318)	(2,811,285)	(1,399,326)
Cash restricted, including mortgage escrows	12,004	11,652	52,268
Deposits in connection with real estate acquisitions, including pre-acquisition costs	(11,719)	(27,702)	(82,753)
Investments in mezzanine loans receivable	(7,397)	(217,081)	(363,374)
Acquisition of trade shows	(6,003)	(10,722)	(17,582)
Cash received upon consolidation of investments in partially owned entities	1,398	—	—
Proceeds received on settlement of derivatives	—	260,764	135,028
Repayment of officers' loans	—	2,000	8,600
Net cash used in investing activities	<u>(453,231)</u>	<u>(3,067,704)</u>	<u>(1,916,510)</u>

See notes to consolidated financial statements.

VORNADO REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Amounts in thousands)	Year Ended December 31,		
	2008	2007	2006
Cash Flows from Financing Activities:			
Proceeds from borrowings	1,721,974	2,954,497	5,151,952
Repayments of borrowings	(993,665)	(868,055)	(1,544,076)
Dividends paid on common shares	(561,981)	(524,719)	(537,298)
Distributions to minority limited partners	(85,419)	(81,065)	(188,052)
Dividends paid on preferred shares	(57,112)	(57,236)	(57,606)
Repurchase of shares related to stock compensation arrangements and associated employee tax withholdings	(31,198)	(43,396)	(201,866)
Proceeds received from exercise of employee share options	29,377	35,083	77,873
Debt issuance costs	(14,299)	(14,360)	(37,192)
Purchase of marketable securities in connection with the legal defeasance of mortgage notes payable	—	(109,092)	(636,293)
Proceeds from issuance of common shares	—	—	1,004,394
Redemption of perpetual preferred shares and units	—	—	(45,000)
Proceeds from issuance of preferred shares and units	—	—	43,819
Net cash provided by financing activities	7,677	1,291,657	3,030,655
Net increase (decrease) in cash and cash equivalents	372,258	(1,078,722)	1,938,813
Cash and cash equivalents at beginning of year	1,154,595	2,233,317	294,504
Cash and cash equivalents at end of year	\$ 1,526,853	\$ 1,154,595	\$ 2,233,317

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest (including capitalized interest of \$63,063, \$53,648, and \$26,195)	\$ 658,376	\$ 653,811	\$ 454,391
Cash payments for taxes	\$ 22,005	\$ 36,489	\$ 8,766

Non-Cash Transactions:

Adjustments to reflect redeemable Class A operating partnership units at redemption value	\$ 404,447	\$ 467,165	\$ (630,732)
Conversion of Class A operating partnership units to common shares, at redemption value	82,230	116,085	56,513
Unrealized (loss) gain on securities available for sale	(20,150)	38,842	70,416
Financing assumed in acquisitions	—	1,405,654	303,703
Marketable securities transferred in connection with the legal defeasance of mortgage notes payable	—	109,092	636,293
Mortgage notes payable legally defeased	—	104,571	612,270
Operating Partnership units issued in connection with acquisitions	—	62,059	—
Increase in assets and liabilities resulting from the consolidation of investments previously accounted for on the equity method (Beverly Connection in November 2008 and H Street in April 2007) :			
Real estate, net	197,600	342,764	—
Restricted cash	2,287	369	—
Other assets	3,393	11,648	—
Notes and mortgages payable	100,000	55,272	—
Accounts payable and accrued expenses	2,069	3,101	—
Deferred credit	—	2,407	—
Deferred tax liabilities	—	112,797	—
Other liabilities	—	71	—

See notes to consolidated financial statements.

1. Organization and Business

Vornado Realty Trust (“Vornado”) is a fully-integrated real estate investment trust (“REIT”) and 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 90.6% of the common limited partnership interest in, the Operating Partnership at December 31, 2008. All references to “we,” “us,” “our,” the “Company” and “Vornado” refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

As of December 31, 2008, we own directly or indirectly:

Office Properties:

- (i) all or portions of 28 office properties aggregating approximately 16.1 million square feet in the New York City metropolitan area (primarily Manhattan);
- (ii) all or portions of 84 office properties aggregating 17.7 million square feet in the Washington, DC / Northern Virginia areas;
- (iii) a 70% controlling interest in 555 California Street, a three-building complex aggregating 1.8 million square feet in San Francisco’s financial district;

Retail Properties:

- (iv) 176 retail properties in 21 states, Washington, DC and Puerto Rico aggregating approximately 21.9 million square feet, including 3.7 million square feet owned by tenants on land leased from us;

Merchandise Mart Properties:

- (v) 8 properties in 5 states and Washington, DC aggregating approximately 8.9 million square feet of showroom and office space, including the 3.5 million square foot Merchandise Mart in Chicago;

Toys “R” Us, Inc.:

- (vi) a 32.7% interest in Toys “R” Us, Inc. which owns and/or operates 1,561 stores worldwide, including 847 stores in the United States and 714 toy stores internationally;

Other Real Estate Investments:

- (vii) 32.5% of the common stock of Alexander’s, Inc. (NYSE: ALX), which has seven properties in the greater New York metropolitan area;
- (viii) the Hotel Pennsylvania in New York City, consisting of a hotel portion containing 1.0 million square feet with 1,700 rooms and a commercial portion containing 400,000 square feet of retail and office space;
- (ix) mezzanine loans to entities that have significant real estate assets; and
- (x) interests in other real estate, including interests in office, industrial and retail properties net leased to major corporations; 6 warehouse/industrial properties in New Jersey containing approximately 1.2 million square feet; and other investments and marketable securities.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P. All significant inter-company amounts have been eliminated. We account for unconsolidated partially owned entities on the equity method of accounting. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires us 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 materially from those estimates.

Significant Accounting Policies

Real Estate: Real estate is carried at cost, net of accumulated depreciation and amortization. Betterments, major renewals and certain costs directly related to the acquisition, improvement and leasing of real estate are capitalized. Maintenance and repairs are charged to operations as incurred. For redevelopment of existing operating properties, the net book value of the existing property under redevelopment plus the cost for the construction and improvements incurred in connection with the redevelopment are capitalized to the extent the capitalized costs of the property do not exceed the estimated fair value of the redeveloped property when complete. If the cost of the redeveloped property, including the undepreciated net book value of the property carried forward, exceeds the estimated fair value of redeveloped property, the excess is charged to expense. Depreciation is provided on a straight-line basis over the assets' estimated useful lives which range from 7 to 40 years. Tenant allowances are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the assets. Additions to real estate include interest expense capitalized during construction of \$63,063,000 and \$53,648,000, for the years ended December 31, 2008 and 2007, respectively.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below-market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets*, and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

Our properties, including any related intangible assets, are individually reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over our anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the property's carrying amount over its estimated fair value. Our impairment analysis is based on our plans for the asset and the market information available to our management at the time the analysis is prepared. If our estimates of the projected future cash flows, our anticipated holding period for properties, or the estimated fair value of properties change based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses. In the year ended December 31, 2008, we recognized an aggregate of \$78,069,000 of non-cash impairment charges on our wholly owned real estate assets related to certain development projects. No impairment charges were recognized in the years ended December 31, 2007 and 2006.

2. Basis of Presentation and Significant Accounting Policies – continued

Partially Owned Entities: In determining whether we have a controlling interest in a partially owned entity and the requirement to consolidate the accounts of that entity, we consider factors such as ownership interest, board representation, management representation, authority to make decisions, and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity in which we will absorb the majority of the entity's expected losses, if they occur, or receive the majority of the expected residual returns, if they occur, or both. We have concluded that we do not control a partially owned entity, despite an ownership interest of 50% or greater, if the entity is not considered a variable interest entity and the approval of all of the partners/members is contractually required with respect to major decisions, such as operating and capital budgets, the sale, exchange or other disposition of real property, the hiring of a chief executive officer, the commencement, compromise or settlement of any lawsuit, legal proceeding or arbitration or the placement of new or additional financing secured by assets of the venture. This is the case with respect to our 50% interests in Monmouth Mall, MartParc Wells, MartParc Orleans, 478-486 Broadway, 968 Third Avenue, West 57th Street properties and 825 Seventh Avenue. We account for investments on the equity method when the requirements for consolidation are not met, and we have significant influence over the operations of the investee. Equity method investments are initially recorded at cost and subsequently adjusted for our share of investees' net income or loss and cash contributions and distributions made during the year. Investments that do not qualify for consolidation or equity method accounting are accounted for on the cost method.

Our investments in partially owned entities are reviewed for impairment, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our investments in partially owned entities is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the value of an investment is other than temporary. In the year ended December 31, 2008, we recognized \$203,919,000 of non-cash impairment charges related to investments in partially owned entities, of which \$107,882,000 represents our investment in Lexington Realty Trust and the remainder represents our share of certain ventures' development costs. No impairment charges were recognized in the years ended December 31, 2007 and 2006.

Identified Intangibles: We record acquired intangible assets (including above-market leases, customer relationships and in-place leases) and acquired intangible liabilities (including below-market leases) at their estimated fair value separate and apart from goodwill. We amortize identified intangible assets and liabilities that are determined to have finite lives over the period the assets and liabilities are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

As of December 31, 2008 and 2007, the carrying amounts of identified intangible assets, a component of "other assets" on our consolidated balance sheets, were \$525,950,000 and \$563,359,000, respectively. In addition, the carrying amounts of identified intangible liabilities, a component of "deferred credit" on our consolidated balance sheets, were \$719,822,000 and \$814,098,000, respectively.

Mezzanine Loans Receivable: We invest in mezzanine loans to entities which have significant real estate assets. These investments, which are subordinate to the mortgage loans secured by the real property, are generally secured by pledges of the equity interests of the entities owning the underlying real estate. We record these investments at the stated principal amount net of any unamortized discount or premium. We accrete or amortize any discounts or premiums over the life of the related loan receivable utilizing the effective interest method, or straight-line method if the result is not materially different. We evaluate the collectibility of both interest and principal of each of our loans, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. In the year ended December 31, 2007, we recognized a \$57,000,000 non-cash impairment charge on one of our mezzanine loans. Upon sale of a sub-participation in that loan during 2008, we reversed \$10,300,000 of the charge recognized in 2007.

2. Basis of Presentation and Significant Accounting Policies – continued

Cash and Cash Equivalents: Cash and cash equivalents consist of highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents do not include cash escrowed under loan agreements and cash restricted in connection with an officer's deferred compensation payable. The majority of our cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. We have not experienced any losses to date on our invested cash.

Allowance for Doubtful Accounts: We periodically evaluate the collectibility of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from earnings recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. As of December 31, 2008 and 2007, we had \$32,834,000 and \$19,151,000, respectively, in allowances for doubtful accounts. In addition, as of December 31, 2008 and 2007, we had \$5,773,000 and \$3,076,000, respectively, in allowances for receivables arising from the straight-lining of rents.

Marketable Securities: We classify debt and equity securities which we intend to hold for an indefinite period of time as securities available-for-sale; equity securities we intend to buy and sell on a short term basis as trading securities; and mandatorily redeemable preferred stock investments which we intend to hold to maturity as securities held-to-maturity. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses on securities available-for-sale are included as a component of shareholders' equity and other comprehensive income. Realized gains or losses on the sale of securities are recorded based on the weighted average cost of such securities.

We evaluate our portfolio of marketable securities for impairment as of each reporting period. For each of the securities in our portfolio with unrealized losses, we review the underlying cause of the decline in value and the estimated recovery period, as well as the severity and duration of the decline. In our evaluation, we consider our ability and intent to hold these investments for a reasonable period of time sufficient for us to recover our cost basis. We also evaluate the near-term prospects for each of these investments in relation to the severity and duration of the decline. In the year ended December 31, 2008, we recognized an aggregate of \$76,352,000 of non-cash impairment charges related to investments in marketable securities, which is included as a component of "interest and other investment (loss) income, net" on our consolidated statement of income. Our conclusions were based on the severity and duration of the decline in the market value ("fair value" pursuant to SFAS 157) of these securities and our inability to forecast a recovery in the near term. No impairment charges were recognized in the years ended December 31, 2007 and 2006.

At December 31, 2008 and 2007, our marketable equity securities had an aggregate carrying amount of \$120,499,000 and \$215,134,000, and an aggregate fair value of \$118,438,000 and \$226,682,000, respectively. Accordingly, net unrealized (losses) gains were (\$2,061,000) and \$11,548,000 as of December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, our held-to-maturity securities had an aggregate carrying amount of \$215,884,000 and \$96,310,000, and an aggregate fair value of \$164,728,000 and \$96,310,000, respectively.

Deferred Charges: Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense. Direct costs related to successful leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. All other deferred charges are amortized on a straight-line basis, which approximates the effective interest rate method, in accordance with the terms of the agreements to which they relate.

Fair Value of Financial Instruments: We have estimated the fair value of all financial instruments reflected in the accompanying consolidated balance sheets at amounts which are based upon an interpretation of available market information and valuation methodologies (including discounted cash flow analyses with regard to mezzanine loans and debt). While we chose not to elect the fair value option prescribed by Statement No.159, *The Fair Value Option for Financial Assets and Liabilities* ("SFAS 159"), for our financial assets and liabilities that had not been previously measured at fair value, the aggregate fair value of our mezzanine loans receivable was less than its aggregate carrying amount by approximately \$55,452,000 as of December 31, 2008 and approximated its carrying amount at December 31, 2007. As of December 31, 2008, the estimated fair value of our consolidated debt was less than its carrying amount by approximately \$1,177,806,000. As of December 31, 2007, the carrying amount of our consolidated debt exceeded its fair value by approximately \$49,768,000. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of our financial instruments.

2. Basis of Presentation and Significant Accounting Policies – continued

Revenue Recognition: We have the following revenue sources and revenue recognition policies:

- Base Rent — income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis which includes the effects of rent steps and rent abatements under the leases. We commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. In addition, in circumstances in which we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of rental revenue on a straight-line basis over the term of the lease.
- Percentage Rent — income arising from retail tenant leases that is contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized in accordance with Staff Accounting Bulletin No. 104: *Revenue Recognition*, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).
- Hotel Revenue — income arising from the operation of the Hotel Pennsylvania which consists of rooms revenue, food and beverage revenue, and banquet revenue. Income is recognized when rooms are occupied. Food and beverage and banquet revenue is recognized when the services have been rendered.
- Trade Shows Revenue — income arising from the operation of trade shows, including rentals of booths. This revenue is recognized when the trade shows have occurred.
- Expense Reimbursements — revenue arising from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.
- Management, Leasing and Other Fees – income arising from contractual agreements with third parties or with partially owned entities. This revenue is recognized as the related services are performed under the respective agreements.

Derivative Instruments and Hedging Activities: SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS 133, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

2. Basis of Presentation and Significant Accounting Policies – continued

Income Taxes: We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We distribute to shareholders 100% of taxable income and therefore, no provision for Federal income taxes is required. Dividend distributions for the year ended December 31, 2008 were characterized, for Federal income tax purposes, as 70.81% ordinary income and 29.19% return of capital. Dividend distributions for the year ended December 31, 2007 were characterized, for Federal income tax purposes, as 61.6% ordinary income and 38.4% long-term capital gain income. Dividend distributions for the year ended December 31, 2006 were characterized, for Federal income tax purposes, as 29.0% ordinary income, 14.8% long-term capital gain income and 56.2% return of capital.

We have elected to treat certain consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries pursuant to an amendment to the Internal Revenue Code that became effective January 1, 2001. Taxable REIT subsidiaries may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to Federal and State income tax at regular corporate tax rates. Our taxable REIT subsidiaries had a combined current income tax liability of approximately \$21,357,000 and \$15,361,000 for the years ended December 31, 2008 and 2007, respectively, and have immaterial differences between the financial reporting and tax basis of assets and liabilities.

In connection with purchase accounting for H Street, in July 2005 and April 2007 we recorded an aggregate of \$222,174,000 of deferred tax liabilities representing the differences between the tax basis and the book basis of the acquired assets and liabilities multiplied by the effective tax rate. We were required to record these deferred tax liabilities because H Street and its partially owned entities were operated as C Corporations at the time they were acquired. As of January 16, 2008, we had completed all of the actions necessary to enable these entities to elect REIT status effective for the tax year beginning on January 1, 2008. Consequently, in the first quarter of 2008, we reversed the deferred tax liabilities and recognized an income tax benefit of \$222,174,000 in our consolidated statement of income.

The following table reconciles net income to estimated taxable income for the years ended December 31, 2008, 2007 and 2006.

(Amounts in thousands)	2008	2007	2006
Net income applicable to common shares	\$ 337,952	\$ 511,729	\$ 502,629
Book to tax differences (unaudited):			
Depreciation and amortization	233,426	145,131	118,364
Reversal of deferred tax liability	(202,267)	—	—
Straight-line rent adjustments	(82,901)	(70,450)	(56,690)
Stock options expense	(71,995)	(88,752)	(220,043)
Derivatives	43,218	131,711	(25,726)
Earnings of partially owned entities	(50,855)	12,093	72,534
Net gains on sale of real estate	3,687	(57,386)	(22,699)
Compensation deduction for units held in Rabbi Trust	—	—	(171,356)
Sears Canada dividend	—	—	(72,706)
Other, net	84,124	37,571	(21,048)
Estimated taxable income	<u>\$ 294,389</u>	<u>\$ 621,647</u>	<u>\$ 103,259</u>

The net basis of our assets and liabilities for tax reporting purposes is approximately \$3.4 billion lower than the amount reported in our consolidated financial statements.

2. **Basis of Presentation and Significant Accounting Policies – continued**

Income Per Share: Basic income per share is computed based on weighted average shares outstanding. Diluted income per share considers the effect of all potentially dilutive share equivalents, including outstanding employee stock options, restricted shares, warrants and convertible or redeemable securities.

Stock-Based Compensation: Stock-based compensation consists of awards to certain employees and officers and consists of stock options, restricted stock, restricted Operating Partnership units and out-performance plan awards. The terms of each of these awards are described in Note 11. Stock-Based Compensation. We account for all stock-based compensation in accordance with SFAS No. 123R, *Share-Based Payment* (“SFAS 123R”).

Stock option awards

We determine the value of stock option awards, using a binomial valuation model and appropriate market assumptions adjusted to include an estimated forfeiture factor which is based on our past history. Compensation expense for stock option awards is recognized on a straight-line basis over the vesting period, which is generally five years.

Restricted stock and Operating Partnership unit awards

Restricted stock awards are valued using the average of the high and low market price of our common shares on the NYSE on the date of grant, adjusted to include an estimated forfeiture factor which is based on our past history. Compensation expense is recognized on a straight-line basis over the vesting period, which is generally three to five years. Dividends paid on unvested shares are charged to retained earnings. Dividends on shares that are cancelled or terminated prior to vesting are charged to compensation expense in the period they are cancelled or terminated.

Restricted Operating Partnership unit awards are also valued using the average of the high and low market price of our common shares on the NYSE on the date of grant, adjusted to include an estimated forfeiture factor which is based on history. Compensation expense is recognized over the five year vesting period using a graded vesting attribution model as these awards are subject to the satisfaction of a performance condition. Dividends paid on unvested units are charged to minority interest expense on our consolidated statements of operations. Dividends on units that are cancelled or terminated prior to the satisfaction of the performance condition and vesting are charged to compensation expense in the period they are cancelled or terminated.

Out-performance plan awards

Out-performance plan awards are valued using a risk-free valuation model and appropriate market assumptions as of the date of grant, adjusted to include an estimated forfeiture factor which is based on our past history. Compensation expense is recognized over five years using a graded vesting attribution model as these awards are subject to the satisfaction of certain market and performance conditions, in addition to vesting.

2. Basis of Presentation and Significant Accounting Policies – continued

Recently Issued Accounting Literature

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. SFAS 157 was effective for our financial assets and liabilities on January 1, 2008. The FASB has deferred the implementation of the provisions of SFAS 157 relating to certain non-financial assets and liabilities until January 1, 2009. This standard did not materially affect how we determine fair value, but resulted in certain additional disclosures. SFAS 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 – unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value. Financial assets and liabilities measured at fair value in our consolidated financial statements primarily consist of (i) marketable securities, (ii) the assets of our deferred compensation plan (primarily marketable securities and equity investments in limited partnerships), for which there is a corresponding liability on our consolidated balance sheets and (iii) Class A units of the Operating Partnership, held by third-parties. Financial assets and liabilities measured at fair value as of December 31, 2008 are presented in the table below based on their level in the fair value hierarchy.

(Amounts in thousands)	Total	Fair Value Hierarchy ⁽¹⁾		
		Level 1	Level 2	Level 3
Marketable securities	\$ 118,438	\$ 118,438	\$ —	\$ —
Deferred compensation plan assets (included in other assets)	69,945	35,769	—	34,176
Interest rate caps (included in other assets)	25	—	25	—
Total Assets	\$ 188,408	\$ 154,207	\$ 25	\$ 34,176
Class A units (included in minority interest)	\$ 882,740	\$ —	\$ 882,740	\$ —
Deferred compensation plan liabilities	\$ 69,945	\$ 35,769	\$ —	\$ 34,176

(1) We chose not to elect the fair value option prescribed by SFAS 159, for our financial assets and liabilities that had not been previously measured at fair value. These financial assets and liabilities include our outstanding debt, accounts receivable, accounts payable and investments in partially owned entities.

The fair value of Level 3 “deferred compensation plan assets” represents equity investments in certain limited partnerships, for which there is a corresponding Level 3 liability to the plan’s participants. The following is a summary of changes in Level 3 deferred compensation plan assets and liabilities, for the year ended December 31, 2008.

(Amounts in thousands)	Beginning Balance	Total Realized/ Unrealized Losses	Purchases, Sales, Other Settlements and Issuances, net	Ending Balance
For the year ended December 31, 2008	\$ 50,578	\$ (15,407)	\$ (995)	\$ 34,176

2. Basis of Presentation and Significant Accounting Policies – continued

In February 2007, the FASB issued SFAS 159, which permits companies to measure many financial instruments and certain other items at fair value. SFAS 159 was effective on January 1, 2008. We did not elect the fair value option for any of our existing financial instruments on the effective date and have not determined whether we will elect this option for any eligible financial instruments we acquire in the future.

In December 2007, the FASB issued Statement No. 141R, *Business Combinations* (“SFAS 141R”). SFAS 141R broadens the guidance of SFAS 141, extending its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R also broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations; and acquisition related costs will generally be expensed rather than included as part of the basis of the acquisition. SFAS 141R expands required disclosures to improve the ability to evaluate the nature and financial effects of business combinations. SFAS 141R is effective for all transactions entered into on or after January 1, 2009. The adoption of this standard on January 1, 2009 could materially impact future financial results to the extent that we acquire significant amounts of real estate, in part because acquisition costs will be expensed as incurred compared to our current practice of capitalizing such costs and amortizing them over the estimated useful life of the assets acquired.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (“SFAS 160”). SFAS 160 requires a noncontrolling interest in a subsidiary to be reported as equity and the amount of consolidated net income specifically attributable to the noncontrolling interest to be identified in the consolidated financial statements. SFAS 160 also calls for consistency in the manner of reporting changes in the parent’s ownership interest and requires fair value measurement of any noncontrolling equity investment retained in a deconsolidation. As of December 31, 2008, as part of our preparation for the adoption of SFAS 160, which is effective for us on January 1, 2009, we have retroactively adopted the measurement provisions of EITF Topic D-98, *Classification and Measurement of Redeemable Securities*. Upon adoption, we adjusted the carrying amounts of the Class A units held by third parties, a component of “minority interest” on our consolidated balance sheets, by recognizing a \$639,447,000 increase to the January 1, 2006 balance of “minority interest,” and a corresponding decrease in “earnings in excess of (less than) distributions,” which was accounted for as a cumulative effect adjustment on January 1, 2006. Subsequent adjustments to the carrying amounts of the Class A units, to reflect the change in their redemption value at the end of each reporting period, were recorded to “additional capital.” The adoption of SFAS 160 on January 1, 2009, will not result in the re-classification of the Class A units held by third parties to a component within “shareholders’ equity.”

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 requires enhanced disclosures related to derivative instruments and hedging activities, including disclosures regarding how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and the impact of derivative instruments and related hedged items on an entity’s financial position, financial performance and cash flows. SFAS 161 is effective on January 1, 2009. We believe that the adoption of this standard on January 1, 2009 will not have a material effect on our consolidated financial statements.

2. Basis of Presentation and Significant Accounting Policies – continued

In May 2008, the FASB issued Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, (the “FSP”), which is effective for us on January 1, 2009 and requires retroactive application. The adoption of this FSP will affect the accounting for our convertible and exchangeable senior debentures and Series D-13 convertible preferred units. The FSP requires the initial proceeds from the sale of our convertible and exchangeable senior debentures and Series D-13 convertible preferred units to be allocated between a liability component and an equity component. The resulting discount will be amortized using the effective interest method over the period the debt is expected to remain outstanding as additional interest expense. The adoption of the FSP on January 1, 2009 will result in the recognition of an aggregate unamortized debt discount of \$139,937,000 (as of December 31, 2008) in our consolidated balance sheets and additional interest expense in our consolidated statements of income. Our current estimate of the incremental interest expense, net of minority interest, for each reporting period is as follows:

(Amounts in thousands)

For the year ended December 31:

2005	\$ 3,401
2006	6,062
2007	28,191
2008	36,348
2009	37,379
2010	39,612
2011	40,587
2012	8,219

In May 2008, the FASB issued Statement No. 163, *Accounting for Financial Guarantee Insurance Contracts* (“SFAS 163”). SFAS 163 was issued to decrease inconsistencies within Statement No. 60, *Accounting and Reporting by Insurance Enterprises*, and clarify how it applies to financial guarantee insurance contracts issued by insurance enterprises, including the recognition of premium revenue and claim liabilities. SFAS 163 also requires expanded disclosures about financial guarantee insurance contracts. SFAS 163 is effective on January 1, 2009. We believe that the adoption of this standard on January 1, 2009 will not have a material effect on our consolidated financial statements.

In June 2008, the FASB ratified EITF Issue 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock* (“EITF 07-5”). Paragraph 11(a) of SFAS 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the company’s own stock and (b) classified in stockholders’ equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. EITF 07-5 is effective on January 1, 2009. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

3. Acquisitions and Investments

There were no material real estate acquisitions or investments during 2008. We completed approximately \$4,045,400,000 of real estate acquisitions and investments in 2007. We record the assets (primarily land, building, in-place and above market leases) and liabilities (primarily mortgage debt and below market leases) acquired in real estate acquisitions at their estimated fair values. Below are the details of our 2007 acquisitions.

New York Office:

100 West 33rd Street, New York City / Manhattan Mall

On January 10, 2007, we acquired the 100 West 33rd Street, New York City / Manhattan Mall for approximately \$689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 845,000 square feet of office space and 164,000 square feet of retail space. Included as part of the acquisition were 250,000 square feet of additional air rights. The property is adjacent to our Hotel Pennsylvania. At closing, we completed a \$232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% and matures in two years with three one-year extension options. The operations of the office component of the property are included in the New York Office segment and the operations of the retail component are included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the three-building 555 California Street complex ("555 California Street") containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco's financial district. The purchase price for our 70% interest in the real estate was approximately \$1.8 billion, consisting of \$1.0 billion of cash and \$797,000,000 of existing debt. Our share of the debt was comprised of \$308,000,000 secured by 1290 Avenue of the Americas and \$489,000,000 secured by 555 California Street. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. The operations of 1290 Avenue of the Americas are included in the New York Office segment and the operations of 555 California Street are included in the Other segment. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

3. Acquisitions and Investments - continued

Washington, DC Office:

H Street Building Corporation ("H Street")

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately \$383,000,000, consisting of \$322,000,000 in cash and \$61,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia, comprising 34 acres of land leased to three residential and retail operators, a 1,680 unit high-rise apartment complex and 10 acres of vacant land. Beginning on April 30, 2007, we consolidated the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

Further, we agreed to sell approximately 19.6 of the 34 acres of land to one of the existing ground lessees in two closings over a two-year period for approximately \$220,000,000. On May 11, 2007, we closed on the sale of 11 of the 19.6 acres for \$104,000,000 and received \$5,000,000 in cash and a \$99,000,000 short-term note. On September 28, 2007, the buyer pre-paid the note in cash and we recognized a net gain on sale of \$4,803,000.

BNA Complex

On August 9, 2007, we acquired a three building complex from The Bureau of National Affairs, Inc. ("BNA") for \$111,000,000 in cash. The complex contains approximately 300,000 square feet and is located in Washington's West End between Georgetown and the Central Business District. We plan to convert two of these buildings into rental apartments. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

3. Acquisitions and Investments – continued

Retail:

Bruckner Plaza, Bronx, New York

On January 11, 2007, we acquired the Bruckner Plaza shopping center, containing 386,000 square feet, for \$165,000,000 in cash. Also included as part of the acquisition was an adjacent parcel which is ground leased to a third party. The property is located on Bruckner Boulevard in the Bronx, New York. We consolidated the accounts of this property into our consolidated financial statements from the date of acquisition.

Shopping Center Portfolio Acquisition

On June 26, 2007, we entered into an agreement to acquire a portfolio of 15 shopping centers aggregating approximately 1.9 million square feet for an aggregate purchase price of \$351,000,000. The properties are located primarily in Northern New Jersey and Long Island, New York. We have completed the acquisition of nine of these properties for an aggregate purchase price of \$250,478,000, consisting of \$109,279,000 in cash, \$49,599,000 in Vornado Realty L.P. Series G-1 through G-4 convertible preferred units, \$12,460,000 of Vornado Realty L.P. Class A units and \$79,140,000 of existing mortgage debt. In December 2007, we determined not to complete the acquisition of the remaining six properties and expensed \$2,700,000 which is included as a component of “impairment losses on development projects and costs of acquisitions not consummated” on our consolidated statement of income for the year ended December 31, 2007.

Other:

India Real Estate Ventures

In August 2008, we entered into a joint venture with Reliance Industries Limited (“Reliance”) (BSE: RIL), under which each partner has an equal ownership interest, to acquire, develop, and operate retail shopping centers across key cities in India. We are also a partner in four other joint ventures established to develop real estate in India’s major cities. During the year ended December 31, 2008, we funded an aggregate of \$50,387,000 in cash to our India ventures, including \$7,500,000 to the Reliance venture and \$34,077,000 to the India Property Fund L.P. (“IPF”). As of December 31, 2008, our aggregate investment in all of these ventures was \$89,295,000 and our remaining capital commitment is approximately \$192,000,000. At December 31, 2008 and 2007, our ownership interest in IPF was 36.5% and 50.6%, respectively. Based on the reduction of our ownership interest in 2008, we no longer consolidate the accounts of IPF into our consolidated financial statements and beginning on January 1, 2008 we account for IPF under the equity method.

Filene’s, Boston, Massachusetts

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene’s property located in the Downtown Crossing district of Boston, Massachusetts for approximately \$100,000,000 in cash, of which our share was \$50,000,000. We account for our investment in the joint venture on the equity method. In the fourth quarter of 2008, the venture deferred the development of this project and accordingly, we wrote-off \$37,000,000 for our 50% share of development costs, which is included as a component of “(loss) income from partially owned entities” on our consolidated statement of income.

4. Discontinued Operations

In accordance with the provisions of SFAS 144, *Accounting for the Impairment and Disposal of Long-Lived Assets*, we have reclassified the revenues and expenses of properties and businesses sold or to be sold to “income from discontinued operations, net of minority interest” and the related assets and liabilities to “assets related to discontinued operations” and “liabilities related to discontinued operations” for all periods presented in the accompanying consolidated financial statements.

The net gains resulting from the disposition of the properties below are included in “income from discontinued operations, net of minority interest” on our consolidated statements of income.

424 Sixth Avenue

On March 13, 2006, we sold 424 Sixth Avenue, a 10,000 square foot retail property located in New York City, for \$22,000,000, which resulted in a net gain of \$9,218,000.

33 North Dearborn Street

On March 14, 2006, we sold 33 North Dearborn Street, a 336,000 square foot office building located in Chicago, Illinois, for \$46,000,000, which resulted in a net gain of \$4,835,000. All of the proceeds from the sale have been reinvested in tax-free “like-kind” exchange investments in accordance with Section 1031.

1919 South Eads Street

On June 22, 2006, we sold 1919 South Eads Street, a 96,000 square foot office building located in Arlington, Virginia, for \$38,400,000, which resulted in a net gain of \$17,609,000. All of the proceeds from the sale have been reinvested in tax-free “like-kind” exchange investments in accordance with Section 1031.

Vineland, New Jersey Shopping Center Property

On July 16, 2007, we sold our Vineland, New Jersey shopping center property for \$2,774,000 in cash, which resulted in a net gain of \$1,708,000.

Crystal Mall Two

On August 9, 2007, we sold Crystal Mall Two, a 277,000 square foot office building located at 1801 South Bell Street in Crystal City for \$103,600,000, which resulted in a net gain of \$19,893,000. All of the proceeds from the sale have been reinvested in tax-free “like-kind” exchange investments in accordance with Section 1031.

Arlington Plaza

On October 17, 2007, we sold Arlington Plaza, a 188,000 square foot office building located in Arlington, Virginia for \$71,500,000, resulting in a net gain of \$33,900,000.

Americold Realty Trust (“Americold”)

On March 31, 2008, we sold our 47.6% interest in Americold, our Temperature Controlled Logistics segment for \$220,000,000 in cash, which resulted in a net gain of \$112,690,000.

Tysons Dulles Plaza

On June 6, 2008, we sold our Tysons Dulles Plaza office building complex for \$152,800,000 in cash, which resulted in a net gain of \$56,831,000.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Discontinued Operations – continued

The following table sets forth the assets (primarily the net book value of real estate) related to discontinued operations.

(Amounts in thousands)	December 31,	
	2008	2007
H Street – 8.6 acres of land subject to ground leases (see page 24)	\$ 108,292	\$ 108,470
Retail Properties	2,088	4,030
Americold	—	1,424,770
Tysons Dulles Plaza	—	95,048
	<u>\$ 110,380</u>	<u>\$ 1,632,318</u>

The following table sets forth the liabilities (primarily mortgage debt) related to discontinued operations as of December 31, 2008 and 2007.

(Amounts in thousands)	December 31,	
	2008	2007
Americold	\$ 750	\$ 1,332,627
Tysons Dulles Plaza	—	3
	<u>\$ 750</u>	<u>\$ 1,332,630</u>

The following table sets forth the combined results of discontinued operations for the years ended December 31, 2008, 2007 and 2006.

(Amounts in thousands)	For the Year Ended December 31,		
	2008	2007	2006
Total revenues	\$ 222,361	\$ 865,584	\$ 813,665
Total expenses	238,132	872,176	815,219
Net loss	(15,771)	(6,592)	(1,554)
Net gains on sale of real estate	170,213	64,981	33,769
Income from discontinued operations, net of minority interest	<u>\$ 154,442</u>	<u>\$ 58,389</u>	<u>\$ 32,215</u>

5. Derivative Instruments and Related Marketable Securities

Investment in McDonald's Corporation ("McDonalds") (NYSE: MCD)

We owned an economic interest in 14,565,500 McDonalds' common shares through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds' common shares. These call and put options had an initial weighted-average strike price of \$32.66 per share, or an aggregate of \$475,692,000 and provided for net cash settlement. Under these agreements, the strike price for each pair of options increased at an annual rate of LIBOR plus 45 basis points and was decreased for dividends received. The options provided us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options were derivatives and did not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period were recognized as "interest and other investment income, net" on our consolidated statements of income. During 2006, we sold 2,119,500 of these shares at a weighted average price of \$35.49 per share, and acquired an additional 1,250,000 option shares at a weighted average price of \$33.08 per share. During 2007, we settled the 13,695,500 remaining option shares and received an aggregate of \$260,719,000 in cash. We recognized net gains of \$108,821,000 and \$138,815,000 in the years ended December 31, 2007 and 2006, respectively, representing income from the mark-to-market of these shares during the period of our ownership through their settlement, net of related LIBOR charges.

In addition to the above, in October 2007, we sold 858,000 McDonald's common shares for aggregate proceeds of \$48,434,000, or \$56.45 per share, and recognized a net gain of \$23,090,000, representing accumulated appreciation during the period of our ownership. The shares were acquired in 2005 at a weighted average price of \$29.54 per share, and were classified as "available-for-sale" marketable equity securities on our consolidated balance sheet.

The aggregate net gain from inception of our investments in McDonalds in 2005 through final settlement in October 2007 was \$289,414,000.

Investment in Sears, Roebuck and Co. ("Sears")

We owned an economic interest in 7,916,900 Sears' common shares through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on Sears' common shares. These call and put options had an initial weighted-average strike price of \$39.82 per share, or an aggregate of \$315,250,000. Under these agreements, the strike price for each pair of options increased at an annual rate of LIBOR plus 45 basis points and was decreased for dividends received. The options provided us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate strike price at an annual rate of LIBOR plus 45 basis points. Because these options were derivatives and did not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period were recognized as "interest and other investment income, net" on our consolidated statements of income. On March 30, 2005, as a result of the merger between Sears and Kmart and pursuant to the terms of the contract, our derivative position representing 7,916,900 Sears common shares became a derivative position representing 2,491,819 common shares of Sears Holdings, Inc. ("Sears Holdings") (Nasdaq: SHLD) valued at \$323,936,000 based on the then closing share price of \$130.00 and \$146,663,000 of cash. During 2005 we sold 402,660 of the option shares at a weighted average price of \$124.44 per share. During 2006, we settled the remaining 2,089,159 option shares at a weighted average price of \$125.43 per share, resulting in a net gain of \$18,611,000. The aggregate net gain realized from inception of this investment in 2004 through settlement was \$142,877,000.

Investment in Sears Canada, Inc. ("Sears Canada")

On April 3, 2006, we tendered the 7,500,000 Sears Canada shares we owned to Sears Holdings at the increased tender price of Cdn. \$18.00 per share (the equivalent at that time of US \$15.68 per share), which resulted in a net gain of \$55,438,000, the difference between the tender price, and our carrying amount of \$8.29 per share. Together with income recognized in the fourth quarter of 2005 that resulted from a Sears Canada special dividend, the aggregate net gain from inception in 2005 on our \$143,737,000 investment was \$78,323,000.

5. Derivative Instruments and Related Marketable Securities - continued

GMH Communities L.P. Stock Purchase Warrants

We owned warrants to acquire GMH Communities L.P. (“GMH”) common equity. The warrants entitled us to acquire (i) 6,666,667 GMH limited partnership units at an exercise price of \$7.50 per unit and (ii) 5,496,724 GMH limited partnership units at an exercise price of \$8.22 per unit. The warrants were accounted for as derivative instruments that did not qualify for hedge accounting treatment. Accordingly, the gains or losses resulting from the mark-to-market of the warrants at the end of each reporting period were recognized as “interest and other investment income, net” on our consolidated statements of income.

On November 3, 2004, we exercised our first tranche of warrants to acquire 6,666,667 limited partnership units at a price of \$7.50 per unit, or an aggregate of \$50,000,000. On May 2, 2006, the date our remaining GMH warrants were to expire, we received 1,817,247 GMH Communities Trust (NYSE: GCT) (“GCT”) common shares through an automatic cashless exercise, which resulted in the recognition of a net loss of \$16,370,000, the difference between the value of the GCT common shares received on May 2, 2006 and GCT’s closing share price of \$15.51 on December 31, 2005.

6. Investments in Partially Owned Entities

Toys “R” Us (“Toys”)

As of December 31, 2008, we own 32.7% of Toys. The business of Toys is highly seasonal. Historically, Toys’ fourth quarter net income accounts for more than 80% of its fiscal year net income. Because Toys’ fiscal year ends on the Saturday nearest January 31, we record our 32.7% share of Toys’ net income or loss on a one-quarter lag basis.

In July 2008, in connection with an audit of Toys’ purchase accounting basis financial statements for its fiscal years 2006 and 2007, it was determined that the purchase accounting basis income tax expense was understated. Our share of this non-cash charge was \$14,900,000, which we recognized as part of our equity in Toys’ net loss in the second quarter of 2008. This non-cash charge had no effect on cash actually paid for income taxes or Toys’ previously issued Recap basis consolidated financial statements.

In 2006, Toys closed 87 Toys “R” Us stores in the United States as a result of its store-closing program. Toys incurred restructuring and other charges aggregating approximately \$127,000,000 before tax, which includes \$44,000,000 for the cost of liquidating the inventory. Our share of the \$127,000,000 charge was \$42,000,000, of which \$27,300,000 had no income statement effect as a result of purchase accounting and the remaining portion relating to the cost of liquidating inventory of approximately \$9,100,000 after-tax, was recognized as an expense as part of our equity in Toys’ net income in 2006.

Below is a summary of Toys’ latest available financial information presented on a purchase accounting basis:

(Amounts in millions)

Balance Sheet:	<u>As of November 1, 2008</u>	<u>As of November 3, 2007</u>
Total Assets	\$ 12,410	\$ 12,636
Total Liabilities	11,481	11,645
Total Equity	929	991

Income Statement:	<u>For the Twelve Months Ended</u>		
	<u>November 1, 2008</u>	<u>November 3, 2007</u>	<u>October 28, 2006</u>
Total Revenue	\$ 14,090	\$ 13,646	\$ 12,205
Net Loss	(13)	(65)	(143)

6. Investments in Partially Owned Entities - continued

Alexander's, Inc. (NYSE: ALX) ("Alexander's")

We owned 32.5% and 32.8% of the outstanding common shares of Alexander's at December 31, 2008 and 2007, respectively. We manage, lease and develop Alexander's properties pursuant to the agreements described below which expire in March of each year and are automatically renewable. At December 31, 2008 the fair value of our investment in Alexander's, based on Alexander's December 31, 2008 closing share price of \$254.90, was \$421,622,000.

Management and Development Agreements

We receive an annual fee for managing Alexander's and all of its properties equal to the sum of (i) \$3,000,000, (ii) 3% of the gross income from the Kings Plaza Regional Shopping Center, (iii) \$0.50 per square foot of the tenant-occupied office and retail space at 731 Lexington Avenue and (iv) \$234,000, escalating at 3% per annum, for managing the common area of 731 Lexington Avenue.

In addition, we are entitled to a development fee of 6% of development costs, as defined, with minimum guaranteed payments of \$750,000 per annum. During the years ended December 31, 2008, 2007 and 2006, we recognized \$4,101,000, \$4,482,000 and \$725,000, respectively, of development fee income.

Leasing Agreements

We provide Alexander's with leasing services for a fee of 3% of rent for the first ten years of a lease term, 2% of rent for the eleventh through twentieth year of a lease term and 1% of rent for the twenty-first through thirtieth year of a lease term, subject to the payment of rents by Alexander's tenants. In the event third-party real estate brokers are used, our fee increases by 1% and we are responsible for the fees to the third-parties. We are also entitled to a commission upon the sale of any of Alexander's assets equal to 3% of gross proceeds, as defined, for asset sales less than \$50,000,000, or 1% of gross proceeds, as defined, for asset sales of \$50,000,000 or more. The total of these amounts is payable to us in annual installments in an amount not to exceed \$4,000,000 with interest on the unpaid balance at one-year LIBOR plus 1.0% (5.19% at December 31, 2008).

Other Agreements

Building Maintenance Services ("BMS"), our wholly-owned subsidiary, supervises the cleaning, engineering and security services at Alexander's 731 Lexington Avenue and Kings Plaza properties for an annual fee of the costs for such services plus 6%. During the years ended December 31, 2008, 2007 and 2006, we recognized \$2,083,000, \$3,016,000 and \$2,828,000, respectively, of income under these agreements.

6. Investments in Partially Owned Entities - continued

Lexington Realty Trust (“Lexington”) (NYSE: LXP)

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington, a real estate investment trust that invests in, owns and manages commercial properties net leased to major corporations throughout the United States. We owned 10,186,991 Newkirk Master Limited Partnership (“Newkirk MLP”) units (representing a 15.8% ownership interest), which was also acquired by Lexington as a subsidiary and was renamed Lexington Master Limited Partnership (“Lexington MLP”). The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. In addition, upon the merger, Newkirk terminated its advisory agreement with NKT Advisors, in which we had a 20.0% interest, for an aggregate payment of \$12,500,000, of which our share was \$2,300,000. On December 31, 2006, we recognized a net gain of \$10,362,000, as a result of the merger transactions, which is included on a component of “(loss) income from partially owned entities” on our consolidated statement of income.

In connection with the above transactions, we owned 8,149,592 limited partnership units of Lexington MLP which were exchangeable on a one-for-one basis into Lexington common shares, or a 7.7% limited partnership interest. On October 28, 2008, we acquired 8,000,000 Lexington common shares for \$5.60 per share, or \$44,800,000. The purchase price consisted of \$22,400,000 in cash and a \$22,400,000 margin loan recourse only to the 8,000,000 shares acquired. In addition, we exchanged our existing limited partnership units in Lexington MLP for 8,149,592 Lexington common shares. As of December 31, 2008, we own 16,149,592 Lexington common shares, or approximately 17.2% of Lexington’s common equity. We account for our investment in Lexington on the equity method and record our pro rata share of Lexington’s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Based on Lexington’s December 31, 2008 closing share price of \$5.00, the market value (“fair value” pursuant to SFAS 157) of our investment in Lexington was \$80,748,000, or \$100,707,000 below the carrying amount on our consolidated balance sheet. We have concluded that our investment in Lexington is “other-than-temporarily” impaired and recorded a \$100,707,000 non-cash impairment loss in the fourth quarter of 2008. Together with impairment changes recorded in the nine months ended September 30, 2008, we recognized an aggregate of \$107,882,000 of non-cash charges on our investment in Lexington. Our conclusions were based on the recent deterioration in the capital and financial markets and our inability to forecast a recovery in the near-term. These charges are included as a component of “(loss) income from partially owned entities,” on our consolidated statement of income.

GMH

In June 2008, pursuant to the sale of GMH’s military housing division and the merger of its student housing division with American Campus Communities, Inc. (“ACC”) (NYSE: ACC), we received an aggregate of \$105,180,000, consisting of \$82,142,000 in cash and 753,126 shares of ACC common stock valued at \$23,038,000 based on ACC’s then closing share price of \$30.59, in exchange for our entire interest in GMH. We subsequently sold all of the ACC common shares. The above transactions resulted in a net gain of \$2,038,000 which is included as a component of “net gains on disposition of wholly owned and partially owned assets other than depreciable real estate” in our consolidated statement of income. The aggregate net income realized from inception of this investment in 2004 through its disposition was \$77,000,000.

Real Estate Joint Ventures’ Development Costs

During 2008, we recognized non-cash charges aggregating \$96,037,000, for the write-off of our share of certain partially owned entities’ development costs, as these projects were either deferred or abandoned. These charges include \$37,000,000 in the fourth quarter of 2008, for our 50% share of costs in connection with the redevelopment of the Filene’s property in Boston, Massachusetts and \$23,000,000 in the first quarter of 2008, for our 50% share of costs in connection with the abandonment of the “arena move”/Moynihan East portions of the Farley project. Such charges are included as a component of “(loss) income from partially owned entities,” on our consolidated statement of income.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities – continued

Investments in partially owned entities as of December 31, 2008 and 2007 and income recognized from such investments for the years ended December 31, 2008, 2007 and 2006 are as follows:

Investments:

(Amounts in thousands)

	Percentage Ownership as of December 31, 2008	As of December 31,	
		2008	2007
Toys	32.7%	\$ <u>293,096</u>	\$ <u>298,089</u>
Partially owned office buildings (1)	(1)	\$ 157,468	\$ 161,411
Lexington (see page 31)	17.2%	80,748	160,868
India real estate ventures	4%-50%	88,858	123,997
Alexander's	32.5%	137,305	122,797
GMH (sold in June 2008)	—	—	103,260
Beverly Connection (2)	50%	—	91,302
Other equity method investments (3)	(3)	<u>325,775</u>	<u>443,107</u>
		<u>\$ 790,154</u>	<u>\$ 1,206,742</u>

(1) Includes interests in 330 Madison Avenue (25%), 825 Seventh Avenue (50%), Fairfax Square (20%), Kaempfer equity interests in three office buildings (2.5% to 5.0%), Rosslyn Plaza (46%) and West 57th Street properties (50%).

(2) As of November 13, 2008, our joint venture partner's failure to contribute its pro rata share of required capital resulted in our ability under the joint venture agreement to assert unilateral control over major business decisions and accordingly, we began to consolidate our investment pursuant to Accounting Research Bulletin ("ARB") 51, *Consolidated Financial Statements*.

(3) Includes interests in Monmouth Mall and redevelopment ventures including Boston Filene's, Harlem Park and Farley Project.

6. Investments in Partially Owned Entities – continued

Our Share of Net Income (Loss): (Amounts in thousands)	For the Years Ended December 31,		
	2008	2007	2006
Toys:			
32.7% share in 2008 and 2007 and 32.9% in 2006:			
Equity in net loss	\$ (5,785)	\$ (20,957)	\$ (56,218)
Interest and other income	8,165	6,620	8,698
	<u>\$ 2,380</u>	<u>\$ (14,337)</u>	<u>\$ (47,520)</u>
Alexander's:			
32.5% share in 2008, 32.8% in 2007 and 2006 of:			
Equity in net income before reversal (accrual) of stock appreciation rights compensation expense and net gain on sale of condominiums	\$ 17,484	\$ 22,624	\$ 19,120
Reversal (accrual) of stock appreciation rights compensation expense	6,583	14,280	(49,043)
Net gain on sale of condominiums	—	420	4,580
Equity in net income (loss)	24,067	37,324	(25,343)
Management and leasing fees	8,503	8,783	10,088
Development fees	4,101	4,482	725
	<u>\$ 36,671</u>	<u>\$ 50,589</u>	<u>\$ (14,530)</u>
Lexington (see page 31)	\$ (105,630) ⁽¹⁾	\$ 2,211	\$ 34,459 ⁽²⁾
Beverly Connection ⁽³⁾ :			
50% share of equity in net loss	(8,706) ⁽⁴⁾	(7,031)	(8,567)
Interest and other income	14,450	12,141	10,837
	<u>5,744</u>	<u>5,110</u>	<u>2,270</u>
India Real Estate Ventures:			
4% to 50% share of equity in net losses	(3,336)	—	—
GMH:			
13.8% share in 2007 and 13.5% in 2006:			
Equity in net income (loss)	—	6,463	(1,013)
H Street non-consolidated entities:			
50% share of equity in net income	—	5,923 ⁽⁵⁾	11,074 ⁽⁶⁾
Other ⁽⁷⁾	(92,656) ⁽⁸⁾	12,184	13,565
	<u>\$ (195,878)</u>	<u>\$ 31,891</u>	<u>\$ 60,355</u>

See notes on following page.

6. Investments in Partially Owned Entities – continued

Notes to preceding tabular information (in thousands):

- (1) Includes \$107,882 for non-cash impairment charges.
- (2) Includes (i) a \$10,362 net gain recognized as a result of the acquisition of Newkirk by Lexington and (ii) \$10,842 for our share of Newkirk MLP's net gains on sale of real estate.
- (3) As of November 13, 2008, our joint venture partner's failure to contribute its pro rata share of required capital resulted in our ability under the joint venture agreement to assert unilateral control over major business decisions and accordingly, we began to consolidate our investment pursuant to ARB 51.
- (4) Includes \$4,100 for the reversal of a non-cash charge recorded by the joint venture in prior periods which, pursuant to paragraph 19(n) of Accounting Principles Board Opinion 18, *The Equity Method of Accounting For Investments In Common Stock*, should have been eliminated in the determination of our share of the earnings of the venture. In addition, in accordance with EITF 99-10, during the quarter ended September 30, 2008 our partner's capital account was reduced to zero and, accordingly, we recognized \$1,528 of additional net loss for the portion that related to our partner's pro rata share of the venture's net loss.
- (5) Represents our 50% share of equity in net income from January 1, 2007 through April 29, 2007. On April 30, 2007, we acquired the remaining 50% interest of these entities and began to consolidate the accounts into our consolidated financial statements and no longer account for this investment under the equity method.
- (6) Prior to the quarter ended June 30, 2006, two 50% owned entities that were contesting our acquisition of H Street impeded our access to their financial information and accordingly, we were unable to record our pro rata share of their earnings. 2006 includes \$3,890 for our 50% share of their earnings for the period from July 20, 2005 (date of acquisition) to December 31, 2005.
- (7) Includes our equity in net earnings of partially owned entities, including partially owned office buildings in New York and Washington, DC, the Monmouth Mall, Dune Capital LP, Verde Group LLC and other equity method investments.
- (8) Includes \$96,037 for non-cash charges for the write-off of our share of certain partially owned entities' development costs.

Condensed Combined Financial Information of Partially Owned Entities

The following is a summary of combined financial information for all of our partially owned entities, including Toys, Alexander's, and Lexington, as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006.

(Amounts in millions)	December 31,			
Balance Sheet:	2008		2007	
Total Assets	\$	23,705	\$	24,832
Total Liabilities		19,526		20,611
Total Equity		4,179		4,221

	For the Years Ended December 31,					
Income Statement:	2008		2007		2006	
Total Revenue	\$	15,313	\$	14,821	\$	13,036
Net Loss		(43)		(144)		(19)

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities - continued

Below is a summary of the debt of partially owned entities as of December 31, 2008 and 2007, none of which is recourse to us.

	100% of Partially Owned Entities Debt at	
	December 31, 2008	December 31, 2007
(Amounts in thousands)		
Toys (32.7% interest) (as of November 1, 2008 and November 3, 2007, respectively):		
\$1.3 billion senior credit facility, due 2010, (6.14% at December 31, 2008)	\$ 1,300,000	\$ 1,300,000
\$2.0 billion credit facility, due 2010, LIBOR plus 1.00% - 3.75% (3.57% at December 31, 2008) (\$110,000 reserved for outstanding letters of credit)	367,000	489,000
Mortgage loan, due 2010, LIBOR plus 1.30% (2.50% at December 31, 2008)	800,000	800,000
\$804 million secured term loan facility, due 2012, LIBOR plus 4.25% (4.83% at December 31, 2008)	797,000	797,000
Senior U.K. real estate facility, due 2013, with interest at 5.02%	568,000	741,000
7.625% bonds, due 2011 (Face value – \$500,000)	486,000	481,000
7.875% senior notes, due 2013 (Face value – \$400,000)	377,000	373,000
7.375% senior notes, due 2018 (Face value – \$400,000)	335,000	331,000
Japan borrowings, due 2009-2011 (weighted average rate of 1.29% at December 31, 2008)	289,000	243,000
4.51% Spanish real estate facility, due 2013	167,000	193,000
\$181 million unsecured term loan facility, due 2013, LIBOR plus 5.00% (5.96% at December 31, 2008)	180,000	180,000
Japan bank loans, due 2011-2014, 1.20%-2.80%	158,000	161,000
6.84% Junior U.K. real estate facility, due 2013	101,000	132,000
4.51% French real estate facility, due 2013	81,000	93,000
8.750% debentures, due 2021 (Face value – \$22,000)	21,000	21,000
Multi-currency revolving credit facility, due 2010, LIBOR plus 1.50%-2.00%	—	28,000
Other	73,000	60,000
	6,100,000	6,423,000
Alexander's (32.5% interest):		
731 Lexington Avenue mortgage note payable collateralized by the office space, due in March 2014, with interest at 5.33% (prepayable without penalty after December 2013)	373,637	383,670
731 Lexington Avenue mortgage note payable, collateralized by the retail space, due in July 2015, with interest at 4.93% (prepayable without penalty after March 2015)	320,000	320,000
Kings Plaza Regional Shopping Center mortgage note payable, due in June 2011, with interest at 7.46% (prepayable without penalty after March 2011)	199,537	203,456
Rego Park construction loan payable, due in December 2010, with a one-year extension, LIBOR plus 1.20% (3.08% at December 31, 2008)	181,695	55,786
Rego Park mortgage note payable, due in June 2009, with interest at 7.25% (prepayable without penalty after March 2009)	78,386	79,285
Paramus mortgage note payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
	1,221,255	1,110,197
Lexington (7.7% interest) (as of September 30, 2008 and September 30, 2007, respectively): Mortgage loans collateralized by the partnership's real estate, due from 2008 to 2037, with a weighted average interest rate of 5.65% at September 30, 2008 (various prepayment terms)	2,486,370	3,320,261
GMH – 13.8% interest in mortgage notes payable	—	995,818

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Investments in Partially Owned Entities – continued

(Amounts in thousands)	100% of Partially Owned Entities Debt at	
	December 31, 2008	December 31, 2007
Partially owned office buildings:		
Kaempfer Properties (2.5% and 5.0% interests in two partnerships) mortgage notes payable, collateralized by the partnerships' real estate, due from 2011 to 2031, with a weighted average interest rate of 5.69% at December 31, 2008 (various prepayment terms)	\$ 143,000	\$ 144,340
100 Van Ness, San Francisco office complex (9% interest) up to \$132 million construction loan payable, due in July 2013, LIBOR plus 2.75% with an interest rate floor of 6.50% and interest rate cap of 7.00%	85,249	—
330 Madison Avenue (25% interest) up to \$150,000 mortgage note payable, due in June 2015, LIBOR plus 1.50% with interest at 3.38%	70,000	60,000
Fairfax Square (20% interest) mortgage note payable, due in August 2009, with interest at 7.50%	62,815	64,035
Rosslyn Plaza (46% interest) mortgage note payable, due in December 2011, LIBOR plus 1.0% (1.43% at December 31, 2008)	56,680	56,680
West 57 th Street (50% interest) mortgage note payable, due in October 2009, with interest at 4.94% (prepayable without penalty after July 2009)	29,000	29,000
825 Seventh Avenue (50% interest) mortgage note payable, due in October 2014, with interest at 8.07% (prepayable without penalty after April 2014)	21,426	21,808
India Real Estate Ventures:		
TCG Urban Infrastructure Holdings (25% interest) mortgage notes payable, collateralized by the entity's real estate, due from 2009 to 2022, with a weighted average interest rate of 13.38% at December 31, 2008 (various prepayment terms)	148,792	136,431
India Property Fund L.P. (36.5% interest) \$120 million secured revolving credit facility, due in December 2009, LIBOR plus 2.75% (4.60% at December 31, 2008)	90,500	—
Waterfront associates, LLC (2.5% interest) construction and land loan up to \$250 million payable, due in September 2011 with a six month extension option, LIBOR plus 2.00%-3.00% (3.19% at December 31, 2008)	57,600	—
Verde Realty Master Limited Partnership (8.5% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2009 to 2037, with a weighted average interest rate of 6.03% at December 31, 2008 (various prepayment terms)	559,840	487,122
Green Courte Real Estate Partners, LLC (8.3% interest) mortgage notes payable, collateralized by the partnerships' real estate, due from 2009 to 2015, with a weighted average interest rate of 4.96% at December 31, 2008 (various prepayment terms)	307,098	225,704
Monmouth Mall (50% interest) mortgage note payable, due in September 2015, with interest at 5.44% (prepayable without penalty after July 2015)	165,000	165,000
San Jose, California Ground-up Development (45% interest) construction loan, due in March 2009, with a one-year extension option; \$114 million fixed at 4.62%, balance at LIBOR plus 1.75% (4.49% at December 31, 2008)	132,128	101,045
Wells/Kinzie Garage (50% interest) mortgage note payable, due in December 2013, with interest at 6.87%	14,800	14,422
Orleans Hubbard Garage (50% interest) mortgage note payable, due in December 2013, with interest at 6.87%	10,200	9,045
Other	468,559	452,320

Based on our ownership interest in the partially owned entities above, our pro rata share of the debt of these partially owned entities was \$3,196,585,000 and \$3,289,873,000 as of December 31, 2008 and 2007, respectively.

7. Mezzanine Loans Receivable

The following is a summary of our investments in mezzanine loans as of December 31, 2008 and 2007.

(Amounts in thousands)	Maturity	Interest Rate	Carrying Amount as of	
		as of December 31, 2008	December 31, 2008	December 31, 2007
Mezzanine Loans Receivable:				
Equinox (1)	02/13	14.00%	\$ 85,796	\$ 73,162
Tharaldson Lodging Companies (2)	04/11	4.68%	76,341	76,219
Riley HoldCo Corp. (3)	02/15	10.00%	74,381	74,268
280 Park Avenue (4)	06/16	10.25%	73,750	73,750
MPH, net of valuation allowance of \$46,700 and \$57,000, respectively (5)	—	—	19,300	9,000
Other	04/09-07/17	4.75 – 12.0%	142,971	185,940
			<u>\$ 472,539</u>	<u>\$ 492,339</u>

- (1) On February 10, 2006, we acquired a 50% interest in a \$115,000 note issued by Related Equinox Holdings II, LLC (the "Note"), for \$57,500 in cash. The Note is secured by a pledge of the stock of Related Equinox Holdings II. Related Equinox Holdings II owns Equinox Holdings Inc., which in turn owns all of the assets and obligations, including the fitness clubs, operated under the Equinox brand. The Note is junior to a \$50,000 revolving loan and \$280,000 of senior unsecured obligations. The Note is senior to \$125,000 of equity contributed by third parties for their acquisition of the Equinox fitness club business. The Note matures on February 15, 2013 and bears paid-in-kind interest at 14% through February 15, 2011, increasing by 3% per annum through maturity. The Note is prepayable at any time after February 15, 2009.
- (2) On June 16, 2006, we acquired an 81.5% interest in a \$95,968 mezzanine loan to Tharaldson Lodging Companies for \$78,166 in cash. The loan is secured by a 107 hotel property portfolio with brands including Fairfield Inn, Residence Inn, Comfort Inn and Courtyard by Marriott. The loan is subordinate to \$671,778 of debt and is senior to approximately \$192,000 of other debt and equity. The loan matures in April 2009, with two one-year extensions, provides for a 0.75% placement fee and bears interest at LIBOR plus 4.25% (4.68% at December 31, 2008).
- (3) In 2005, we made a \$135,000 loan to Riley HoldCo Corp., consisting of a \$60,000 mezzanine loan and a \$75,000 fixed rate unsecured loan. During 2006, we were repaid the \$60,000 balance of the mezzanine loan with a pre-payment premium of \$972, which was recognized as "interest and other investment income" for the year ended December 31, 2006.
- (4) On June 30, 2006, we made a \$73,750 mezzanine loan secured by the equity interests in 280 Park Avenue, a 1.2 million square foot office building, located between 48th and 49th Streets in Manhattan. The loan bears interest at 10.25% and matures in June 2016. The loan is subordinate to \$1.036 billion of other debt and is senior to approximately \$260,000 of equity and interest reserves.
- (5) On June 5, 2007, we acquired a 42% interest in two MPH mezzanine loans totaling \$158,700 for \$66,000 in cash. The loans, which were due on February 8, 2008 and have not been repaid, are subordinate to \$2.9 billion of mortgage and other debt and secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56. At December 31, 2007, we reduced the net carrying amount of the loans to \$9,000 by recognizing a \$57,000 non-cash charge in our consolidated statement of income. On April 2, 2008, we sold a sub-participation interest in the loans for \$19,300 which resulted in the reduction of our valuation allowance from \$57,000 to \$46,700 and the recognition of \$10,300 of non-cash income in our consolidated statement of income.

8. Identified Intangible Assets

The following summarizes our identified intangible assets (primarily acquired above-market leases) and intangible liabilities (primarily acquired below-market leases) as of December 31, 2008 and December 31, 2007.

(Amounts in thousands)	December 31, 2008	December 31, 2007
Identified intangible assets (included in other assets):		
Gross amount	\$ 784,192	\$ 726,204
Accumulated amortization	(258,242)	(162,845)
Net	\$ 525,950	\$ 563,359
Identified intangible liabilities (included in deferred credit):		
Gross amount	\$ 998,179	\$ 977,455
Accumulated amortization	(278,357)	(163,357)
Net	\$ 719,822	\$ 814,098

Amortization of acquired below-market leases, net of acquired above-market leases resulted in an increase to rental income of \$96,176,000, \$83,292,000 and \$23,490,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The estimated annual amortization of acquired below-market leases net of acquired above-market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2009	\$ 69,110
2010	62,152
2011	59,187
2012	55,470
2013	47,504

Amortization of all other identified intangible assets (a component of depreciation and amortization expense) was \$86,498,000, \$45,764,000 and \$21,156,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The estimated annual amortization of all other identified intangible assets, including acquired in-place leases, customer relationships, and third party contracts for each of the five succeeding years is as follows:

(Amounts in thousands)	
2009	\$ 58,973
2010	56,286
2011	53,879
2012	49,296
2013	42,068

We are a tenant under ground leases for certain properties. Amortization of these acquired below-market leases resulted in an increase to rent expense of \$2,654,000, \$1,565,000 and \$320,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The estimated annual amortization of these below market leases for each of the five succeeding years is as follows:

(Amounts in thousands)	
2009	\$ 2,133
2010	2,133
2011	2,133
2012	2,133
2013	2,133

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt

The following is a summary of our debt:

(Amounts in thousands)

Notes and Mortgages Payable:	Maturity (1)	Interest Rate at December 31, 2008	Balance at	
			December 31, 2008	December 31, 2007
Fixed Interest:				
New York Office:				
1290 Avenue of the Americas	01/13	5.97%	\$ 444,667	\$ 454,166
350 Park Avenue	01/12	5.48%	430,000	430,000
770 Broadway	03/16	5.65%	353,000	353,000
888 Seventh Avenue	01/16	5.71%	318,554	318,554
Two Penn Plaza	02/11	4.97%	287,386	292,000
909 Third Avenue	04/15	5.64%	214,074	217,266
Eleven Penn Plaza	12/11	5.20%	206,877	210,338
Washington, DC Office:				
Skyline Place	02/17	5.74%	678,000	678,000
Warner Building	05/16	6.26%	292,700	292,700
River House Apartment Complex (2)	04/15	5.43%	195,546	46,339
1215 Clark Street, 200 12 th Street & 251 18 th Street	01/25	7.09%	115,440	117,464
Bowen Building	06/16	6.14%	115,022	115,022
Reston Executive I, II and III	01/13	5.57%	93,000	93,000
1101 17 th , 1140 Connecticut, 1730 M and 1150 17 th Street	08/10	6.74%	87,721	89,514
1550, 1750 Crystal Drive	11/14	7.08%	83,912	86,026
Universal Buildings	04/14	4.88%	59,728	62,613
2345 Crystal Drive	09/08	6.66%	—	58,656
1235 Clark Street	07/12	6.75%	54,128	54,936
2231 Crystal Drive	08/13	7.08%	50,394	52,293
241 18 th Street	10/10	6.82%	46,532	47,445
1750 Pennsylvania Avenue	06/12	7.26%	46,570	47,204
2011 Crystal Drive	10/09	6.88%	38,338	39,135
1225 Clark Street	08/13	7.08%	30,145	31,279
1800, 1851, 1901 South Bell Street	12/11	6.91%	27,801	35,558
Retail:				
Cross collateralized mortgages on 42 shopping centers	03/10	7.93%	448,115	455,907
Springfield Mall (including present value of purchase option)	10/12-04/13	5.45%	252,803	256,796
Green Acres Mall (3)	(3)	(3)	—	137,331
Montehiedra Town Center	07/16	6.04%	120,000	120,000
Broadway Mall	07/13	5.40%	94,879	97,050
828-850 Madison Avenue Condominium	06/18	5.29%	80,000	80,000
Las Catalinas Mall	11/13	6.97%	60,766	62,130
Other	05/09-11/34	4.00%-7.33%	159,597	165,299
Merchandise Mart:				
Merchandise Mart	12/16	5.57%	550,000	550,000
High Point Complex	08/16	6.34%	220,361	221,258
Boston Design Center	09/15	5.02%	70,740	71,750
Washington Design Center	11/11	6.95%	44,992	45,679
Other:				
555 California Street	05/10-09/11	5.97%	720,671	719,568
Industrial Warehouses	10/11	6.95%	25,268	25,656
Total Fixed Interest Notes and Mortgages Payable		5.96%	7,117,727	7,230,932

See notes on page 41.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

(Amounts in thousands)

Notes and Mortgages Payable:	Maturity (1)	Spread over LIBOR	Interest Rate at December 31, 2008	Balance at	
				December 31, 2008	December 31, 2007
Variable Interest:					
New York Office:					
Manhattan Mall	02/12	L+55	1.75%	\$ 232,000	\$ 232,000
866 UN Plaza	05/11	L+40	1.84%	44,978	44,978
Washington, DC Office:					
2101 L Street (4)	02/13	L+120	1.68%	150,000	—
Courthouse Plaza One and Two	01/15	L+75	2.58%	70,774	74,200
River House Apartments (2)	04/18	(2)	1.78%	64,000	—
Commerce Executive III, IV and V	07/09	L+55	1.98%	50,223	50,223
1999 K Street (5)	12/10	L+130	2.73%	73,747	—
220 20 th Street (6)	01/11	L+115	2.03%	40,701	—
West End 25 (7)	02/11	L+130	3.19%	24,620	—
Retail:					
Green Acres Mall (3)	02/13	L+140	3.28%	335,000	—
Bergen Town Center (8)	03/13	L+150	3.41%	228,731	—
Beverly Connection (9)	07/09	L+245	3.70%	100,000	—
Other:					
220 Central Park South	11/10	L+235 – L+245	3.82%	130,000	128,998
India Property Fund L.P. (10)	(10)	(10)	—	—	82,500
Other	07/09 – 11/11	Various	3.79%	172,886	94,626
Total Variable Interest Notes and Mortgages Payable			2.85%	1,717,660	707,525
Total Notes and Mortgages Payable			5.36%	\$ 8,835,387	\$ 7,938,457
Convertible Senior Debentures:					
Due 2027 (11)	04/12		2.85%	\$ 1,364,805	\$ 1,376,278
Due 2026 (12)	11/11		3.63%	978,109	984,134
Total Convertible Senior Debentures			3.18%	\$ 2,342,914	\$ 2,360,412
Senior Unsecured Notes:					
Senior unsecured notes due 2009 (13)	08/09		4.50%	\$ 168,289	\$ 249,365
Senior unsecured notes due 2010	12/10		4.75%	199,625	199,436
Senior unsecured notes due 2011	02/11		5.60%	249,902	249,855
Total Senior Unsecured Notes			5.03%	\$ 617,816	\$ 698,656
Exchangeable Senior Debentures due 2025	04/12		3.88%	\$ 494,501	\$ 492,857
Unsecured Revolving Credit Facilities:					
\$1.595 billion unsecured revolving credit facility	09/12	L+55 ⁽¹⁵⁾	1.97%	\$ 300,000	\$ 300,000
\$.965 billion unsecured revolving credit facility (14) (\$44,565 reserved for outstanding letters of credit)	06/11	L+55 ⁽¹⁵⁾	2.18%	58,468	105,656
Total Unsecured Revolving Credit Facilities			2.00%	\$ 358,468	\$ 405,656

See notes on the following page.

9. Debt - continued

Notes to preceding tabular information:

(Amounts in thousands)

- (1) Represents the extended maturity for certain loans in which we have the unilateral right, ability and intent to extend. In the case of our convertible and exchangeable debt, represents the earliest date holders may require us to repurchase the debentures.
- (2) On March 12, 2008, we completed a \$260,000 refinancing of the River House Apartment Complex. The financing is comprised of a \$196,000 interest-only seven-year 5.43% fixed rate mortgage and a \$64,000 interest-only ten-year floating rate mortgage at the Freddie Mac Reference Note Rate plus 1.53% (1.78% at December 31, 2008). We retained net proceeds of \$205,000 after repaying the existing loan.
- (3) On February 11, 2008, we completed a \$335,000 refinancing of the Green Acres regional mall. This interest-only loan has a rate of LIBOR plus 1.40% (3.28% at December 31, 2008) and matures in February 2011, with two one-year extension options. We retained net proceeds of \$193,000 after repaying the existing loan.
- (4) On February 26, 2008, we completed a \$150,000 financing of 2101 L Street. The loan bears interest at LIBOR plus 1.20% (1.68% at December 31, 2008) and matures in February 2011 with two one-year extension options. We retained net proceeds of \$148,000.
- (5) On March 27, 2008, we closed a construction loan providing up to \$124,000 to finance the redevelopment of 1999 K Street. The interest-only loan has a rate of LIBOR plus 1.30% (2.73% at December 31, 2008) and matures in December 2010 with two six-month extension options.
- (6) On January 18, 2008, we closed a construction loan providing up to \$87,000 to finance the residential redevelopment project at 220 20th Street (formally Crystal Plaza Two). The construction loan bears interest at LIBOR plus 1.15% (2.03% at December 31, 2008) and matures in January 2011 with two six-month extension options.
- (7) On February 20, 2008, we closed a construction loan providing up to \$104,000 to finance the residential redevelopment project at 1229-1231 25th Street NW ("West End 25"). The construction loan bears interest at LIBOR plus 1.30% (3.19% at December 31, 2008) and matures in February 2011 with two six-month extension options.
- (8) On March 24, 2008, we closed a construction loan providing up to \$290,000 to finance the redevelopment of a portion of the Bergen Town Center. The interest-only loan has a rate of LIBOR plus 1.50% (3.41% at December 31, 2008) and matures in March 2011 with two one-year extension options.
- (9) Beginning in November 2008, we consolidate our investment in Beverly Connection and no longer account for it under the equity method.
- (10) Beginning in the first quarter of 2008, we account for our investment in the India Property Fund on the equity method and no longer consolidate its accounts into our consolidated financial statements, based on the reduction in our ownership interest from 50.6% as of December 31, 2007 to 36.5%.

9. Debt - continued

Notes to preceding tabular information:

(Amounts in thousands)

(11) On March 21, 2007, Vornado Realty Trust sold \$1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters' discounts and expenses, were approximately \$1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per one-thousand dollars of principal amount of debentures. The initial conversion price of \$162.46 represented a premium of 30% over the March 21, 2007 closing price for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares. The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership fully and unconditionally guaranteed the payment of the debentures. There are no restrictions which limit the Operating Partnership from making distributions to Vornado and Vornado has no independent assets or operations outside of the Operating Partnership.

We are amortizing the underwriters' discount on a straight-line basis (which approximates the effective interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures, when analyzed as a freestanding instrument, meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 "*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Common Stock,*" separate accounting for the conversion option under SFAS No. 133 "*Accounting for Derivative Instruments and Hedging Activities*" is not appropriate.

In November 2008, we purchased \$17,300 (aggregate face amounts) of our convertible senior debentures due 2027 for \$11,094 in cash.

(12) On November 20, 2006, we sold \$1,000,000 aggregate principal amount of 3.625% convertible senior debentures due 2026, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters' discounts and expenses, were approximately \$980,000. The debentures are convertible, under certain circumstances, for Vornado common shares at a current conversion rate of 6.5168 common shares per \$1 of principal amount of debentures. The initial conversion price of \$153.45 represented a premium of 30% over the November 14, 2006 closing price for our common shares. The debentures are redeemable at our option beginning in 2011 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2011, 2016, and 2021 and in the event of a change in control. The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership fully and unconditionally guaranteed the payment of the debentures. There are no restrictions which limit the Operating Partnership from making distributions to Vornado and Vornado has no independent assets or operations outside of the Operating Partnership.

We are amortizing the underwriters' discount on a straight-line basis (which approximates the effective interest method) over the period from the date of issuance to the date of earliest redemption of December 1, 2011. Because the conversion option associated with the debentures, when analyzed as a freestanding instrument, meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 "*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's own Common Stock,*" separate accounting for the conversion option under SFAS No. 133 "*Accounting for Derivative Instruments and Hedging Activities*" is not appropriate.

In November 2008, we purchased \$10,200 (aggregate face amounts) of our convertible senior debentures due 2026 for \$6,987 in cash.

(13) During 2008, we purchased \$81,540 (aggregate face amounts) of our senior unsecured notes due August 15, 2009 for \$80,408.

(14) Lehman Brothers is part of the syndicate of banks under this unsecured revolving credit facility with a total commitment of \$35 million. On September 15, 2008, Lehman Brothers filed for Chapter 11 bankruptcy protection. All of the banks in the syndicate, except for Lehman Brothers, have funded their pro rata share of a draw we made subsequent to Lehman's bankruptcy filing.

(15) Requires the payment of an annual facility fee of 15 basis points.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Debt - continued

Our revolving credit facility and senior unsecured notes contain financial covenants which require us to maintain minimum interest coverage ratios and limit our debt to market capitalization ratios. We believe that we have complied with all of our financial covenants as of December 31, 2008.

On May 9, 2006, we executed supplemental indentures with respect to our senior unsecured notes due 2007, 2009 and 2010 (collectively, the "Notes"), pursuant to our consent solicitation statement dated April 18, 2006, as amended. Holders of approximately 96.7% of the aggregate face amount of the Notes consented to the solicitation. The supplemental indentures contain modifications of certain covenants and related defined terms governing the terms of the Notes to make them consistent with corresponding provisions of the covenants and defined terms included in the senior unsecured notes due 2011 issued on February 16, 2006. The supplemental indentures also include a new covenant that provides for an increase in the interest rate of the Notes upon certain decreases in the ratings assigned by rating agencies to the Notes. In connection with the consent solicitation we paid an aggregate fee of \$2,241,000 to the consenting note holders, which will be amortized into expense over the remaining term of the Notes. In addition, we incurred advisory and professional fees aggregating \$1,415,000, which were expensed in 2006.

The net carrying amount of properties collateralizing the notes and mortgages payable amounted to \$11.631 billion at December 31, 2008. As of December 31, 2008, the principal repayments required for the next five years and thereafter are as follows:

(Amounts in thousands)

Year Ending December 31,	Mortgages Payable	Senior Unsecured Debt
2009	\$ 349,249	\$ 168,460
2010	977,185	200,000
2011	1,978,996	1,298,268
2012	911,606	2,182,699
2013	1,109,516	—
Thereafter	3,464,965	—

10. Shareholders' Equity

Preferred Shares

The following table sets forth the details of our preferred shares of beneficial interest outstanding as of December 31, 2008 and 2007.

(Amounts in thousands, except share and per share amounts)

	December 31,	
	2008	2007
6.5% Series A: liquidation preference \$50.00 per share; authorized 5,750,000 shares; issued and outstanding 54,124 and 80,362 shares	\$ 2,762	\$ 4,050
7.0% Series D-10: liquidation preference \$25.00 per share; authorized 4,800,000 shares; issued and outstanding 1,600,000 shares	39,982	39,982
7.0% Series E: liquidation preference \$25.00 per share; authorized 3,450,000 shares; issued and outstanding 3,000,000 shares	72,248	72,248
6.75% Series F: liquidation preference \$25.00 per share; authorized 6,000,000 shares; issued and outstanding 6,000,000 shares	144,720	144,720
6.625% Series G: liquidation preference \$25.00 per share; authorized 9,200,000 shares; issued and outstanding 8,000,000 shares	193,135	193,135
6.75% Series H: liquidation preference \$25.00 per share; authorized 4,600,000 shares; issued and outstanding 4,500,000 shares	108,559	108,559
6.625% Series I: liquidation preference \$25.00 per share; authorized 12,050,000 shares; issued and outstanding 10,800,000 shares	262,401	262,401
	<u>\$ 823,807</u>	<u>\$ 825,095</u>

Series A Convertible Preferred Shares of Beneficial Interest

Holders of Series A Preferred Shares of beneficial interest are entitled to receive dividends in an amount equivalent to \$3.25 per annum per share. These dividends are cumulative and payable quarterly in arrears. The Series A Preferred Shares are convertible at any time at the option of their respective holders at a conversion rate of 1.38504 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. In addition, upon the satisfaction of certain conditions we, at our option, may redeem the \$3.25 Series A Preferred Shares at a current conversion rate of 1.38504 common shares per Series A Preferred Share, subject to adjustment in certain circumstances. At no time will the Series A Preferred Shares be redeemable for cash.

Series D-10 Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series D-10 Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of \$25.00 per share, or \$1.75 per Series D-10 Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series D-10 Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. We, at our option, may redeem the Series D-10 Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series D-10 Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series E Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series E Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 7.0% of the liquidation preference of \$25.00 per share, or \$1.75 per Series E Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series E Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after August 20, 2009 (or sooner under limited circumstances), we, at our option, may redeem Series E Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series E Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

10. Shareholders' Equity - continued

Series F Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series F Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of \$25.00 per share, or \$1.6875 per Series F Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series F Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after November 17, 2009 (or sooner under limited circumstances), we, at our option, may redeem Series F Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series F Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series G Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of Series G Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of \$25.00 per share, or \$1.656 per Series G Preferred Share per annum. These dividends are cumulative and payable quarterly in arrears. The Series G Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after December 22, 2009 (or sooner under limited circumstances), we, at our option, may redeem Series G Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series G Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series H Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of the Series H Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.75% of the liquidation preference of \$25.00 per share, or \$1.6875 per Series H Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series H Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after June 17, 2010 (or sooner under limited circumstances), we, at our option, may redeem Series H Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series H Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Series I Cumulative Redeemable Preferred Shares of Beneficial Interest

Holders of the Series I Preferred Shares of beneficial interest are entitled to receive dividends at an annual rate of 6.625% of the liquidation preference of \$25.00 per share, or \$1.656 per Series I Preferred Share per annum. The dividends are cumulative and payable quarterly in arrears. The Series I Preferred Shares are not convertible into, or exchangeable for, any other property or any other security of the Company. On or after August 31, 2010 (or sooner under limited circumstances), we, at our option, may redeem Series I Preferred Shares at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The Series I Preferred Shares have no maturity date and will remain outstanding indefinitely unless redeemed by us.

Accumulated Other Comprehensive Income

Accumulated other comprehensive (loss) income was (\$6,899,000) and \$29,772,000 as of December 31, 2008 and 2007, respectively, and primarily consists of accumulated unrealized (loss) income from the mark-to-market of marketable equity securities classified as available-for-sale.

11. Stock-based Compensation

Our Share Option Plan (the “Plan”) provides for grants of incentive and non-qualified stock options, restricted stock, stock appreciation rights and performance shares to certain employees and officers. We have approximately 2,400,000 shares available for future grant under the Plan at December 31, 2008.

In March 2006, our Board of Trustees (the “Board”) approved an amendment to the Plan to permit the Compensation Committee of the Board (the “Compensation Committee”) to grant awards in the form of limited partnership units (“OP Units”) of the Operating Partnership. OP Units can be granted either as free-standing awards or in tandem with other awards under the Plan. OP Units may be converted into the Operating Partnership’s Class A common units and, consequently, become convertible by the holder on a one-for-one basis for our common shares or the cash value of such shares at our election.

We account for all stock-based compensation in accordance with SFAS 123R: Stock based compensation expense for the year ended December 31, 2007 and 2006 consists of stock option awards, restricted stock and Operating Partnership unit awards and out-performance plan awards.

2006 Out-Performance Plan

In March 2006, the Board approved the terms of the Vornado Realty Trust 2006 Out-Performance Plan (the “2006 OPP”), a long-term “pay-for-performance” incentive compensation program. The purpose of the 2006 OPP was to further align the interests of our shareholders and management by encouraging our senior officers and employees to create shareholder value. On April 25, 2006, our Compensation Committee approved 2006 OPP awards to a total of 54 employees and officers of the Company, which aggregated 91% of the total 2006 OPP. The fair value of the awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$46,141,000 and is being amortized into expense over the five-year vesting period beginning on the date of grant, using a graded vesting attribution model.

Under the 2006 OPP, award recipients share in a performance pool when our total return to shareholders exceeds a cumulative 30% (for a period of 30 consecutive days), including both share appreciation and dividends paid, from a price per share of \$89.17 (the average closing price per common share for the 30 trading days prior to March 15, 2006). The size of the pool is 10% of the amount in excess of the 30% benchmark, subject to a maximum cap of \$100,000,000. Each award was designated as a specified percentage of the \$100,000,000 maximum cap. Awards were issued in the form of a new class of Operating Partnership units (“OPP Units”) and are subject to achieving the performance threshold, time vesting and other conditions. OPP Units are convertible by the holder into an equivalent number of the Operating Partnership’s Class A units, which are redeemable by the holder for Vornado common shares on a one-for-one basis or the cash value of such shares, at our election. All awards earned vest 33.3% on each of March 15, 2009, 2010 and 2011 subject to continued employment. Once a performance pool has been established, each OPP Unit will receive a distribution equal to the distribution paid on a Class A unit, including an amount payable in OPP Units representing distributions paid on a Class A unit during the performance period. As of January 12, 2007, the maximum performance threshold under the Out-Performance Plan was achieved, concluding the performance period.

11. Stock-based Compensation - continued

2008 Out-Performance Plan

On March 31, 2008, our Compensation Committee approved a \$75,000,000 out-performance plan (the "2008 OPP") that requires the achievement of performance objectives against both absolute and relative thresholds. The 2008 OPP establishes a potential performance pool in which 78 members of senior management have the opportunity to share if the total return to our shareholders (the "Total Return") resulting from both share appreciation and dividends for the four-year period from March 31, 2008 to March 31, 2012 exceeds both an absolute and a relative hurdle. The initial value from which to determine the Total Return is \$86.20 per share, a 0.93% premium to the trailing 10-day average closing price on the New York Stock Exchange for our common shares on the date the plan was adopted.

The size of the out-performance pool for the 2008 OPP is 6% of the aggregate "out-performance return" subject to a maximum total award of \$75,000,000 (the "Maximum Award"). The "out-performance return" is comprised of (i) 3% of the total dollar value of the Total Return in excess of 10% per annum (the "Absolute Component"), plus (ii) 3% of the total dollar value of the Total Return in excess of the Relative Threshold (the "Relative Component"), based on the SNL Equity REIT Index (the "Index") over the four-year performance period. In the event that the Relative Component creates a negative award as a result of underperforming the Index, the value of any out-performance award potentially earned under the Absolute Component will be reduced dollar for dollar. In addition, awards potentially earned under the Relative Component will be reduced on a ratable sliding scale to the extent the Total Return is less than 10% per annum and to zero to the extent the Total Return is less than 7% per annum. The size of this out-performance pool, if any, will be determined based on the highest 30-trading day trailing average price of our common shares during the final 150 days of the four-year period. During the four-year performance period, participants are entitled to receive 10% of the common dividends paid on Vornado's common shares for each OPP unit awarded, regardless of whether the OPP units are ultimately earned.

The 2008 OPP also provides participants an opportunity to earn partial awards during two interim measurement periods (the "Interim Periods"): (a) one for a period consisting of the first two years of the performance period and (b) one for a period consisting of the final two years of the performance period. For each Interim Period, participants may be entitled to share in 40% (\$30,000,000) of the maximum \$75,000,000 performance pool if the performance thresholds have been met for the applicable Interim Periods on a pro rated basis. The starting share price for the first Interim Period is \$86.20 per share. The starting share price for the second Interim Period is equal to the greater of our common share price on March 31, 2010, or the initial starting share price of \$86.20 per share less dividends paid during the first two years of the plan. If the maximum award is earned during the first Interim Period, participants lose the potential to earn the second Interim Period award, but not the potential to earn the remainder of the maximum award over the four-year period. The size of any out-performance pool for an Interim Period will be determined based on the highest 30-day trailing average price of our shares during the final 120 days of the applicable Interim Period. Awards earned under the program (including any awards earned for the Interim Periods), will vest 50% on March 31, 2012 and 50% on March 31, 2013. The fair value of the OPP awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$21,600,000, and is being amortized into expense over a five-year period beginning on the date of grant through the final vesting period, using a graded vesting attribution model.

For the years ended December 31, 2008, 2007 and 2006, we recognized \$16,021,000, \$12,734,000 and \$8,293,000 of compensation expense, respectively, in connection with our 2006 and 2008 out-performance plans. The remaining unrecognized compensation expense of \$29,551,000 will be recognized over a weighted-average period of 2.0 years. Distributions paid on unvested OPP Units are charged to "minority interest expense" on our consolidated statements of income and amounted to \$2,918,000, \$2,694,000 and \$0 in 2008, 2007 and 2006, respectively.

11. Stock-based Compensation - continued

Stock Options

Stock options are granted at an exercise price equal to 100% of the average of the high and low market price of our common shares on the NYSE on the date of grant, generally vest pro-rata over five years and expire 10 years from the date of grant. In 2008, our senior executives were granted options with an exercise price of 17.5% in excess of the average of the high and low market price of our common shares on the NYSE on the date of the grant.

Compensation expense is recognized on a straight-line basis over the vesting period. During the years ended December 31, 2008, 2007, and 2006, we recognized \$9,051,000, \$4,549,000 and \$1,705,000, of compensation expense, respectively, for the portion of stock option awards that vested during each year.

Below is a summary of our stock option activity under the Plan for the year ended December 31, 2008.

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2008	9,725,311	\$ 49.41		
Granted	2,806,615	101.23		
Exercised	(2,420,749)	35.56		
Cancelled	(120,694)	106.70		
Outstanding at December 31, 2008	<u>9,990,483</u>	<u>\$ 66.64</u>	<u>5.2</u>	<u>\$ 123,360,000</u>
Options vested and expected to vest at December 31, 2008	<u>9,970,106</u>	<u>\$ 66.57</u>	<u>5.2</u>	<u>\$ 123,360,000</u>
Options exercisable at December 31, 2008	<u>5,595,718</u>	<u>\$ 39.68</u>	<u>2.4</u>	<u>\$ 123,356,000</u>

The fair value of each option grant is estimated on the date of grant using an option-pricing model with the following weighted-average assumptions for grants in the years ended December 31, 2008, 2007 and 2006.

	December 31,		
	2008	2007	2006
Expected volatility	19%	17%	17%
Expected life	7.7 years	5 years	5 years
Risk-free interest rate	3.2%	4.5%	4.4%
Expected dividend yield	4.8%	5.0%	5.0%

The weighted average grant date fair value of options granted during the years ended December 31, 2008, 2007 and 2006 was \$6.80, \$12.55 and \$10.23, respectively. Cash received from option exercises for the years ended December 31, 2008, 2007 and 2006 was \$27,587,000, \$34,648,000 and \$75,665,000, respectively. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was \$79,997,000, \$99,656,000 and \$244,694,000, respectively.

11. Stock-based Compensation - continued

Restricted Stock

Restricted stock awards are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant and generally vest over five years. Compensation expense is recognized on a straight-line basis over the vesting period. During the years ended December 31, 2008, 2007 and 2006, we recognized \$3,201,000, \$4,079,000 and \$3,820,000 of compensation expense, respectively, for the portion of restricted stock awards that vested during each year. As of December 31, 2008, there was \$3,772,000 of total unrecognized compensation cost related to nonvested shares granted under the Plan. This cost is expected to be recognized over a weighted-average period of 1.74 years. Dividends paid on unvested shares are charged directly to retained earnings and amounted to \$308,000, \$533,000 and \$842,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The total fair value of shares vested during the years ended December 31, 2008, 2007 and 2006 was \$4,472,000, \$8,907,000 and \$6,170,000, respectively.

Below is a summary of restricted stock activity under the Plan for the year ended December 31, 2008.

Non-vested Shares	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2008	159,388	\$ 70.07
Granted	6,987	85.20
Vested	(75,593)	57.25
Forfeited	(2,922)	99.81
Non-vested at December 31, 2008	<u>87,860</u>	81.31

Restricted Operating Partnership Units ("OP Units")

Restricted OP Units are granted at the average of the high and low market price of our common shares on the NYSE on the date of grant, vest ratably over five years and are subject to a taxable book-up event, as defined. The fair value of these awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$7,167,000, \$10,696,000, and \$3,480,000 for the awards granted in 2008, 2007 and 2006, respectively, and is amortized into expense over the five-year vesting period using a graded vesting attribution model. During the years ended December 31, 2008, 2007 and 2006, we recognized \$6,257,000, \$5,493,000, and \$1,053,000, of compensation expense, respectively, for the portion of Restricted OP Units that vested during last year. As of December 31, 2008, there was \$8,150,000 of total remaining unrecognized compensation cost related to non-vested OP units granted under the Plan and the cost is expected to be recognized over a weighted-average period of 1.78 years. Distributions paid on unvested OP Units are charged to "minority interest expense" on our consolidated statements of income and amounted to \$938,000, \$444,000, and \$147,000 in 2008, 2007 and 2006, respectively. The total fair value of units vested during the year ended December 31, 2008 was \$1,952,000.

Below is a summary of restricted OP unit activity under the Plan for the year ended December 31, 2008.

Non-vested Units	Units	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2008	155,028	\$ 83.37
Granted	112,726	63.58
Vested	(32,993)	82.55
Forfeited	(1,682)	62.31
Non-vested at December 31, 2008	<u>233,079</u>	74.07

12. Retirement Plans

Prior to December 2008, we had two defined benefit pension plans, a Vornado Realty Trust Retirement Plan (“Vornado Plan”) and a Merchandise Mart Properties Pension Plan (“Mart Plan”). The benefits under the Vornado Plan and the Mart Plan (collectively, the “Plans”) were frozen in December 1997 and June 1999, respectively. Benefits under the Plans are or were primarily based on years of service and compensation during employment or on years of credited service and established monthly benefits. Funding policy for the Plans was based on contributions at the minimum amounts required by law. In December 2008, we finalized the termination of the Vornado Plan which resulted in a \$4,600,000 pension settlement expense which is included as a component of “general and administrative” expense on our consolidated statement of income. In addition, during the first quarter of 2009, we expect to finalize the termination of the Mart Plan, which will result in the recognition of a \$2,800,000 pension settlement expense. The financial results of the Mart Plan, using a December 31, measurement date, are provided below.

Obligations and Funded Status

The following table sets forth the Mart Plan’s funded status and amounts recognized in our balance sheets:

	2008	2007
<i>(Amounts in thousands)</i>		
Fair value of plan assets at end of year	\$ 11,850	\$ 13,113
Benefit obligation at end of year	13,355	12,430
Funded status at end of year	<u>\$ (1,505)</u>	<u>\$ 683</u>
 Amounts recorded in the consolidated balance sheet:		
Other assets (prepaid benefit cost)	<u>\$ —</u>	<u>\$ 683</u>
Other liabilities (accrued benefit cost)	<u>\$ (1,505)</u>	<u>\$ —</u>

	Pension Benefits		
	Year Ended December 31,		
	2008	2007	2006
Amounts recognized in accumulated other comprehensive (loss) income consist of:			
Net loss	<u>\$ 2,488</u>	<u>\$ 274</u>	<u>\$ —</u>

13. Leases

As lessor:

We lease space to tenants under operating leases. Most of the leases provide for the payment of fixed base rentals payable monthly in advance. Office building leases generally require the tenants to reimburse us for operating costs and real estate taxes above their base year costs. Shopping center leases provide for the pass-through to tenants the tenants' share of real estate taxes, insurance and maintenance. Shopping center leases also provide for the payment by the lessee of additional rent based on a percentage of the tenants' sales. As of December 31, 2008, future base rental revenue under non-cancelable operating leases, excluding rents for leases with an original term of less than one year and rents resulting from the exercise of renewal options, is as follows:

(Amounts in thousands)

Year Ending December 31:

2009	\$ 1,792,000
2010	1,732,000
2011	1,576,000
2012	1,417,000
2013	1,300,000
Thereafter	7,216,000

These amounts do not include rentals based on tenants' sales. These percentage rents approximated \$7,322,000, \$9,379,000, and \$7,593,000, for the years ended December 31, 2008, 2007, and 2006, respectively.

None of our tenants accounted for more than 10% of total revenues for the years ended December 31, 2008, 2007 and 2006.

Former Bradlees Locations

Pursuant to the Master Agreement and Guaranty, dated May 1, 1992, we are due \$5,000,000 per annum of additional rent from Stop & Shop which was allocated to certain of Bradlees former locations. On December 31, 2002, prior to the expiration of the leases to which the additional rent was allocated, we reallocated this rent to other former Bradlees leases also guaranteed by Stop & Shop. Stop & Shop is contesting our right to reallocate and claims that we are no longer entitled to the additional rent. At December 31, 2008, we are due an aggregate of \$30,400,000. We believe the additional rent provision of the guaranty expires at the earliest in 2012 and we are vigorously contesting Stop & Shop's position.

13. Leases - continued

As lessee:

We are a tenant under operating leases for certain properties. These leases have terms that expire during the next thirty years. Future minimum lease payments under operating leases at December 31, 2008, are as follows:

(Amounts in thousands)

Year Ending December 31:	
2009	\$ 26,346
2010	25,066
2011	24,657
2012	24,865
2013	24,872
Thereafter	1,005,370

Rent expense was \$29,320,000, \$24,503,000, and \$18,655,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

We are also a lessee under capital leases for real estate. Lease terms generally range from 5-20 years with renewal or purchase options. Capitalized leases are recorded at the present value of future minimum lease payments or the fair market value of the property. Capitalized leases are depreciated on a straight-line basis over the estimated life of the asset or life of the related lease, whichever is shorter. Amortization expense on capital leases is included in "depreciation and amortization" on our consolidated statements of income. As of December 31, 2008, future minimum lease payments under capital leases are as follows:

(Amounts in thousands)

Year Ending December 31:	
2009	\$ 706
2010	707
2011	706
2012	707
2013	706
Thereafter	18,134
Total minimum obligations	21,666
Interest portion	(14,878)
Present value of net minimum payments	\$ 6,788

At December 31, 2008 and 2007, \$6,788,000 and \$6,820,000, respectively, representing the present value of net minimum payments are included in "Other Liabilities" on our consolidated balance sheets. Property leased under capital leases had a total cost of \$6,216,000, and related accumulated depreciation of \$1,717,000 and \$1,562,000, at December 31, 2008 and 2007, respectively.

14. Commitments and Contingencies

Insurance

We carry commercial liability and all risk property insurance (i) fire, (ii) flood, (iii) extended coverage, (iv) "acts of terrorism" as defined in the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"), which expires in December 2014, and (v) rental loss insurance) with respect to our assets. Our New York Office, Washington, DC Office, Retail and Merchandise Mart divisions have \$2.0 billion of per occurrence all risk property insurance coverage, including terrorism coverage in effect through September 15, 2009. Our California properties have earthquake insurance with coverage of \$150,000,000 per occurrence, subject to a deductible in the amount of 5% of the value of the affected property, and a \$150,000,000 annual aggregate.

In June 2007 we formed Penn Plaza Insurance Company, LLC ("PPIC"), a wholly owned consolidated subsidiary, to act as a re-insurer with respect to a portion of our earthquake insurance coverage and as a direct insurer for coverage for "certified" acts of terrorism and for nuclear, biological, chemical and radiological ("NBCR") acts, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"). Coverage for "certified" acts of terrorism is fully reinsured by third party insurance companies and the Federal government with no exposure to PPIC. Prior to the formation of PPIC, we were uninsured for losses under NBCR coverage. Subsequently, we have \$2.0 billion of NBCR coverage under TRIPRA, for which PPIC is responsible for 15% of each NBCR loss and the insurance company deductible of \$1,000,000. We are ultimately responsible for any loss borne by PPIC.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us), senior unsecured notes, exchangeable senior debentures, convertible senior debentures and revolving credit agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

Other Contractual Obligations

At December 31, 2008, there were \$44,565,000 of outstanding letters of credit under our \$0.965 billion revolving credit facility. Our credit facilities contain financial covenants that require us to maintain minimum interest coverage and maximum debt to market capitalization ratios, and provide for higher interest rates in the event of a decline in our ratings below Baa3/BBB. Our credit facilities also contain customary conditions precedent to borrowing, including representations and warranties and also contain customary events of default that could give rise to accelerated repayment, including such items as failure to pay interest or principal.

Each of our 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 us.

We are committed to fund additional capital to certain of our partially owned entities aggregating approximately \$213,352,000. Of this amount, \$80,923,000 is committed to IPF and is pledged as collateral to IPF's lender.

From time to time, we have disposed of substantial amounts of real estate to third parties for which, as to certain properties, we remain contingently liable for rent payments or mortgage indebtedness that we cannot quantify.

14. Commitments and Contingencies – continued

Litigation

We are from time to time involved in various other legal actions arising in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters, including the matters referred to above, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

On January 8, 2003, Stop & Shop filed a complaint with the United States District Court for the District of New Jersey (“USDC-NJ”) claiming that we had 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, froze our right to reallocate which effectively terminated our right to collect the additional rent from Stop & Shop. On March 3, 2003, after we 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. We removed the action to the United States District Court for the Southern District of New York. In January 2005 that court remanded the action to the New York Supreme Court. On February 14, 2005, we served an answer in which we asserted a counterclaim seeking a judgment for all the unpaid additional rent accruing through the date of the judgment and a declaration that Stop & Shop will continue to be liable for the additional rent as long as any of the leases subject to the Master Agreement and Guaranty remain in effect. On May 17, 2005, we filed a motion for summary judgment. On July 15, 2005, Stop & Shop opposed our motion and filed a cross-motion for summary judgment. On December 13, 2005, the Court issued its decision denying the motions for summary judgment. Both parties appealed the Court’s decision and on December 14, 2006, the Appellate Court division issued a decision affirming the Court’s decision. On January 16, 2007, we filed a motion for the reconsideration of one aspect of the Appellate Court’s decision which was denied on March 13, 2007. We are currently engaged in discovery and anticipate that a trial date will be set for some time in 2009. We intend to vigorously pursue our claims against Stop & Shop. In our opinion, after consultation with legal counsel, the outcome of such matters will not have a material effect on our financial condition, results of operations or cash flows.

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas and the 555 California Street complex. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump’s claims arose out of a dispute over the sale price of and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied several of Mr. Trump’s motions and ultimately dismissed all of Mr. Trump’s claims, except for his claim seeking access to books and records. In a decision dated October 1, 2007, the Court determined that Mr. Trump had already received access to the books and records to which he was entitled, with the exception of certain documents which were subsequently delivered to Mr. Trump. Mr. Trump sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims. In a decision dated January 6, 2009, the Court denied all of Mr. Trump’s motions. Mr. Trump has filed a notice appealing the 2007 and 2009 decisions. In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump’s claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit, and in our opinion, after consultation with legal counsel, will not have a material effect on our financial condition, results of operations or cash flows.

In July 2005, we acquired H Street Building Corporation (“H Street”) which has a subsidiary that owns, among other things, a 50% tenancy in common interest in land located in Arlington County, Virginia, known as “Pentagon Row,” leased to two tenants. In April 2007, H-Street acquired the remaining 50% interest in that fee. In April 2007, we received letters from those tenants, Street Retail, Inc. and Post Apartment Homes, L.P., claiming they had a right of first offer triggered by each of those transactions. On September 25, 2008, both tenants filed suit against us and the former owners. The claim alleges the right to purchase the fee interest, damages in excess of \$75,000,000 and punitive damages. We believe this claim is without merit and in our opinion, after consultation with legal counsel, will not have a material effect on our financial condition, results of operations or cash flows.

15. Related Party Transactions

Loan and Compensation Agreements

Pursuant to our annual compensation review in February 2002 with Joseph Macnow, our Chief Financial Officer, the Compensation Committee approved a \$2,000,000 loan to Mr. Macnow, which bore interest at the applicable federal rate of 4.65% per annum and was scheduled to mature in June 2007. The loan was funded on July 23, 2002 and was collateralized by assets with a value of not less than two times the loan amount. On March 26, 2007, Mr. Macnow repaid to us his \$2,000,000 outstanding loan.

Effective as of April 19, 2007, we entered into a new employment agreement with Mitchell Schear, the President of our Washington, DC Office Division. This agreement, which replaced his prior agreement, was approved by the Compensation Committee of our Board of Trustees and provides for a term of five years and is automatically renewable for one-year terms thereafter. The agreement also provides for a minimum salary of \$1,000,000 per year and bonuses and other customary benefits. Pursuant to the terms of the agreement, on April 19, 2007, the Compensation Committee granted options to Mr. Schear to acquire 200,000 of our common shares at an exercise price of \$119.94 per share. These options vest ratably over three years beginning in 2010 and accelerate on a change of control or if we terminate his employment without cause or by him for breach by us. The agreement also provides that if we terminate Mr. Schear's employment without cause or by him for breach by us, he will receive a lump-sum payment equal to one year's salary and bonus, up to a maximum of \$2,000,000.

Transactions with Affiliates and Officers and Trustees of the Company

Alexander's

We own 32.5% of Alexander's. Steven Roth, the Chairman of our Board and Chief Executive Officer, and Michael D. Fascitelli, our President, are officers and directors of Alexander's. We provide various services to Alexander's in accordance with management, development and leasing agreements. These agreements are described in Note 6 - Investments in Partially Owned Entities to our consolidated financial statements in this Annual Report on Form 10-K.

On September 9, 2008, Alexander's Board of Directors declared a special dividend of \$7.00 per share, payable on October 30, 2008, to shareholders of record on October 14, 2008. The dividend was attributable to the liquidation of the wholly owned 731 Lexington Avenue taxable REIT subsidiary into Alexander's. Accordingly, on October 30, we received \$11,578,000, which was accounted for as a reduction of our investment in Alexander's.

On September 15, 2008 and October 14, 2008, Steven Roth, the Chairman of our Board of Directors and Chief Executive Officer, who holds the same positions in Alexander's, exercised an aggregate of 200,000 of his SARs, which were scheduled to expire on March 4, 2009, and received gross proceeds of \$62,809,000.

On March 13, 2007, Michael Fascitelli, our President, who also holds the same position in Alexander's, exercised 350,000 of his SARs, which were scheduled to expire on March 14, 2007, and he received gross proceeds of \$50,465,000.

Interstate Properties ("Interstate")

Interstate is a general partnership in which Steven Roth, the Chairman of our Board and Chief Executive Officer, is the managing general partner. David Mandelbaum and Russell B. Wight, Jr., Trustees of Vornado and Directors of Alexander's, are Interstate's two other partners. As of December 31, 2008, Interstate and its partners beneficially owned approximately 8.8% of the common shares of beneficial interest of Vornado and 27.0% of Alexander's common stock.

We manage and lease the real estate assets of Interstate pursuant to a management agreement for which we receive an annual fee equal to 4% of annual base rent and percentage rent. The management agreement has a term of one year and is automatically renewable unless terminated by either of the parties on sixty days' notice at the end of the term. We believe based upon comparable fees charged by other real estate companies that the management agreement terms are fair to us. We earned \$803,000, \$800,000 and \$798,000 of management fees under the agreement for the years ended December 31, 2008, 2007 and 2006.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Minority Interest

Minority interest on our consolidated balance sheets aggregated \$1,590,891,000 and \$2,074,601,000 as of December 31, 2008 and 2007, respectively. Of these balances, \$1,177,977,000 and \$1,658,303,000, respectively, represent third-party limited partners' interests in the Operating Partnership; and \$412,914,000 and \$416,298,000, respectively, represent the minority ownership of consolidated partially owned entities.

Class A units of the Operating Partnership may be tendered for redemption to the Operating Partnership for cash; we, at our option, may assume that obligation and pay the holder either cash or Vornado common shares on a one-for-one basis. Because the number of Vornado common shares outstanding at all times equals the number of Class A units owned by Vornado, the redemption value of each Class A unit is equivalent to the market value of one Vornado common share, and the quarterly distribution to a Class A unitholder is equal to the quarterly dividend paid to a Vornado common shareholder. As of December 31, 2008, as part of our preparation for the adoption of SFAS 160, which is effective for us on January 1, 2009, we have retroactively adopted the measurement provisions of EITF Topic D-98, *Classification and Measurement of Redeemable Securities*, and accordingly, have reduced the carrying amounts of these Class A units by \$404,447,000 and \$467,165,000, as of December 31, 2008 and 2007, respectively, to reflect the change in their redemption value at the end of each reporting period. The corresponding entries for these adjustments were recorded to "additional capital." As of December 31, 2008 and 2007, the aggregate redemption value of the then outstanding Class A units of the Operating Partnership owned by third-parties was approximately \$882,740,000 and \$1,365,874,000, respectively.

Details of Operating Partnership units owned by third-parties that are included in "minority interest" as of December 31, 2008 and 2007 are as follows:

Unit Series	Outstanding Units at		Per Unit Liquidation Preference	Preferred or Annual Distribution Rate	Conversion Rate Into Class A Units
	December 31, 2008	December 31, 2007			
Common:					
Class A	14,627,005	15,530,125	N/A	\$ 3.65	N/A
Convertible Preferred:					
B-1 Convertible Preferred (1)	139,798	139,798	\$ 50.00	\$ 2.50	(1)
B-2 Convertible Preferred (1)	304,761	304,761	\$ 50.00	\$ 4.00	(1)
Perpetual Preferred: (2)					
7.00% D-10 Cumulative Redeemable	3,200,000	3,200,000	\$ 25.00	\$ 1.75	N/A
7.20% D-11 Cumulative Redeemable	1,400,000	1,400,000	\$ 25.00	\$ 1.80	N/A
6.55% D-12 Cumulative Redeemable	800,000	800,000	\$ 25.00	\$ 1.637	N/A
6.75% D-14 Cumulative Redeemable	4,000,000	4,000,000	\$ 25.00	\$ 1.6875	N/A
6.875% D-15 Cumulative Redeemable	1,800,000	1,800,000	\$ 25.00	\$ 1.71875	N/A

(1) Class B-1 and B-2 units are convertible into Class A units at a rate of 100 Class A units for each pairing of 100 Class B-1 units and 218 Class B-2 units. Class B-1 unitholders are entitled to receive, in liquidation, an amount equal to the positive difference, if any, between the amount paid in liquidation for a Class A unit and the amount paid in respect of a Class B-2 unit multiplied by 2.18. Class B-2 unitholders are entitled to receive in liquidation the lesser of \$50 per unit or the amount paid in respect of a Class A unit on liquidation divided by 2.18. Class B-1 unitholders receive distributions only if, and to the extent that, we pay quarterly dividends on the Class A units in excess of \$0.85 per unit. Class B-2 unitholders are expected to receive quarterly distributions of \$0.39 per unit.

(2) Holders may tender for redemption to the Operating Partnership for cash at their stated redemption amount; we, at our option, may assume that obligation and pay the hold either cash or Vornado preferred shares on a one-for-one basis. These units are redeemable at our option after the 5th anniversary of the date of issuance (ranging from November 2008 to December 2011).

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Income Per Share

The following table provides a reconciliation of both net income and the number of common shares used in the computation of (i) basic income per common share - which utilizes the weighted average number of common shares outstanding without regard to dilutive potential common shares, and (ii) diluted income per common share - which includes the weighted average common shares and dilutive share equivalents. Potentially dilutive share equivalents include our Series A convertible preferred shares, employee stock options and restricted share awards, exchangeable and convertible senior debentures, as well as Operating Partnership convertible preferred units.

(Amounts in thousands, except per share amounts)

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Numerator:			
Income from continuing operations, net of minority interest in the Operating Partnership	\$ 240,601	\$ 510,517	\$ 527,925
Income from discontinued operations, net of minority interest	154,442	58,389	32,215
Net income	395,043	568,906	560,140
Preferred share dividends	(57,091)	(57,177)	(57,511)
Numerator for basic income per share – net income applicable to common shares	<u>337,952</u>	<u>511,729</u>	<u>502,629</u>
Impact of assumed conversions:			
Series A convertible preferred share dividends	—	277	631
Convertible preferred unit distributions	—	—	485
Numerator for diluted income per share – net income applicable to common shares	<u>\$ 337,952</u>	<u>\$ 512,006</u>	<u>\$ 503,745</u>
Denominator:			
Denominator for basic income per share – weighted average shares	153,900	151,949	142,145
Effect of dilutive securities (1):			
Employee stock options and restricted share awards	4,219	6,491	7,829
Series A convertible preferred shares	—	118	269
Convertible preferred units	—	—	168
Denominator for diluted income per share – adjusted weighted average shares and assumed conversions	<u>158,119</u>	<u>158,558</u>	<u>150,411</u>
INCOME PER COMMON SHARE – BASIC:			
Income from continuing operations	\$ 1.20	\$ 2.98	\$ 3.31
Income from discontinued operations	1.00	0.39	0.23
Net income per common share	<u>\$ 2.20</u>	<u>\$ 3.37</u>	<u>\$ 3.54</u>
INCOME PER COMMON SHARE – DILUTED:			
Income from continuing operations	\$ 1.16	\$ 2.86	\$ 3.13
Income from discontinued operations	0.98	0.37	0.22
Net income per common share	<u>\$ 2.14</u>	<u>\$ 3.23</u>	<u>\$ 3.35</u>

(1) The effect of dilutive securities in the years ended December 31, 2008, 2007 and 2006 excludes an aggregate of 25,420, 22,272 and 21,900 weighted average common share equivalents, respectively, as their effect was anti-dilutive.

18. Summary of Quarterly Results (Unaudited)

The following summary represents the results of operations for each quarter in 2008, 2007 and 2006:

	Revenues	Net Income (loss) Applicable to Common Shares (1)	Income (loss) Per Common Share (2)	
			Basic	Diluted
(Amounts in thousands, except share amounts)				
2008				
December 31	\$ 696,259	\$ (216,786)	\$ (1.40)	\$ (1.40)
September 30	677,145	31,430	0.20	0.20
June 30	674,365	125,386	0.82	0.79
March 31	649,282	397,922	2.60	2.47
2007				
December 31	\$ 657,166	\$ 90,923	\$ 0.60	\$ 0.57
September 30	637,078	116,546	0.77	0.74
June 30	583,220	151,625	1.00	0.96
March 31	533,052	152,635	1.01	0.96
2006				
December 31	\$ 513,441	\$ 105,427	\$ 0.73	\$ 0.69
September 30	482,429	113,632	0.80	0.76
June 30	465,594	148,765	1.05	0.99
March 31	447,636	134,805	0.96	0.91

(1) Fluctuations among quarters resulted primarily from the mark-to-market of derivative instruments, net gains on sale of real estate and wholly owned and partially owned assets other than depreciable real estate and from seasonality of business operations.

(2) The total for the year may differ from the sum of the quarters as a result of weighting.

19. Impairment Losses on Development Projects and Costs of Acquisitions Not Consummated

Below is a summary of non-cash Impairment losses on development projects and costs of acquisitions not consummated.

	For the Year Ended December 31,	
	2008	2007
Impairment loss on residential condominium projects	\$ 50,625	\$ —
Write-down of land held for development	12,500	—
Cost of acquisitions not consummated ⁽¹⁾	3,378	10,375
Other write-downs on development projects	14,944	—
	<u>\$ 81,447</u>	<u>\$ 10,375</u>

(1) 2008 primarily represents costs related to the Hudson Rail Yards acquisition not consummated. 2007 primarily represents costs related to the Equity Office Properties Trust acquisition not consummated.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Segment Information

The financial information summarized below is presented by reportable operating segment, consistent with how we review and manage our businesses.

(Amounts in thousands)

For the Year Ended December 31, 2008

	<u>Total</u>	<u>New York Office</u>	<u>Washington, DC Office ⁽²⁾</u>	<u>Retail</u>	<u>Merchandise Mart ⁽²⁾</u>	<u>Toys</u>	<u>Other ⁽⁴⁾</u>
Property rentals	\$ 2,024,075	\$ 722,445	\$ 509,377	\$ 349,763	\$ 245,400	\$ —	\$ 197,090
Straight-line rents:							
Contractual rent increases	58,159	28,023	6,764	16,622	5,954	—	796
Amortization of free rent	32,901	14,743	10,778	4,156	2,703	—	521
Amortization of acquired below- market leases, net	96,176	60,355	4,423	26,765	161	—	4,472
Total rentals	2,211,311	825,566	531,342	397,306	254,218	—	202,879
Tenant expense reimbursements	358,437	135,788	61,523	128,496	18,567	—	14,063
Fee and other income:							
Tenant cleaning fees	56,416	71,833	—	—	—	—	(15,417)
Management and leasing fees	13,397	6,411	8,940	1,673	349	—	(3,976)
Lease termination fees	8,634	3,088	2,635	2,281	630	—	—
Other	48,856	15,699	22,360	2,603	7,059	—	1,135
Total revenues	2,697,051	1,058,385	626,800	532,359	280,823	—	198,684
Operating expenses	1,070,118	439,012	220,139	201,397	137,971	—	71,599
Depreciation and amortization	537,427	190,925	137,255	92,353	51,833	—	65,061
General and administrative	194,027	20,217	26,548	29,866	29,254	—	88,142
Impairment losses on development projects and costs of acquisitions not consummated	81,447	—	—	595	—	—	80,852
Total expenses	1,883,019	650,154	383,942	324,211	219,058	—	305,654
Operating income (loss)	814,032	408,231	242,858	208,148	61,765	—	(106,970)
Income applicable to Alexander's	36,671	763	—	650	—	—	35,258
Income applicable to Toys	2,380	—	—	—	—	2,380	—
(Loss) income from partially owned entities	(195,878)	5,319	6,173	9,721	1,106	—	(218,197)
Interest and other investment income, net	(2,682)	2,288	2,116	494	356	—	(7,936)
Interest and debt expense	(586,358)	(139,146)	(126,508)	(86,787)	(52,148)	—	(181,769)
Net gains on disposition of wholly owned and partially owned assets other than depreciable real estate	7,757	—	—	—	—	—	7,757
Minority interest of partially owned entities	3,263	(4,762)	—	157	(125)	—	7,993
Income (loss) before income taxes	79,185	272,693	124,639	132,383	10,954	2,380	(463,864)
Income tax benefit (expense)	204,537	—	220,973	(82)	(1,206)	—	(15,148)
Income (loss) from continuing operations	283,722	272,693	345,612	132,301	9,748	2,380	(479,012)
Income (loss) from discontinued operations, net	154,442	—	59,068	(448)	—	—	95,822
Income (loss) before allocation to minority limited partners	438,164	272,693	404,680	131,853	9,748	2,380	(383,190)
Minority limited partners' interest in the Operating Partnership	(21,037)	—	—	—	—	—	(21,037)
Perpetual preferred unit distributions of the Operating Partnership	(22,084)	—	—	—	—	—	(22,084)
Net income (loss)	395,043	272,693	404,680	131,853	9,748	2,380	(426,311)
Interest and debt expense ⁽³⁾	782,394	132,406	130,310	102,600	53,072	147,812	216,194
Depreciation and amortization ⁽³⁾	710,526	181,699	143,989	98,238	52,357	136,634	97,609
Income tax expense (benefit) ⁽³⁾	(142,415)	—	(220,965)	82	1,260	59,652	17,556
EBITDA ⁽¹⁾	<u>\$ 1,745,548</u>	<u>\$ 586,798</u>	<u>\$ 458,014</u>	<u>\$ 332,773</u>	<u>\$ 116,437</u>	<u>\$346,478</u>	<u>\$ (94,952)</u>
Percentage of EBITDA by segment	100.0%	33.6%	26.2%	19.1%	6.7%	19.8%	(5.4)%
Balance Sheet Data:							
Real estate, at cost	\$17,869,658	\$5,362,129	\$ 4,583,519	\$4,576,729	\$ 1,344,093	\$ —	\$2,003,188
Investments in partially owned entities	1,083,250	129,934	115,121	20,079	6,969	293,096	518,051
Total Assets	21,418,210	5,287,544	3,934,039	3,733,586	1,468,470	293,096	6,701,475

See notes on page 62.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Segment Information - continued

(Amounts in thousands)

For the Year Ended December 31, 2007

	Total	New York Office	Washington, DC Office ⁽²⁾	Retail	Merchandise Mart ⁽²⁾	Toys	Other ⁽⁴⁾
Property rentals	\$ 1,816,698	\$ 640,739	\$ 455,416	\$ 328,911	\$ 237,199	\$ —	\$ 154,433
Straight-line rents:							
Contractual rent increases	42,431	13,281	11,856	12,257	4,193	—	844
Amortization of free rent	34,602	15,935	14,115	1,138	1,836	—	1,578
Amortization of acquired below-market leases, net	83,292	47,861	4,615	25,960	193	—	4,663
Total rentals	1,977,023	717,816	486,002	368,266	243,421	—	161,518
Tenant expense reimbursements	323,544	125,940	45,138	120,756	19,570	—	12,140
Fee and other income:							
Tenant cleaning fees	46,238	58,837	—	—	—	—	(12,599)
Management and leasing fees	15,713	4,928	12,539	1,770	7	—	(3,531)
Lease termination fees	7,453	3,500	453	2,823	677	—	—
Other	40,545	16,239	16,299	2,257	6,997	—	(1,247)
Total revenues	2,410,516	927,260	560,431	495,872	270,672	—	156,281
Operating expenses	951,582	395,357	183,776	172,557	131,332	—	68,560
Depreciation and amortization	441,209	150,268	117,496	78,286	47,105	—	48,054
General and administrative	189,041	17,252	27,629	27,476	28,168	—	88,516
Costs of acquisitions not consummated	10,375	—	—	—	—	—	10,375
Total expenses	1,592,207	562,877	328,901	278,319	206,605	—	215,505
Operating income (loss)	818,309	364,383	231,530	217,553	64,067	—	(59,224)
Income applicable to Alexander's	50,589	757	—	812	—	—	49,020
Loss applicable to Toys "R" Us	(14,337)	—	—	—	—	(14,337)	—
Income from partially owned entities	31,891	4,799	8,728	9,041	1,053	—	8,270
Interest and other investment income	226,425	2,888	5,982	534	390	—	216,631
Interest and debt expense	(569,386)	(133,804)	(126,163)	(78,234)	(52,237)	—	(178,948)
Net gains on disposition of wholly owned and partially owned assets other than depreciable real estate	39,493	—	—	—	—	—	39,493
Minority interest of partially owned entities	3,494	(3,583)	—	96	—	—	6,981
Income (loss) before income taxes	586,478	235,440	120,077	149,802	13,273	(14,337)	82,223
Income tax expense	(9,179)	—	(2,909)	(185)	(969)	—	(5,116)
Income (loss) from continuing operations	577,299	235,440	117,168	149,617	12,304	(14,337)	77,107
Income (loss) from discontinued operations, net	58,389	—	62,481	6,397	—	—	(10,489)
Income (loss) before allocation to minority limited partners	635,688	235,440	179,649	156,014	12,304	(14,337)	66,618
Minority limited partners' interest in the Operating Partnership	(47,508)	—	—	—	—	—	(47,508)
Perpetual preferred unit distributions of the Operating Partnership	(19,274)	—	—	—	—	—	(19,274)
Net income (loss)	568,906	235,440	179,649	156,014	12,304	(14,337)	(164)
Interest and debt expense ⁽³⁾	823,030	131,418	131,013	89,537	53,098	174,401	243,563
Depreciation and amortization ⁽³⁾	676,660	147,340	132,302	82,002	47,711	155,800	111,505
Income tax expense (benefit) ⁽³⁾	4,234	—	6,738	185	969	(10,898)	7,240
EBITDA ⁽¹⁾	<u>\$ 2,072,830</u>	<u>\$ 514,198</u>	<u>\$ 449,702</u>	<u>\$ 327,738</u>	<u>\$ 114,082</u>	<u>\$ 304,966</u>	<u>\$ 362,144</u>
Balance Sheet Data:							
Real estate, at cost	\$ 17,028,507	\$ 5,279,314	\$ 4,408,459	\$ 4,079,292	\$ 1,301,532	\$ —	\$ 1,959,910
Investments in partially owned entities	1,504,831	146,784	120,561	111,152	6,283	298,089	821,962
Total Assets	22,478,935	5,091,848	3,315,333	3,056,915	1,475,876	298,089	9,240,874

See notes on page 62.

VORNADO REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Segment Information - continued

(Amounts in thousands)

	For the Year Ended December 31, 2006						
	Total	New York Office	Washington, DC Office ⁽²⁾	Retail	Merchandise Mart ⁽²⁾	Toys	Other ⁽⁴⁾
Property rentals	\$ 1,458,201	\$ 487,421	\$ 394,997	\$ 264,727	\$ 224,341	\$ —	\$ 86,715
Straight-line rents:							
Contractual rent increases	31,947	4,431	13,632	7,908	6,142	—	(166)
Amortization of free rent	31,103	7,245	16,155	5,080	2,623	—	—
Amortization of acquired below-market leases, net	23,490	976	4,178	15,513	43	—	2,780
Total rentals	1,544,741	500,073	428,962	293,228	233,149	—	89,329
Tenant expense reimbursements	260,772	102,488	34,618	101,737	17,810	—	4,119
Fee and other income:							
Tenant cleaning fees	33,779	42,317	—	—	—	—	(8,538)
Management and leasing fees	10,256	1,111	7,643	1,463	39	—	—
Lease termination fees	29,362	25,188	2,798	371	1,005	—	—
Other	30,190	12,307	11,247	1,588	4,963	—	85
Total revenues	1,909,100	683,484	485,268	398,387	256,966	—	84,995
Operating expenses	737,452	301,583	152,121	130,520	103,644	—	49,584
Depreciation and amortization	319,066	98,474	106,592	50,806	42,132	—	21,062
General and administrative	180,167	16,942	34,074	21,683	26,572	—	80,896
Total expenses	1,236,685	416,999	292,787	203,009	172,348	—	151,542
Operating income (loss)	672,415	266,485	192,481	195,378	84,618	—	(66,547)
(Loss) income applicable to Alexander's	(14,530)	772	—	716	—	—	(16,018)
Loss applicable to Toys "R" Us	(47,520)	—	—	—	—	(47,520)	—
Income from partially owned entities	60,355	3,844	13,302	5,950	1,076	—	36,183
Interest and other investment income	255,391	913	1,782	812	275	—	251,609
Interest and debt expense	(394,571)	(84,134)	(97,972)	(79,202)	(28,672)	—	(104,591)
Net gains on disposition of wholly owned and partially owned assets other than depreciable real estate	76,073	—	—	—	—	—	76,073
Minority interest of partially owned entities	1,363	—	—	84	5	—	1,274
Income (loss) before income taxes	608,976	187,880	109,593	123,738	57,302	(47,520)	177,983
Income tax (expense) benefit	(491)	—	(1,066)	—	575	—	—
Income (loss) from continuing operations	608,485	187,880	108,527	123,738	57,877	(47,520)	177,983
Income (loss) from discontinued operations, net	32,215	—	25,714	9,206	5,682	—	(8,387)
Income (loss) before allocation to minority limited partners	640,700	187,880	134,241	132,944	63,559	(47,520)	169,596
Minority limited partners' interest in the Operating Partnership	(58,712)	—	—	—	—	—	(58,712)
Perpetual preferred unit distributions of the Operating Partnership	(21,848)	—	—	—	—	—	(21,848)
Net income (loss)	560,140	187,880	134,241	132,944	63,559	(47,520)	89,036
Interest and debt expense ⁽³⁾	692,496	86,861	107,477	89,748	29,551	196,259	182,600
Depreciation and amortization ⁽³⁾	542,515	101,976	125,674	56,168	42,717	137,176	78,804
Income tax (benefit) expense ⁽³⁾	(11,848)	—	8,976	—	(575)	(22,628)	2,379
EBITDA ⁽¹⁾	<u>\$ 1,783,303</u>	<u>\$ 376,717</u>	<u>\$ 376,368</u>	<u>\$ 278,860</u>	<u>\$ 135,252</u>	<u>\$ 263,287</u>	<u>\$ 352,819</u>
Balance Sheet Data:							
Real estate, at cost	\$ 11,607,078	\$ 3,283,405	\$ 3,501,927	\$ 2,825,156	\$ 1,272,883	\$ —	\$ 723,707
Investments in partially owned entities	1,440,124	106,394	286,108	143,028	6,547	317,145	580,902
Total Assets	17,954,281	3,733,819	2,427,378	2,507,452	1,580,691	317,145	7,387,796

See notes on following page.

20. Segment Information - continued

Notes to preceding tabular information:

- (1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." Management considers EBITDA a supplemental measure for making decisions and assessing the un-levered performance of its segments as it relates to the total 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 should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.
- (2) As of January 1, 2008, we transferred the operations and financial results related to 409 3rd Street, NW (Washington Office Center) from the Merchandise Mart segment to the Washington, DC Office segment for both the current and prior periods presented.
- (3) Interest and debt expense and depreciation and amortization and income tax (benefit) expense in the reconciliation of net income to EBITDA include our share of these items from partially owned entities.
- (4) Other EBITDA is comprised of:

(Amounts in thousands)

	For the Year Ended December 31,		
	2008	2007	2006
Alexander's	\$ 64,683	\$ 78,375	\$ 14,130
555 California Street (acquired 70% interest in May 2007)	48,316	34,073	—
Hotel Pennsylvania	42,269	37,941	27,495
Lexington	35,150	24,539	51,737
GMH (sold in June 2008)	—	22,604	10,737
Industrial warehouses	5,264	4,881	5,582
Other investments	<u>6,321</u>	<u>7,322</u>	<u>13,253</u>
	202,003	209,735	122,934
Non-cash asset write-downs:			
Investment in Lexington	(107,882)	—	—
Marketable equity securities	(76,352)	—	—
Real estate development costs:			
Partially owned entities	(96,037)	—	—
Wholly owned entities (including costs of acquisitions not consummated)	(80,852)	(10,375)	—
MPH mezzanine loan loss reversal (accrual)	10,300	(57,000)	—
Derivative positions in marketable equity securities	(33,740)	113,503	111,107
Corporate general and administrative expenses	(77,763)	(76,799)	(76,071)
Investment income and other, net	89,971	182,201	209,118
Minority limited partners' interest in the Operating Partnership	(21,037)	(47,508)	(58,712)
Perpetual preferred unit distributions of the Operating Partnership	(22,084)	(19,274)	(21,848)
Discontinued operations of Americold (including a \$112,690 net gain on sale in 2008)	<u>118,521</u>	<u>67,661</u>	<u>66,291</u>
	<u>\$ (94,952)</u>	<u>\$ 362,144</u>	<u>\$ 352,819</u>

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. The consolidated financial statements are set forth in Item 8 of this Annual Report on Form 10-K/A, Amendment No. 1.

The following financial statement schedules should be read in conjunction with the financial statements included in Item 8 of this Annual Report on Form 10-K/A, Amendment No. 1.

	Pages in this Annual Report on Form 10-K/A
II--Valuation and Qualifying Accounts--years ended December 31, 2008, 2007 and 2006	65
III--Real Estate and Accumulated Depreciation as of December 31, 2008	66

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

The Exhibit Index attached hereto is herein incorporated by reference. The following exhibits listed on the Exhibit Index are filed with this Annual Report on Form 10-K/A, Amendment No. 1.

Exhibit No.

23.1	Consent of Independent Registered Public Accounting Firm – Deloitte & Touche LLP
23.2	Consent of Independent Registered Public Accounting Firm – KPMG LLP
23.3	Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP
31.1	Rule 13a-14 (a) Certification of Chief Executive Officer
31.2	Rule 13a-14 (a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

VORNADO REALTY TRUST

(Registrant)

Date: March 2, 2009

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)

**VORNADO REALTY TRUST
AND SUBSIDIARIES**

**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
December 31, 2008
(Amounts in Thousands)**

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions Charged Against Operations	Uncollectible Accounts Written-off	Balance at End of Year
Year Ended December 31, 2008:				
Allowance for doubtful accounts	\$ 79,227	\$ 20,931(1)	\$ (14,851)(2)	\$ 85,307
Year Ended December 31, 2007:				
Allowance for doubtful accounts	\$ 18,199	\$ 65,680(1)	\$ (4,652)	\$ 79,227
Year Ended December 31, 2006:				
Allowance for doubtful accounts	\$ 21,202	\$ 2,844	\$ (5,847)	\$ 18,199

(1) 2007 includes a \$57,000 allowance on one of our investments in a mezzanine loan, of which \$10,300 was reversed in 2008 upon sale of a participation in that loan.

(2) Includes \$9,482 for tenants that filed for bankruptcy, of which \$5,135 relates to Circuit City.

**VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I	COLUMN J		
Description	Initial cost to company (1)				Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)				
Office Buildings											
New York											
Manhattan											
1290 Avenue of the Americas	\$ 444,666	\$ 515,539	932,629	\$ 6,964	515,539	\$ 939,593	1,455,132	\$ 48,061	1963	2007	(4)
350 Park	430,000	265,889	363,381	7,005	265,889	370,386	636,275	19,104	1960	2006	(4)
One Penn Plaza	-	-	412,169	141,215	-	553,384	553,384	147,616	1972	1998	(4)
100 W.33rd St (Manhattan Mall)	159,361	242,776	247,970	1,432	242,776	249,402	492,178	12,249	1911	2007	(4)
Two Penn Plaza	287,386	53,615	164,903	85,471	52,689	251,300	303,989	77,267	1968	1997	(4)
770 Broadway	353,000	52,898	95,686	72,857	52,898	168,543	221,441	50,263	1907	1998	(4)
90 Park Avenue	-	8,000	175,890	28,606	8,000	204,496	212,496	60,442	1964	1997	(4)
888 Seventh Avenue	318,554	-	117,269	91,163	-	208,432	208,432	53,571	1980	1998	(4)
640 Fifth Avenue	-	38,224	25,992	107,230	38,224	133,222	171,446	35,607	1950	1997	(4)
Eleven Penn Plaza	206,877	40,333	85,259	41,972	40,333	127,231	167,564	38,895	1923	1997	(4)
1740 Broadway	-	26,971	102,890	36,323	26,971	139,213	166,184	32,838	1950	1997	(4)
909 Third Avenue	214,075	-	120,723	27,814	-	148,537	148,537	39,545	1969	1999	(4)
150 East 58th Street	-	39,303	80,216	26,031	39,303	106,247	145,550	30,303	1969	1998	(4)
595 Madison Avenue	-	62,731	62,888	15,523	62,731	78,411	141,142	18,795	1968	1999	(4)
866 United Nations Plaza	44,978	32,196	37,534	12,313	32,196	49,847	82,043	18,348	1966	1997	(4)
20 Broad Street	-	-	28,760	21,876	-	50,636	50,636	11,359	1956	1998	(4)
40 Fulton Street	-	15,732	26,388	4,110	15,732	30,498	46,230	9,441	1987	1998	(4)
689 Fifth Avenue	-	19,721	13,446	10,437	19,721	23,883	43,604	7,129	1925	1998	(4)
330 West 34th Street	-	-	8,599	11,403	-	20,002	20,002	6,370	1925	1998	(4)
40-42 Thompson Street	-	6,503	10,057	375	6,503	10,432	16,935	865	1928	2005	(4)
1540 Broadway Garage	-	4,086	8,914	-	4,086	8,914	13,000	558	1990	2006	(4)
Other	-	-	5,548	18,880	-	24,428	24,428	2,300			
Total New York	<u>2,458,897</u>	<u>1,424,517</u>	<u>3,127,111</u>	<u>769,000</u>	<u>1,423,591</u>	<u>3,897,037</u>	<u>5,320,628</u>	<u>720,926</u>			
Washington, DC											
2011-2451 Crystal Drive	88,732	100,935	409,920	86,464	100,228	497,091	597,319	100,531	1984-1989	2002	(4)
Warner Building	292,700	70,853	246,169	21,347	81,983	256,386	338,369	21,945	1992	2005	(4)
2001 Jefferson Davis Highway, 2100/2200 Crystal Drive, 223 23rd Street, 2221 South Clark Street, 2100 Crystal Drive Retail	40,701	57,213	131,206	142,840	48,657	282,602	331,259	34,011	1964-1969	2002	(4)
1550-1750 Crystal Drive/ 241-251 18th Street	130,444	64,817	218,330	38,033	64,652	256,528	321,180	55,995	1974-1980	2002	(4)
H Street Apartments	259,546	118,421	125,078	46,461	138,696	151,264	289,960	5,651	2007	2007	(4)
Skyline Place (6 buildings)	442,500	41,986	221,869	20,637	41,862	242,630	284,492	49,329	1973-1984	2002	(4)
1215, 1225 S. Clark Street/ 200, 201 12th Street S.	145,594	47,594	177,373	21,371	47,465	198,873	246,338	42,742	1983-1987	2002	(4)
1800, 1851 and 1901 South Bell Street	27,801	37,551	118,806	16,114	37,551	134,920	172,471	26,028	1968	2002	(4)
2101 L Street	150,000	32,815	51,642	69,234	39,768	113,923	153,691	2,938	1975	2003	(4)
Bowen Building	115,022	30,077	98,962	1,631	30,176	100,494	130,670	9,313	2004	2005	(4)
2200-2300 Courthouse Plaza	70,774	-	105,475	24,177	-	129,652	129,652	26,611	1988-1989	2002	(4)

**VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I			
Description	Initial cost to company (1)			Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed	
Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)					
1999 K Street	73,747	55,438	3,012	63,234	-	121,684	121,684	-		2006	(4)
1875 Connecticut Ave NW	30,770	36,303	82,004	832	35,886	83,253	119,139	7,589	1963	2007	(4)
1229-1231 25th Street	24,620	67,049	5,039	37,647	-	109,735	109,735	-		2007	(4)
Reston Executive	93,000	15,424	85,722	7,299	15,380	93,065	108,445	19,376	1987-1989	2002	(4)
One Skyline Tower	100,800	12,266	75,343	15,339	12,231	90,717	102,948	17,329	1988	2002	(4)
H Street - North 10-1D	-	104,473	55	(9,971)	90,522	4,035	94,557	1		2007	(4)
Land Parcel											
1825 Connecticut Ave NW	28,958	33,090	61,316	(769)	32,726	60,911	93,637	11,395	1956	2007	(4)
409 3rd Street	-	10,719	69,658	7,258	10,719	76,916	87,635	21,187	1990	1998	(4)
Commerce Executive	50,213	13,401	58,705	12,711	13,363	71,454	84,817	15,865	1985-1989	2002	(4)
1235 S. Clark Street	54,128	15,826	53,894	10,884	15,826	64,778	80,604	10,238	1981	2002	(4)
Seven Skyline Place	134,700	10,292	58,351	(3,607)	10,262	54,774	65,036	11,970	2001	2002	(4)
1150 17th Street	29,659	23,359	24,876	13,823	24,723	37,335	62,058	8,198	1970	2002	(4)
Crystal City Hotel	-	8,000	47,191	5,108	8,000	52,299	60,299	5,518	1968	2004	(4)
1750 Penn Avenue	46,570	20,020	30,032	1,244	21,170	30,126	51,296	6,306	1964	2002	(4)
1101 17th Street	24,561	20,666	20,112	8,151	21,818	27,111	48,929	6,312	1963	2002	(4)
H Street Ground Leases	-	71,893	-	(26,893)	45,000	-	45,000	-		2007	(4)
1227 25th Street	-	16,293	24,620	1,194	17,047	25,060	42,107	875		2007	(4)
1140 Connecticut Avenue	18,166	19,017	13,184	6,899	19,801	19,299	39,100	5,033	1966	2002	(4)
1730 M. Street	15,336	10,095	17,541	8,704	10,687	25,653	36,340	6,350	1963	2002	(4)
Democracy Plaza I	-	-	33,628	(304)	-	33,324	33,324	10,130	1987	2002	(4)
1726 M Street	-	9,450	22,062	150	9,455	22,207	31,662	1,244	1964	2006	(4)
Crystal City Shop	-	-	20,465	5,779	-	26,244	26,244	4,682	2004	2004	(4)
1101 South Capitol Street	-	11,541	178	57	11,597	179	11,776	96		2007	(4)
South Capital	-	4,009	6,273	(5,074)	-	5,208	5,208	-		2005	(4)
H Street	-	1,763	641	35	1,763	676	2,439	57		2005	(4)
Tysons Dulles	-	19,146	79,095	(98,241)	-	-	-	-	1986-1990	2002	(4)
1707 H Street	-	27,058	1,002	(28,060)	-	-	-	-		2007	(4)
Other	-	-	51,767	(41,063)	-	10,704	10,704	-			
Total Washington, DC	2,489,042	1,238,853	2,850,596	480,675	1,059,014	3,511,110	4,570,124	544,845			
New Jersey											
Paramus	-	-	-	23,134	1,033	22,101	23,134	11,785	1967	1987	(4)
California											
555 California Street	720,671	221,903	899,839	10,747	221,903	910,586	1,132,489	48,086	1922/1969/1970	2007	(4)
Total Office Buildings	5,668,610	2,885,273	6,877,546	1,283,556	2,705,541	8,340,834	11,046,375	1,325,642			
Shopping Centers											
California											
Los Angeles (Beverly Connection)	100,000	72,996	131,510	-	72,996	131,510	204,506	6,907		2005	(4)
Sacramento	-	3,897	31,370	-	3,897	31,370	35,267	2,405		2006	(4)
San Francisco (The Cannery)	18,561	20,100	11,923	2,521	20,100	14,444	34,544	550		2007	(4)
Walnut Creek (1149 S. Main St)	-	2,699	19,930	-	2,699	19,930	22,629	1,528		2006	(4)

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Description	Initial cost to company (1)			Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Pasadena	-	-	18,337	152	-	18,489	18,489	849		2007	(4)
San Francisco (3700 Geary Blvd)	-	11,857	4,444	27	11,857	4,471	16,328	345		2006	(4)
Signal Hill	-	10,218	3,118	-	10,218	3,118	13,336	172		2006	(4)
Redding	-	3,075	3,030	13	3,075	3,043	6,118	167		2006	(4)
Walnut Creek (1556 Mount Diablo Blvd)	-	5,909	-	53	5,909	53	5,962	-		2007	(4)
Merced	-	1,829	2,022	216	1,829	2,238	4,067	135		2006	(4)
San Bernadino (1522 E. Highland Ave)	-	1,651	1,810	-	1,651	1,810	3,461	200		2004	(4)
Orange	-	1,487	1,746	-	1,487	1,746	3,233	193		2004	(4)
Vallejo	-	-	3,123	-	-	3,123	3,123	174		2006	(4)
Corona	-	-	3,073	-	-	3,073	3,073	339		2004	(4)
Westminster	-	1,673	1,192	-	1,673	1,192	2,865	132		2004	(4)
San Bernadino (648 W. 4th St)	-	1,597	1,119	-	1,597	1,119	2,716	124		2004	(4)
Costa Mesa (2180 Newport Blvd)	-	2,239	308	-	2,239	308	2,547	34		2004	(4)
Mojave	-	-	2,250	-	-	2,250	2,250	248		2004	(4)
Ontario	-	713	1,522	-	713	1,522	2,235	168		2004	(4)
Barstow	-	856	1,367	-	856	1,367	2,223	151		2004	(4)
Colton	-	1,239	954	-	1,239	954	2,193	105		2004	(4)
Anaheim	-	1,093	1,093	-	1,093	1,093	2,186	121		2004	(4)
Rancho Cucamonga	-	1,051	1,051	-	1,051	1,051	2,102	116		2004	(4)
Garden Grove	-	795	1,254	-	795	1,254	2,049	138		2004	(4)
Costa Mesa (707 W. 19th St)	-	1,399	635	-	1,399	635	2,034	70		2004	(4)
Calimesa	-	504	1,463	-	504	1,463	1,967	162		2004	(4)
Santa Ana	-	1,565	377	-	1,565	377	1,942	42		2004	(4)
Moreno Valley	-	639	1,156	-	639	1,156	1,795	128		2004	(4)
Fontana	-	518	1,100	-	518	1,100	1,618	122		2004	(4)
Rialto	-	434	1,173	-	434	1,173	1,607	129		2004	(4)
Desert Hot Springs	-	197	1,355	-	197	1,355	1,552	150		2004	(4)
Beaumont	-	206	1,321	-	206	1,321	1,527	146		2004	(4)
Colton	-	1,157	332	-	1,157	332	1,489	37		2004	(4)
Yucaipa	-	663	426	-	663	426	1,089	47	2008	2004	(4)
Riverside (9155 Jurupa Road)	-	251	783	-	251	783	1,034	86		2004	(4)
Riverside (5571 Mission Blvd)	-	209	704	-	209	704	913	76		2004	(4)
Total California	118,561	154,716	258,371	2,982	154,716	261,353	416,069	16,496			
Colorado											
Littleton	-	5,867	2,557	-	5,867	2,557	8,424	141		2006	(4)
Grand Junction	-	2,321	2,071	-	2,321	2,071	4,392	115		2006	(4)
Total Colorado	-	8,188	4,628	-	8,188	4,628	12,816	256			
Connecticut											
Waterbury	5,683*	667	4,504	4,876	667	9,380	10,047	4,476	1965	1965	(4)
Newington	6,030*	2,421	1,200	475	2,421	1,675	4,096	514	1969	1969	(4)
Total Connecticut	11,713	3,088	5,704	5,351	3,088	11,055	14,143	4,990			

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		Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
Florida											
Coral Springs	-	3,942	2,326	160	3,942	2,486	6,428	128		2006	(4)
Tampa	-	3,871	2,532	-	3,871	2,532	6,403	140		2006	(4)
Vero Beach	-	2,194	1,908	-	2,194	1,908	4,102	106		2006	(4)
Total Florida	-	10,007	6,766	160	10,007	6,926	16,933	374			
Illinois											
Bourbonnais	-	2,379	3,792	-	2,379	3,792	6,171	209		2006	(4)
Lansing	-	2,264	1,128	-	2,264	1,128	3,392	62		2006	(4)
Total Illinois	-	4,643	4,920	-	4,643	4,920	9,563	271			
Iowa											
Dubuque	-	-	1,568	-	-	1,568	1,568	87		2006	(4)
Maryland											
Rockville	14,344	3,470	20,599	208	3,470	20,807	24,277	1,969		2005	(4)
Baltimore (Towson)	10,489*	581	3,227	7,794	581	11,021	11,602	3,404	1968	1968	(4)
Annapolis	-	-	9,652	-	-	9,652	9,652	1,551		2005	(4)
Wheaton	-	-	5,691	-	-	5,691	5,691	314		2006	(4)
Glen Burnie	5,398*	462	2,571	523	462	3,094	3,556	2,468	1958	1958	(4)
Total Maryland	30,231	4,513	41,740	8,525	4,513	50,265	54,778	9,706			
Massachusetts											
Dorchester	-	2,797	4,023	10,820	13,617	4,023	17,640	222		2006	(4)
Springfield	2,878*	-	2,471	3,237	2,797	2,911	5,708	415	1993	1966	(4)
Chicopee	-	13,617	-	(12,722)	895	-	895	-	1969	1969	(4)
Cambridge	-	895	-	(641)	-	254	254	11			(4)
Total Massachusetts	2,878	17,309	6,494	694	17,309	7,188	24,497	648			
Michigan											
Roseville	-	30	6,128	1,373	30	7,501	7,531	1,136		2005	(4)
Battle Creek	-	1,340	2,273	-	1,340	2,273	3,613	126		2006	(4)
Midland	-	-	141	86	-	227	227	11		2006	(4)
Total Michigan	-	1,370	8,542	1,459	1,370	10,001	11,371	1,273			
New Hampshire											
Salem	-	6,083	-	-	6,083	-	6,083	-		2006	(4)
New Jersey											
Paramus (Bergen Town Center)	228,731	19,884	81,723	286,758	23,525	364,840	388,365	11,296	1957	2003	(4)
North Bergen (Tonnelles Ave)	-	24,493	-	41,507	16,012	49,988	66,000	51	2006	2006	(4)
Union (Springfield Avenue)	-	19,700	45,090	-	19,700	45,090	64,790	1,697		2007	(4)
East Rutherford	-	-	35,274	-	-	35,274	35,274	997		2007	(4)
Garfield	-	96	8,068	22,847	45	30,966	31,011	15,814	1979	1998	(4)

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	Encumbrances	Land	Buildings and improvements		Land	Buildings and improvements	Total (2)				
East Hanover I and II	25,136 *	2,232	18,241	7,602	2,671	25,404	28,075	10,820	1962	1962	(4)
Lodi (Washington Street)	10,738	7,606	13,125	227	7,606	13,352	20,958	1,353		2004	(4)
Englewood	12,380	2,300	17,245	1	2,300	17,246	19,546	651		2007	(4)
Bricktown	15,015 *	1,391	11,179	6,176	1,391	17,355	18,746	8,562	1968	1968	(4)
Totowa	27,201 *	1,102	11,994	4,479	1,099	16,476	17,575	10,250	1957/1999	1957	(4)
Hazlet	-	7,400	9,412	-	7,400	9,412	16,812	355		2007	(4)
Carlstadt	7,690	-	16,457	-	-	16,457	16,457	468		2007	(4)
North Plainfield	10,023 *	500	13,983	1,546	500	15,529	16,029	9,072	1955	1989	(4)
East Brunswick II (339-341 Route 18 S.)	-	2,098	10,949	2,643	2,098	13,592	15,690	6,742	1972	1972	(4)
Manalapan	11,540 *	725	7,189	7,748	1,046	14,616	15,662	7,937	1971	1971	(4)
Marlton	11,221 *	1,611	3,464	8,287	1,611	11,751	13,362	4,820	1973	1973	(4)
Union (Route 22 and Morris Ave)	30,892 *	3,025	7,470	2,006	3,025	9,476	12,501	3,978	1962	1962	(4)
Hackensack	23,033 *	692	10,219	963	692	11,182	11,874	7,931	1963	1963	(4)
Cherry Hill	13,809 *	5,864	2,694	2,114	5,864	4,808	10,672	3,558	1964	1964	(4)
Watchung	12,464 *	4,178	5,463	811	4,441	6,011	10,452	2,618	1994	1959	(4)
South Plainfield	-	-	10,044	24	-	10,068	10,068	378		2007	(4)
Eatontown	-	4,653	4,999	279	4,653	5,278	9,931	440		2005	(4)
Dover	6,767 *	559	6,363	2,867	559	9,230	9,789	4,871	1964	1964	(4)
Lodi (Route 17 N.)	8,647 *	238	9,446	-	238	9,446	9,684	2,183	1999	1975	(4)
East Brunswick I (325-333 Route 18 S.)	20,965 *	319	6,220	2,792	319	9,012	9,331	7,916	1957	1957	(4)
Jersey City	17,633 *	652	7,495	329	652	7,824	8,476	1,773	1965	1965	(4)
Morris Plains	11,088 *	1,104	6,411	604	1,104	7,015	8,119	6,597	1961	1985	(4)
Middletown	15,147 *	283	5,248	1,280	283	6,528	6,811	4,400	1963	1963	(4)
Woodbridge	20,362 *	1,509	2,675	1,774	1,539	4,419	5,958	2,001	1959	1959	(4)
Delran	5,919 *	756	4,468	587	756	5,055	5,811	4,538	1972	1972	(4)
Lawnside	9,757 *	851	3,164	1,426	851	4,590	5,441	3,402	1969	1969	(4)
Kearny	3,443 *	309	3,376	1,152	309	4,528	4,837	2,651	1938	1959	(4)
Turnersville	3,763 *	900	1,342	856	900	2,198	3,098	2,021	1974	1974	(4)
North Bergen (Kennedy Blvd)	3,651 *	2,308	636	34	2,308	670	2,978	329	1993	1959	(4)
Montclair	1,773 *	66	419	381	66	800	866	631	1972	1972	(4)
Bordentown	7,430 *	-	-	-	-	-	-	-	1958	1958	(4)
Total New Jersey	576,218	119,404	401,545	410,100	115,563	815,486	931,049	153,101			
New York											
Bronx (Bruckner Blvd)	-	66,100	259,503	582	66,100	260,085	326,185	12,975		2007	(4)
Valley Stream (Green Acres Mall)	335,000	147,172	134,980	41,422	146,969	176,605	323,574	34,275	1956	1997	(4)
Manhattan Mall	72,639	88,595	113,473	55,488	88,595	168,961	257,556	5,592		2007	(4)
Hicksville (Broadway Mall)	94,879	126,324	48,904	2,316	126,324	51,220	177,544	3,724		2005	(4)
Huntington	16,073	21,200	33,667	-	21,200	33,667	54,867	958		2007	(4)
Mount Kisco	29,992	22,700	26,700	-	22,700	26,700	49,400	546		2007	(4)
Poughkeepsie	-	12,733	12,026	20,976	7,632	38,103	45,735	638		2005	(4)
Staten Island	17,448	11,446	21,262	221	11,446	21,483	32,929	2,647		2004	(4)
Inwood	-	12,419	19,097	500	12,419	19,597	32,016	1,958		2004	(4)
Queens (99-01 Queens Blvd)	-	7,839	20,392	1,766	7,839	22,158	29,997	2,384		2004	(4)
Bronx (Gun Hill Road)	-	6,427	11,885	9,148	4,485	22,975	27,460	288		2005	(4)

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		Initial cost to company (1)			Gross amount at which carried at close of period						
West Babylon	6,687	6,720	13,786	97	6,720	13,883	20,603	618			2007 (4)
Dewitt	-	-	7,546	-	-	7,546	7,546	423			2006 (4)
Freeport (437 E. Sunrise Highway)	13,630	*	1,231	4,747	1,454	1,231	6,201	7,432	1981		1981 (4)
Oceanside	-	-	2,710	-	2,710	2,306	5,016	87			2007 (4)
Albany (Menands)	5,726	*	460	2,091	2,412	460	4,503	4,963	1965		1965 (4)
Buffalo (Amherst)	6,453	*	636	4,056	26	636	4,082	4,718	1968		1968 (4)
Rochester (Henrietta)	-	-	2,647	1,096	-	-	3,743	3,743	1971		1971 (4)
Rochester	-	2,172	-	-	2,172	-	-	2,172	1966		1966 (4)
Freeport (240 Sunrise Highway)	-	-	-	260	-	-	260	260			2005 (4)
Commack	-	-	43	-	-	-	43	43			2006 (4)
New Hyde Park	6,879	*	-	4	-	-	4	4	1970		1976 (4)
Manhattan											
1540 Broadway	-	105,914	214,208	-	105,914	214,208	320,122	13,238			2006 (4)
828-850 Madison Avenue	80,000	107,937	28,261	-	107,937	28,261	136,198	2,532			2005 (4)
4 Union Square South	-	24,079	55,220	343	24,079	55,563	79,642	6,301	1965/2004		1993 (4)
478-482 Broadway	-	20,000	13,375	20,577	20,000	33,952	53,952	509			2007 (4)
40 East 66th Street	-	13,616	34,635	-	13,616	34,635	48,251	2,482			2005 (4)
25 W. 14th Street	-	29,169	17,878	341	29,169	18,219	47,388	2,183			2004 (4)
155 Spring Street	-	13,700	30,544	441	13,700	30,985	44,685	1,295			2007 (4)
435 7th Avenue	-	19,893	19,091	37	19,893	19,128	39,021	3,057			1997 (4)
692 Broadway	-	6,053	22,908	779	6,053	23,687	29,740	1,983			2005 (4)
715 Lexington Avenue	-	-	26,903	-	-	26,903	26,903	2,876	1923		2001 (4)
211-217 Columbus Avenue	-	18,907	7,316	385	18,907	7,701	26,608	633			2005 (4)
677-679 Madison Avenue	-	13,070	9,640	319	13,070	9,959	23,029	605			2006 (4)
431 7th Avenue	-	16,700	2,751	-	16,700	2,751	19,451	115			2007 (4)
484-486 Broadway	-	10,000	6,688	1,845	6,916	11,617	18,533	202			2007 (4)
1135 Third Avenue	-	7,844	7,844	-	7,844	7,844	15,688	2,157			1997 (4)
387 West Broadway	-	5,858	7,662	364	5,858	8,026	13,884	920			2004 (4)
488 8th Avenue	-	10,650	1,767	133	10,650	1,900	12,550	49			2007 (4)
148 Spring Street	-	7,629	3,957	6	7,629	3,963	11,592	65			2008 (4)
150 Spring Street	-	5,295	4,763	84	5,295	4,847	10,142	79			2008 (4)
386 West Broadway	4,518	2,624	6,160	-	2,624	6,160	8,784	620			2004 (4)
484 8th Avenue	-	3,856	762	-	3,856	762	4,618	225			1997 (4)
825 7th Avenue	-	1,483	697	-	1,483	697	2,180	204			1997 (4)
Total New York	689,924	981,161	1,262,145	163,418	970,831	1,435,893	2,406,724	123,871			
Pennsylvania											
Wilkes Barre	21,165	6,053	26,646	-	6,053	26,646	32,699	583			2007 (4)
Philadelphia	8,246	*	23,650	6,069	933	29,719	30,652	5,853	1977		1994 (4)
Allentown	21,403	*	15,580	289	334	15,869	16,203	10,158	1957		1957 (4)
Bensalem	5,915	*	6,698	1,806	2,727	8,504	11,231	2,123	1972/1999		1972 (4)
Bethlehem	3,744	*	5,200	568	839	5,756	6,595	5,669	1966		1966 (4)
Wyomissing	-	-	2,646	2,265	-	4,911	4,911	1,387			2005 (4)
York	3,785	*	2,568	1,811	409	4,379	4,788	3,016	1970		1970 (4)
Broomall	9,001	*	2,171	749	850	2,920	3,770	2,792	1966		1966 (4)

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	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements					Total (2)
Lancaster	-	3,140	63	483	3,140	546	3,686	395	1966	1966	(4)
Upper Mooreland	6,400 *	683	1,868	900	683	2,768	3,451	2,494	1974	1974	(4)
Glenolden	6,752 *	850	1,820	471	850	2,291	3,141	1,660	1975	1975	(4)
Levittown	3,025 *	183	1,008	364	183	1,372	1,555	1,368	1964	1964	(4)
Springfield	-	-	254	-	-	254	254	-		2005	(4)
Total Pennsylvania	89,436	16,989	90,172	15,775	17,001	105,935	122,936	37,498			
South Carolina											
Charleston	-	-	3,854	-	-	3,854	3,854	213		2006	(4)
Tennessee											
Antioch	-	1,613	2,530	-	1,613	2,530	4,143	140		2006	(4)
Texas											
Texarkana	-	-	485	28	-	513	513	27		2006	(4)
Utah											
Ogden	-	1,818	2,578	-	1,818	2,578	4,396	102		2007	(4)
Virginia											
Springfield (Springfield Mall)	180,642	35,168	265,964	21,481	35,173	287,440	322,613	19,751		2006	(4)
Norfolk	-	-	3,927	15	-	3,942	3,942	1,360		2005	(4)
Total Virginia	180,642	35,168	269,891	21,496	35,173	291,382	326,555	21,111			
Washington											
Bellingham	-	1,942	2,265	-	1,942	2,265	4,207	90		2005	(4)
Washington, DC											
3040 M Street	-	7,830	27,490	45	7,830	27,535	35,365	1,996		2006	(4)
Wisconsin											
Fond Du Lac	-	-	186	100	-	286	286	22		2006	(4)
Puerto Rico											
Las Catalinas	60,766	15,280	64,370	7,523	15,280	71,893	87,173	18,371	1996	2002	(4)
Montehiedra	120,000	9,182	66,751	3,252	9,267	69,918	79,185	20,556	1996	1997	(4)
Total Puerto Rico	180,766	24,462	131,121	10,775	24,547	141,811	166,358	38,927			
Total Retail Properties	1,880,369	1,400,304	2,532,995	640,908	1,386,235	3,187,972	4,574,207	411,199			

**VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H	COLUMN I		
Description	Initial cost to company (1)			Gross amount at which carried at close of period			Accumulated depreciation and amortization	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Description	Encumbrances	Land	Buildings and improvements	Costs capitalized subsequent to acquisition	Land	Buildings and improvements	Total (2)	Date of construction (3)	Date acquired	Life on which depreciation in latest income statement is computed
Merchandise Mart Properties										
Illinois										
Merchandise Mart, Chicago	550,000	64,528	319,146	165,368	64,535	484,507	549,042	1930	1998	(4)
350 North Orleans, Chicago	-	14,238	67,008	83,167	14,246	150,167	164,413	1977	1998	(4)
527 W. Kinzie, Chicago	-	5,166	-	-	5,166	-	5,166	-	-	-
Total Illinois	<u>550,000</u>	<u>83,932</u>	<u>386,154</u>	<u>248,535</u>	<u>83,947</u>	<u>634,674</u>	<u>718,621</u>	-	-	-
Washington, DC										
Washington Design Center	44,992	12,274	40,662	13,558	12,274	54,220	66,494	1919	1998	(4)
North Carolina										
Market Square Complex, High Point	220,361	13,038	102,239	78,508	15,047	178,738	193,785	1902 - 1989	1998	(4)
New York										
7 West 34th Street	-	34,614	94,167	35,745	34,614	129,912	164,526	1901	2000	(4)
MMPI Piers	-	-	-	3,990	-	3,990	3,990	-	2008	(4)
Total New York	<u>-</u>	<u>34,614</u>	<u>94,167</u>	<u>39,735</u>	<u>34,614</u>	<u>133,902</u>	<u>168,516</u>	-	-	-
Massachusetts										
Boston Design Center	70,740	-	93,915	5,946	-	99,861	99,861	1918	2005	(4)
California										
Gift and Furniture Mart, Los Angeles	-	10,141	43,422	23,277	10,141	66,699	76,840	1958	2000	(4)
Total Merchandise Mart	<u>886,093</u>	<u>153,999</u>	<u>760,559</u>	<u>409,559</u>	<u>156,023</u>	<u>1,168,094</u>	<u>1,324,117</u>	-	-	-
Warehouse/Industrial										
New Jersey										
East Hanover	25,268	576	7,752	7,793	691	15,430	16,121	1972	1972	(4)
Other Properties										
Wasserman	150,486	28,052	-	244,139	87,702	184,489	272,191	-	2005	(4)
Hotel Pennsylvania	-	29,903	121,712	57,341	29,903	179,053	208,956	1919	1997	(4)
220 Central Park South	130,000	115,720	16,420	63,262	115,720	79,682	195,402	-	2005	(4)
40 East 66th Residential	-	29,199	85,798	(5,124)	32,114	77,759	109,873	-	2005	(4)
677-679 Madison	-	1,462	1,058	1,293	2,212	1,601	3,813	-	2006	(4)
Total Other Properties	<u>280,486</u>	<u>204,336</u>	<u>224,988</u>	<u>360,911</u>	<u>267,651</u>	<u>522,584</u>	<u>790,235</u>	-	-	-
Leasehold Improvements										
Equipment and Other	-	-	-	118,603	-	118,603	118,603	-	-	-
TOTAL	<u>8,740,826</u>	<u>4,644,488</u>	<u>10,403,840</u>	<u>2,821,330</u>	<u>4,516,141</u>	<u>13,353,517</u>	<u>17,869,658</u>	-	-	-
December 31, 2008	<u>8,740,826</u>	<u>4,644,488</u>	<u>10,403,840</u>	<u>2,821,330</u>	<u>4,516,141</u>	<u>13,353,517</u>	<u>17,869,658</u>	-	-	-

**VORNADO REALTY TRUST
AND SUBSIDIARIES
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

*These encumbrances are cross-collateralized under a blanket mortgage in the amount of 448,115,000 as of December 31, 2008.

Notes:

- (1) Initial cost is cost as of January 30, 1982 (the date on which Vornado commenced real estate operations) unless acquired subsequent to that date see Column H.
- (2) The net basis of the Company's assets and liabilities for tax purposes is approximately 3.4 billion lower than the amount reported for financial statement purposes.
- (3) Date of original construction — many properties have had substantial renovation or additional construction — see Column D.
- (4) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to forty years.

**VORNADO REALTY TRUST
AND SUBSIDIARIES**

**SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(AMOUNTS IN THOUSANDS)**

The following is a reconciliation of real estate assets and accumulated depreciation:

	Year Ended December 31,		
	2008	2007	2006
Real Estate			
Balance at beginning of period	\$ 17,028,507	\$ 11,607,078	\$ 9,584,512
Additions during the period:			
Land	95,980	1,956,602	552,381
Buildings & improvements	1,087,944	3,617,881	1,860,881
	<u>18,212,431</u>	<u>17,181,561</u>	<u>11,997,774</u>
Less: Assets sold and written-off	342,773	153,054	390,696
Balance at end of period	<u>\$ 17,869,658</u>	<u>\$ 17,028,507</u>	<u>\$ 11,607,078</u>
Accumulated Depreciation			
Balance at beginning of period	\$ 1,802,055	\$ 1,440,656	\$ 1,200,865
Additions charged to operating expenses	407,753	445,150	353,473
Additions due to acquisitions	—	20,817	—
	<u>2,209,808</u>	<u>1,906,623</u>	<u>1,554,338</u>
Less: Accumulated depreciation on assets sold and written-off	48,715	104,568	113,682
Balance at end of period	<u>\$ 2,161,093</u>	<u>\$ 1,802,055</u>	<u>\$ 1,440,656</u>

EXHIBIT INDEX

<u>Exhibit No.</u>		
3.1	-	Articles of Restatement of Vornado Realty Trust, as filed with the State Department of Assessments and Taxation of Maryland on July 30, 2007 - Incorporated by reference to Exhibit 3.75 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-11954), filed on July 31, 2007 *
3.2	-	Amended and Restated Bylaws of Vornado Realty Trust, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
3.3	-	Second Amended and Restated Agreement of Limited Partnership of Vornado Realty L.P., dated as of October 20, 1997 (the "Partnership Agreement") – Incorporated by reference to Exhibit 3.26 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
3.4	-	Amendment to the Partnership Agreement, dated as of December 16, 1997 – Incorporated by reference to Exhibit 3.27 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
3.5	-	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 – Incorporated by reference to Exhibit 3.5 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998 *
3.6	-	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on November 30, 1998 *
3.7	-	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on February 9, 1999 *
3.8	-	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on March 17, 1999 *
3.9	-	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
3.10	-	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
3.11	-	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on July 7, 1999 *
3.12	-	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *
3.13	-	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 3.14 - Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 23, 1999 *
- 3.15 - Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on May 19, 2000 *
- 3.16 - Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 16, 2000 *
- 3.17 - Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on December 28, 2000 *
- 3.18 - Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001 *
- 3.19 - Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.20 - Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001 *
- 3.21 - Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 001-11954), filed on March 18, 2002 *
- 3.22 - 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), filed on August 7, 2002 *
- 3.23 - Twentieth Amendment to the Partnership Agreement, dated April 9, 2003 - Incorporated by reference to Exhibit 3.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File No. 001-11954), filed on May 8, 2003 *
- 3.24 - Twenty-First Amendment to the Partnership Agreement, dated as of July 31, 2003 - Incorporated by reference to Exhibit 3.47 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 001-11954), filed on November 7, 2003 *
- 3.25 - Twenty-Second Amendment to the Partnership Agreement, dated as of November 17, 2003 – Incorporated by reference to Exhibit 3.49 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004 *
- 3.26 - Twenty-Third Amendment to the Partnership Agreement, dated May 27, 2004 – Incorporated by reference to Exhibit 99.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on June 14, 2004 *
- 3.27 - Twenty-Fourth Amendment to the Partnership Agreement, dated August 17, 2004 – Incorporated by reference to Exhibit 3.57 to Vornado Realty Trust and Vornado Realty L.P.'s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 3.28 - Twenty-Fifth Amendment to the Partnership Agreement, dated November 17, 2004 – Incorporated by reference to Exhibit 3.58 to Vornado Realty Trust and Vornado Realty L.P.’s Registration Statement on Form S-3 (File No. 333-122306), filed on January 26, 2005 *
- 3.29 - Twenty-Sixth Amendment to the Partnership Agreement, dated December 17, 2004 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 *
- 3.30 - Twenty-Seventh Amendment to the Partnership Agreement, dated December 20, 2004 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on December 21, 2004 *
- 3.31 - Twenty-Eighth Amendment to the Partnership Agreement, dated December 30, 2004 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on January 4, 2005 *
- 3.32 - Twenty-Ninth Amendment to the Partnership Agreement, dated June 17, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 21, 2005 *
- 3.33 - Thirtieth Amendment to the Partnership Agreement, dated August 31, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on September 1, 2005 *
- 3.34 - Thirty-First Amendment to the Partnership Agreement, dated September 9, 2005 - Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on September 14, 2005 *
- 3.35 - Thirty-Second Amendment and Restated Agreement of Limited Partnership, dated as of December 19, 2005 – Incorporated by reference to Exhibit 3.59 to Vornado Realty L.P.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 000-22685), filed on May 8, 2006 *
- 3.36 - Thirty-Third Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006 *
- 3.37 - Thirty-Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of May 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on May 3, 2006 *
- 3.38 - Thirty-Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of August 17, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Form 8-K (File No. 000-22685), filed on August 23, 2006 *
- 3.39 - Thirty-Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of October 2, 2006 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Form 8-K (File No. 000-22685), filed on January 22, 2007 *
- 3.40 - Thirty-Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.1 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 3.41 - Thirty-Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.2 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.42 - Thirty-Ninth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.3 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.43 - Fortieth Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of June 28, 2007 – Incorporated by reference to Exhibit 3.4 to Vornado Realty L.P.’s Current Report on Form 8-K (File No. 000-22685), filed on June 27, 2007 *
- 3.44 - Forty-First Amendment to Second Amended and Restated Agreement of Limited Partnership, dated as of March 31, 2008 – Incorporated by reference to Exhibit 3.44 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (file No. 001-11954), filed on May 6, 2008 *
- 4.1 - Indenture and Servicing Agreement, dated as of March 1, 2000, among Vornado Finance LLC, LaSalle Bank National Association, ABN Amro Bank N.V. and Midland Loan Services, Inc. - Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 4.2 - 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 (File No. 000-22685), filed on June 24, 2002 *
- 4.3 - Indenture, dated as of November 25, 2003, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.10 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-11954), filed on April 28, 2005 *
- 4.4 - Indenture, dated as of November 20, 2006, among Vornado Realty Trust, as Issuer, Vornado Realty L.P., as Guarantor and The Bank of New York, as Trustee – Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Current Report on Form 8-K (File No. 001-11954), filed on November 27, 2006 *
- Certain instruments defining the rights of holders of long-term debt securities of Vornado Realty Trust and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Vornado Realty Trust hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of any such instruments.*
- 10.1 ** - Vornado Realty Trust’s 1993 Omnibus Share Plan - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 331-09159), filed on July 30, 1996 *
- 10.2 ** - Vornado Realty Trust’s 1993 Omnibus Share Plan, as amended - Incorporated by reference to Exhibit 4.1 to Vornado Realty Trust’s Registration Statement on Form S-8 (File No. 333-29011), filed on June 12, 1997 *
- 10.3 - Master Agreement and Guaranty, between Vornado, Inc. and Bradlees New Jersey, Inc. dated as of May 1, 1992 - Incorporated by reference to Vornado, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 001-11954), filed May 8, 1992 *
- * Incorporated by reference.
- ** Management contract or compensatory agreement.

- 10.4 - Registration Rights Agreement between Vornado, Inc. and Steven Roth, dated December 29, 1992 - Incorporated by reference to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 *
- 10.5 - Stock Pledge Agreement between Vornado, Inc. and Steven Roth dated December 29, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 *
- 10.6 - Management Agreement between Interstate Properties and Vornado, Inc. dated July 13, 1992 - Incorporated by reference to Vornado, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 001-11954), filed February 16, 1993 *
- 10.7 ** - Employment Agreement, dated as of April 15, 1997, by and among Vornado Realty Trust, The Mendik Company, L.P. and David R. Greenbaum - Incorporated by reference to Exhibit 10.4 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on April 30, 1997 *
- 10.8 - Consolidated and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of March 1, 2000, between Entities named therein (as Mortgagors) and Vornado (as Mortgagee) - Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 10.9 ** - Promissory Note from Steven Roth to Vornado Realty Trust, dated December 23, 2005 - Incorporated by reference to Exhibit 10.15 to Vornado Realty Trust Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006 *
- 10.10 ** - Letter agreement, dated November 16, 1999, between Steven Roth and Vornado Realty Trust - Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000 *
- 10.11 - Agreement and Plan of Merger, dated as of October 18, 2001, by and among Vornado Realty Trust, Vornado Merger Sub L.P., Charles E. Smith Commercial Realty L.P., Charles E. Smith Commercial Realty L.L.C., Robert H. Smith, individually, Robert P. Kogod, individually, and Charles E. Smith Management, Inc. - Incorporated by reference to Exhibit 2.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on January 16, 2002 *
- 10.12 - Registration Rights Agreement, dated January 1, 2002, between Vornado Realty Trust and the holders of the Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 *
- 10.13 - Tax Reporting and Protection Agreement, dated December 31, 2001, by and among Vornado, Vornado Realty L.P., Charles E. Smith Commercial Realty L.P. and Charles E. Smith Commercial Realty L.L.C. - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Current Report on Form 8-K/A (File No. 1-11954), filed on March 18, 2002 *
- 10.14 ** - Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 10.7 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 001-11954), filed on May 1, 2002 *
- 10.15 ** - First Amendment, dated October 31, 2002, to the Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated March 8, 2002 - Incorporated by reference to Exhibit 99.6 to the Schedule 13D filed by Michael D. Fascitelli on November 8, 2002 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.16 - Registration Rights Agreement, dated as of July 21, 1999, by and between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 *
- 10.17 - Form of Registration Rights Agreement between Vornado Realty Trust and the holders of Units listed on Schedule A thereto - Incorporated by reference to Exhibit 10.3 to Vornado Realty Trust's Registration Statement on Form S-3 (File No. 333-102217), filed on December 26, 2002 *
- 10.18 - Amendment to Real Estate Retention Agreement, dated as of July 3, 2002, by and between Alexander's, Inc. and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(E)(3) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.19 - 59th Street Real Estate Retention Agreement, dated as of July 3, 2002, by and between Vornado Realty L.P., 731 Residential LLC and 731 Commercial LLC - Incorporated by reference to Exhibit 10(i)(E)(4) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.20 - Amended and Restated Management and Development Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., the subsidiaries party thereto and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(1) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.21 - 59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Residential LLC, 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) to Alexander's Inc.'s Quarterly Report for the quarter ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002 *
- 10.22 - Amendment dated May 29, 2002, to the Stock Pledge Agreement between Vornado Realty Trust and Steven Roth dated December 29, 1992 - Incorporated by reference to Exhibit 5 of Interstate Properties' Schedule 13D/A dated May 29, 2002 (File No. 005-44144), filed on May 30, 2002 *
- 10.23 ** - Vornado Realty Trust's 2002 Omnibus Share Plan - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-102216) filed December 26, 2002 *
- 10.24 - Registration Rights Agreement by and between Vornado Realty Trust and Bel Holdings LLC dated as of November 17, 2003 - Incorporated by reference to Exhibit 10.68 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-11954), filed on March 3, 2004 *
- 10.25 - Registration Rights Agreement, dated as of May 27, 2004, by and between Vornado Realty Trust and 2004 Realty Corp. - Incorporated by reference to Exhibit 10.75 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.26 - Registration Rights Agreement, dated as of December 17, 2004, by and between Vornado Realty Trust and Montebello Realty Corp. 2002 - Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.27 ** - Form of Stock Option Agreement between the Company and certain employees - Incorporated by reference to Exhibit 10.77 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- * Incorporated by reference.
- ** Management contract or compensatory agreement.

- 10.28 ** - Form of Restricted Stock Agreement between the Company and certain employees – Incorporated by reference to Exhibit 10.78 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 001-11954), filed on February 25, 2005 *
- 10.29 ** - Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated February 22, 2005 and effective as of January 1, 2005 – Incorporated by reference to Exhibit 10.76 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 001-11954), filed on April 28, 2005 *
- 10.30 - Contribution Agreement, dated May 12, 2005, by and among Robert Kogod, Vornado Realty L.P. and certain Vornado Realty Trust’s affiliates – Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-11954), filed on February 28, 2006 *
- 10.31 ** - Amendment, dated March 17, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 001-11954), filed on May 2, 2006 *
- 10.32 ** - Form of Vornado Realty Trust 2006 Out-Performance Plan Award Agreement, dated as of April 25, 2006 – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on May 1, 2006 *
- 10.33 ** - Form of Vornado Realty Trust 2002 Restricted LTIP Unit Agreement – Incorporated by reference to Vornado Realty Trust’s Form 8-K (Filed No. 001-11954), filed on May 1, 2006 *
- 10.34 - Revolving Credit Agreement, dated as of June 28, 2006, among the Operating Partnership, the banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as Syndication Agents, Deutsche Bank Trust Company Americas, Lasalle Bank National Association, and UBS Loan Finance LLC, as Documentation Agents and Vornado Realty Trust – Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust’s Form 8-K (File No. 001-11954), filed on June 28, 2006 *
- 10.35 ** - Amendment No.2, dated May 18, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006 *
- 10.36 ** - Amended and Restated Employment Agreement between Vornado Realty Trust and Joseph Macnow dated July 27, 2006 – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-11954), filed on August 1, 2006 *
- 10.37 - Guaranty, made as of June 28, 2006, by Vornado Realty Trust, for the benefit of JP Morgan Chase Bank – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006 *
- 10.38 ** - Amendment, dated October 26, 2006, to the Vornado Realty Trust Omnibus Share Plan – Incorporated by reference to Exhibit 10.54 to Vornado Realty Trust’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-11954), filed on October 31, 2006 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.39 ** - Amendment to Real Estate Retention Agreement, dated January 1, 2007, by and between Vornado Realty L.P. and Alexander's Inc. – Incorporated by reference to Exhibit 10.55 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007 *
- 10.40 ** - Amendment to 59th Street Real Estate Retention Agreement, dated January 1, 2007, by and among Vornado Realty L.P., 731 Retail One LLC, 731 Restaurant LLC, 731 Office One LLC and 731 Office Two LLC. – Incorporated by reference to Exhibit 10.56 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-11954), filed on February 27, 2007 *
- 10.41 - Stock Purchase Agreement between the Sellers identified and Vornado America LLC, as the Buyer, dated as of March 5, 2007 – Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007 *
- 10.42 ** - Employment Agreement between Vornado Realty Trust and Mitchell Schear, as of April 19, 2007 – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-11954), filed on May 1, 2007 *
- 10.43 - Revolving Credit Agreement, dated as of September 28, 2007, among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks signatory thereto, each as a Bank, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A. as Syndication Agent, Citicorp North America, Inc., Deutsche Bank Trust Company Americas, and UBS Loan Finance LLC as Documentation Agents, and J.P. Morgan Securities Inc. and Bank of America Securities LLC as Lead Arrangers and Bookrunners. - Incorporated by reference to Exhibit 10.1 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007 *
- 10.44 - Second Amendment to Revolving Credit Agreement, dated as of September 28, 2007, by and among Vornado Realty L.P. as borrower, Vornado Realty Trust as General Partner, the Banks listed on the signature pages thereof, and J.P. Morgan Chase Bank N.A., as Administrative Agent for the Banks - Incorporated by reference to Exhibit 10.2 to Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 4, 2007 *
- 10.45 ** - Form of Vornado Realty Trust 2002 Omnibus Share Plan Non-Employee Trustee Restricted LTIP Unit Agreement – Incorporated by reference to Exhibit 10.45 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-11954) filed on February 26, 2008 *
- 10.46 ** - Form of Vornado Realty Trust 2008 Out-Performance Plan Award Agreement – Incorporated by reference to Exhibit 10.46 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11954) filed on May 6, 2008 *
- 10.47 ** - Amendment to Employment Agreement between Vornado Realty Trust and Michael D. Fascitelli, dated December 29, 2008 – Incorporated by reference to Exhibit 10.47 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 10.48 ** - Amendment to Employment Agreement between Vornado Realty Trust and Joseph Macnow, dated December 29, 2008 – Incorporated by reference to Exhibit 10.48 to Vornado Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *

* Incorporated by reference.

** Management contract or compensatory agreement.

- 10.49 ** - Amendment to Employment Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008 – Incorporated by reference to Exhibit 10.49 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 10.50 ** - Amendment to Indemnification Agreement between Vornado Realty Trust and David R. Greenbaum, dated December 29, 2008 – Incorporated by reference to Exhibit 10.50 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 10.51 ** - Amendment to Employment Agreement between Vornado Realty Trust and Mitchell N. Shear, dated December 29, 2008 – Incorporated by reference to Exhibit 10.51 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 10.52 ** - Amendment to Employment Agreement between Vornado Realty Trust and Sandeep Mathrani, dated December 29, 2008 – Incorporated by reference to Exhibit 10.52 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 10.53 ** - Amendment to Employment Agreement between Vornado Realty Trust and Christopher G. Kennedy, dated December 29, 2008 – Incorporated by reference to Exhibit 10.53 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 12 - Computation of Ratios – Incorporated by reference to Exhibit 12 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 21 - Subsidiaries of the Registrant – Incorporated by reference to Exhibit 21 to Vornado Realty Trust’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11954) filed on February 24, 2009 *
- 23.1 - Consent of Independent Registered Public Accounting Firm – Deloitte & Touche LLP
- 23.2 - Consent of Independent Registered Public Accounting Firm – KPMG LLP
- 23.3 - Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP
- 31.1 - Rule 13a-14 (a) Certification of the Chief Executive Officer
- 31.2 - Rule 13a-14 (a) Certification of the Chief Financial Officer
- 32.1 - Section 1350 Certification of the Chief Executive Officer
- 32.2 - Section 1350 Certification of the Chief Financial Officer

* Incorporated by reference.

** Management contract or compensatory agreement.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 24, 2009, relating to the consolidated financial statements and financial statement schedules of Vornado Realty Trust, appearing in this Amendment No. 1 to the Annual Report on Form 10-K/A of Vornado Realty Trust, and our report dated February 24, 2009 relating to the effectiveness of Vornado Realty Trust's internal control over financial reporting, appearing in the Annual Report on Form 10-K of Vornado Realty Trust for the year ended December 31, 2008:

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
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3
Amendment No. 1 to Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3
Registration Statement No. 333-150592 on Form S-3
Registration Statement No. 333-150593 on Form S-8

and in the following joint registration statements of Vornado Realty Trust and Vornado Realty L.P. :

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
Registration Statement No. 333-122306 on Form S-3
Registration Statement No. 333-138367 on Form S-3

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 2, 2009

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Trustees and Shareholders
Lexington Realty Trust:

We consent to the incorporation by reference in the registration statements of Vornado Realty Trust, as listed in Appendix I, of our reports dated March 1, 2009, with respect to the consolidated balance sheets of Lexington Realty Trust and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008 and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2008, not included herein, which reports appear in the Annual Report on Form 10-K for the year ended December 31, 2008 of Lexington Realty Trust. The consolidated financial statements of Lex-Win Concord LLC ("Concord"), a 50 percent-owned investee company, were audited by other auditors whose report has been furnished to us, and our opinion on the Company's consolidated financial statements, insofar as it relates to the amounts included for Concord, is based solely on the report of the other auditors.

/s/ KPMG LLP

New York, New York
March 1, 2009

Registration statements of Vornado Realty Trust:

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
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3
Amendment No. 1 to Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3
Registration Statement No. 333-150592 on Form S-3
Registration Statement No. 333-150593 on Form S-8

Joint registration statements of Vornado Realty Trust and Vornado Realty L.P. :

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
Registration Statement No. 333-122306 on Form S-3
Registration Statement No. 333-138367 on Form S-3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the following Registration Statements of Vornado Realty Trust and subsidiaries of our report dated March 1, 2009 relating to the financial statements of Lex-Win Concord LLC, which is incorporated by reference in this Form 10-K/A.

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
Registration Statement No. 333-114146 on Form S-3
Registration Statement No. 333-114807 on Form S-3
Registration Statement No. 333-121929 on Form S-3
Amendment No. 1 to Registration Statement No. 333-120384 on Form S-3
Registration Statement No. 333-126963 on Form S-3
Registration Statement No. 333-139646 on Form S-3
Registration Statement No. 333-141162 on Form S-3
Registration Statement No. 333-150592 on Form S-3
Registration Statement No. 333-150593 on Form S-8

and in the following joint registration statements of Vornado Realty Trust and Vornado Realty L.P. :

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
Registration Statement No. 333-122306 on Form S-3
Registration Statement No. 333-138367 on Form S-3

/s/ PricewaterhouseCoopers, LLP

Boston, Massachusetts
March 1, 2009

CERTIFICATION

I, Steven Roth, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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(s) and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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.

March 2, 2009

/s/ Steven Roth

Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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(s) and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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.

March 2, 2009

/s/ Joseph Macnow

Joseph Macnow

Executive Vice President and Chief Financial Officer

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K/A for year ended December 31, 2008 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 2, 2009

/s/ Steven Roth

Name: Steven Roth
Title: Chief Executive Officer

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Vornado Realty Trust (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 10-K/A for year ended December 31, 2008 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 2, 2009

/s/ Joseph Macnow

Name: Joseph Macnow
Title: Chief Financial Officer