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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: SEPTEMBER 30, 2002

or

[ ] 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: 001-11954

VORNADO REALTY TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	22-1657560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
888 SEVENTH AVENUE, NEW YORK, NEW YORK	10019
(Address of principal executive offices)	(Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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.

[X] Yes [ ] No

As of October 28, 2002, 108,396,383 of the registrant's common shares of beneficial interest are outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VORNADO REALTY TRUST

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share and per share amounts)	(UNAUDITED) SEPTEMBER 30, 2002	DECEMBER 31, 2001
ASSETS		
Real estate, at cost:		
Land	$ 1,535,501	$ 895,831
Buildings and improvements	5,845,682	3,480,249
Development costs and construction in progress	45,314	258,357
Leasehold improvements and equipment	69,177	55,774
Total	7,495,674	4,690,211
Less accumulated depreciation and amortization	(692,126)	(506,225)
Real estate, net	6,803,548	4,183,986
Cash and cash equivalents, including U.S. government obligations under repurchase agreements of $38,900 and $15,235	314,363	265,584
Escrow deposits and restricted cash	240,950	204,463
Marketable securities	59,515	126,774
Investments in and advances to partially-owned entities, including Alexander's of $192,831 and $188,522	951,282	1,270,195
Due from officers	21,733	18,197
Accounts receivable, net of allowance for doubtful accounts of $9,915 and $8,831	67,828	47,406
Notes and mortgage loans receivable	95,237	258,555
Receivable arising from the straight-lining of rents	168,993	138,154
Other assets	342,591	264,029
	$ 9,066,040	$ 6,777,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and mortgages payable	$ 3,575,196	$ 2,477,173
Senior unsecured notes due 2007	499,319	--
Accounts payable and accrued expenses	204,290	179,597
Officers' compensation payable	15,684	6,708
Deferred leasing fee income	11,398	11,940
Other liabilities	1,548	51,895
Total liabilities	4,307,435	2,727,313
Minority interest of unitholders in the Operating Partnership	2,079,820	1,479,658
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest: no par value per share; authorized 70,000,000 shares;		
Series A: liquidation preference $50.00 per share; issued and outstanding 1,777,723 and 5,520,435 shares	88,890	276,024
Series B: liquidation preference $25.00 per share; issued and outstanding 3,400,000 shares	81,805	81,805
Series C: liquidation preference $25.00 per share; issued and outstanding 4,600,000 shares	111,148	111,148
Common shares of beneficial interest: $.04 par value per share; authorized, 200,000,000 shares; issued and outstanding, 107,959,957 and 99,035,023 shares	4,319	3,961
Additional capital	2,486,218	2,162,512
Distributions in excess of net income	(142,551)	(95,647)
	2,629,829	2,539,803
Deferred compensation shares earned but not yet delivered	38,253	38,253
Deferred compensation shares issued but not yet earned	(9,036)	--
Accumulated other comprehensive income (loss)	24,443	(2,980)
Due from officers for purchase of common shares of beneficial interest	(4,704)	(4,704)
Total shareholders' equity	2,678,785	2,570,372
	$ 9,066,040	$ 6,777,343

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(amounts in thousands except per share amounts)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
Revenues:				
Rentals	$ 310,515	$ 211,541	$ 922,144	$ 628,511
Expense reimbursements	44,407	36,216	118,526	102,851
Other income (including fee income from related parties of $439 and $250 in each three month period and $1,023 and $1,134 in each nine month period)	6,286	2,508	20,109	7,588
Total revenues	361,208	250,265	1,060,779	738,950
Expenses:				
Operating	145,237	102,222	398,950	299,436
Depreciation and amortization	52,011	29,275	149,162	91,226
General and administrative	27,352	15,043	74,578	51,706
Amortization of Officer's deferred compensation expense	6,875	--	20,625	--
Costs of acquisitions not consummated	--	--	--	5,000
Total expenses	231,475	146,540	643,315	447,368
Operating income	129,733	103,725	417,464	291,582
Income applicable to Alexander's	12,554	4,442	22,609	21,422
Income from partially-owned entities	6,692	18,856	30,304	62,074
Interest and other investment income	6,407	14,584	25,984	43,931
Interest and debt expense	(61,354)	(43,054)	(179,491)	(136,443)
Net gain on disposition of wholly-owned and partially-owned assets	4,503	6,495	1,053	3,706
Minority interest:				
Perpetual preferred unit distributions	(18,254)	(17,594)	(54,762)	(52,245)
Minority limited partnership earnings	(17,073)	(9,951)	(50,167)	(30,195)
Partially-owned entities	(403)	(723)	(1,946)	(1,491)
Income before cumulative effect of change in accounting principle and extraordinary item	62,805	76,780	211,048	202,341
Cumulative effect of change in accounting principle	--	--	(30,129)	(4,110)
Extraordinary item	--	--	--	1,170
Net income	62,805	76,780	180,919	199,401
Preferred share dividends (including accretion of issuance expenses of $958 in the nine months of 2001)	(5,695)	(8,904)	(17,722)	(27,769)
NET INCOME applicable to common shares	$ 57,110	$ 67,876	$ 163,197	$ 171,632
NET INCOME PER COMMON SHARE - BASIC	$ .53	.76	1.55	1.96
NET INCOME PER COMMON SHARE - DILUTED	$ .52	$ .74	$ 1.49	$ 1.90
DIVIDENDS PER COMMON SHARE	$ .66	$ .59	$ 1.98	$ 1.65

See notes to consolidated financial statements.

VORNADO REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(amounts in thousands)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 180,919	$ 199,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	30,129	4,110
Extraordinary item	--	(1,170)
Minority interest	106,875	83,931
Net gain on disposition of wholly-owned and partially-owned assets	(1,053)	(3,706)
Depreciation and amortization	149,162	91,226
Amortization of Officer's deferred compensation expense	20,625	--
Straight-lining of rental income	(29,622)	(23,987)
Equity in income of Alexander's	(22,609)	(21,422)
Equity in income of partially-owned entities	(30,304)	(62,074)
Changes in operating assets and liabilities	(56,621)	(5,074)
Net cash provided by operating activities	347,501	261,235
CASH FLOWS FROM INVESTING ACTIVITIES:		
Development costs and construction in progress	(47,351)	(68,152)
Investments in partially-owned entities	(35,209)	(68,145)
Distributions from partially-owned entities	100,326	102,404
Investment in notes and mortgage loans receivable	(56,091)	(36,831)
Repayment of notes and mortgage loans receivable	115,000	9,057
Cash restricted, primarily mortgage escrows	704	13,709
Additions to real estate	(70,029)	(63,687)
Purchases of marketable securities	(1,702)	(9,657)
Acquisitions of real estate	(23,659)	(11,574)
Proceeds from sale of marketable securities	73,685	1,640
Proceeds from sale of real estate	--	146,197
Real estate deposits and other	--	2,764
Net cash provided by investing activities	55,674	17,725
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	654,373	347,853
Repayments of borrowings	(719,761)	(388,319)
Debt issuance costs	(3,970)	--
Proceeds from issuance of common shares	56,508	--
Proceeds from issuance of preferred units	--	52,673
Distributions to minority partners	(108,477)	(79,452)
Dividends paid on common shares	(240,802)	(143,544)
Dividends paid on preferred shares	(17,722)	(26,811)
Exercise of stock options	25,455	9,529
Net cash used in financing activities	(354,396)	(228,071)
Net increase in cash and cash equivalents	48,779	50,889
Cash and cash equivalents at beginning of period	265,584	136,989
Cash and cash equivalents at end of period	$ 314,363	$ 187,878
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest (including capitalized interest of $5,450 in 2002 and $9,495 in 2001)	$ 171,132	$ 133,051
NON-CASH TRANSACTIONS:		
Class A units issued in acquisitions	$ 625,226	$ --
Financing assumed in acquisitions	1,082,480	--
Unrealized (loss) gain on securities available for sale	(112)	2,356

See notes to consolidated financial statements.

1. ORGANIZATION

Vornado Realty Trust is a fully-integrated real estate investment trust ("REIT"). Vornado conducts its business through Vornado Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Vornado is the sole general partner of, and owned approximately 79% of the common limited partnership interest in, the Operating Partnership at September 30, 2002. All references to the "Company" and "Vornado" refer to Vornado Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

2. BASIS OF PRESENTATION

The consolidated balance sheet as of September 30, 2002, the consolidated statements of income for the three and nine months ended September 30, 2002 and 2001 and the consolidated statements of cash flows for the nine months ended September 30, 2002 and 2001 are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission. The results of operations for the nine months ended September 30, 2002 are not necessarily indicative of the operating results for the full year.

The accompanying consolidated financial statements include the accounts of Vornado Realty Trust and its majority-owned subsidiary, Vornado Realty L.P., as well as entities in which the Company has a 50% or greater interest, provided that the Company exercises control (where the Company does not exercise control, such entities are accounted for under the equity method). All significant intercompany amounts have been eliminated. Equity interests in partially-owned corporate entities are accounted for under the equity method of accounting when the Company's ownership interest is more than 20% but less than 50%. When partially-owned investments are in partnership form, the 20% threshold may be reduced. For all other investments, the Company uses the cost method. Equity investments are recorded initially at cost and subsequently adjusted for the Company's share of the net income or loss and cash contributions and distributions to or from these entities.

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

Certain amounts in the prior period's financial statements have been reclassified to conform to the current year presentation.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (effective January 1, 2002). SFAS No. 142 specifies that goodwill and some intangible assets will no longer be amortized but instead be subject to periodic impairment testing. SFAS No. 142 provides specific guidance for impairment testing of these assets and removes them from the scope of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS. At December 31, 2001, the Company determined that the carrying amounts of its goodwill were not impaired under SFAS No. 121, as the expected undiscounted future cash flows from the related investments including goodwill exceeded the carrying amounts of those assets. At January 1, 2002, under the guidance of SFAS 142, the Company determined that the carrying amounts of certain of its goodwill assets were in excess of the fair values. Accordingly, in the first quarter of 2002, the Company wrote-off goodwill of approximately $30,129,000 of which (i) $15,490,000 represents its share of the goodwill arising from the Company's investment in Temperature Controlled Logistics and (ii) $14,639,000 represents goodwill arising from the Company's acquisition of the Hotel Pennsylvania. The write-off has been reflected as a cumulative effect of a change in accounting principle. Earnings allocable to the minority interest has been reduced by their pro-rata share of the write-off of goodwill. Previously reported Net Income Applicable to Common Shares for the three and nine months ended September 30, 2001 would have been approximately $300,000 and $900,000 higher if such goodwill was not amortized in the prior year's quarter and nine months.

In August 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (effective January 1, 2003) and SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS (effective January 1, 2002). SFAS No. 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period which it is incurred. SFAS No. 144 supersedes current accounting literature and now provides for a single accounting model for long-lived assets to be disposed of by sale and requires discontinued operations presentation for disposals of a "component" of an entity. The adoption of these statements did not have a material effect on the Company's financial statements; however under SFAS No. 144, if the Company were to dispose of a material operating property, such property's results of operations will have to be separately disclosed as discontinued operations in the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, RESCISSION OF SFAS NO. 4, 44, AND 64, AMENDMENT OF SFAS NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 rescinds SFAS No. 4, REPORTING GAINS AND LOSSES FROM EXTINGUISHMENT OF DEBT, SFAS No. 44, ACCOUNTING FOR INTANGIBLE ASSETS OF MOTOR CARRIERS, and SFAS No. 64, EXTINGUISHMENTS OF DEBT MADE TO SATISFY SINKING-FUND REQUIREMENTS. SFAS No. 145 requires, among other things, (i) that the modification of a lease that results in a change of the classification of the lease from capital to operating under the provisions of SFAS No. 13 be accounted for as a sale-leaseback transaction and (ii) the reporting of gains or losses from the early extinguishment of debt as extraordinary items only if they met the criteria of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS. The rescission of SFAS No. 4 is effective January 1, 2003. The amendment of SFAS No. 13 is effective for transactions occurring on or after May 15, 2002. The adoption of this statement will not have a material effect on the Company's financial statements.

In July 2002, the FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES (effective January 1, 2003). SFAS No. 146 replaces current accounting literature and requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company does not anticipate that the adoption of this statement will have a material effect on the Company's financial statements.

On August 7, 2002, the Company announced that beginning January 1, 2003, it will expense the cost of employee stock options in accordance with the Statement of Financial Accounting Standard ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. On October 4, 2002, the FASB issued an exposure draft proposing to amend the transition and disclosure provisions of SFAS No. 123. Specifically, SFAS No. 123, as amended, would permit two additional transition methods for entities that adopt the fair value method of accounting for stock based employee compensation. Both of these methods avoid the ramp-up effect on earnings arising from the prospective application of the fair value method. The Company is currently in the process of evaluating each of the transition methods and the impact to the Company's financial position and results of operations.

4. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

CHARLES E. SMITH COMMERCIAL REALTY L.P.

On January 1, 2002, the Company completed the combination of Charles E. Smith Commercial Realty L.P. ("CESCR") with Vornado. Prior to the combination, Vornado owned a 34% interest in CESCR. The consideration for the remaining 66% of CESCR was approximately $1,600,000,000, consisting of 15.6 million newly issued Vornado Operating Partnership units and $991,980,000 of debt (66% of CESCR's total debt).

This acquisition was recorded under the purchase method of accounting. The purchase price was allocated to acquired assets and assumed liabilities using their relative fair values as of January 1, 2002 based on valuations and other studies, certain of which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. The Company believes that any such change will not be significant because the allocations were principally to real estate.

The unaudited pro forma information set forth below presents the condensed consolidated statements of income for the Company for the three and nine months ended September 30, 2001 as if the following transactions had occurred on January 1, 2001, (i) the acquisition of CESCR described above and (ii) the Company's November 21, 2001 sale of 9,775,000 common shares and the use of proceeds to repay indebtedness.

Condensed Consolidated Statements of Income (in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	Pro Forma 2001	2002	Pro Forma 2001
Revenues	$ 361,208	$ 344,972	$ 1,060,799	$ 1,024,514
Income before cumulative effect of change in accounting principle and extraordinary item	$ 62,805	$ 82,597	$ 211,048	$ 214,053
Cumulative effect of change in accounting principle	--	--	(30,129)	(4,110)
Extraordinary item	--	(88)	--	1,082
Net income	62,805	82,509	180,919	211,025
Preferred share dividends	(5,695)	(8,904)	(17,722)	(27,769)
Net income applicable to common shares	$ 57,110	$ 73,605	$ 163,197	$ 183,256
Net income per common share - basic	$ .53	$ .75	$ 1.55	$ 1.88
Net income per common share - diluted	$ .52	$ .72	$ 1.49	$ 1.83

4. ACQUISITIONS AND DISPOSITIONS - CONTINUED

INVESTMENT IN PRIMESTONE

On September 28, 2000, the Company made a $62,000,000 loan to Primestone Investment Partners, L.P. ("Primestone"). The Company received a 1% up-front fee and was entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The loan bore interest at 16% per annum. Primestone defaulted on the repayment of this loan on October 25, 2001. The loan was subordinate to $37,957,000 of other debt of the borrower. On October 31, 2001, the Company purchased the other debt for its face amount. The loans were secured by 7,944,893 partnership units in Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and the partnership units are exchangeable for the same number of common shares of PGE. The loans are also guaranteed by affiliates of Primestone.

On November 19, 2001, the Company sold, pursuant to a participation agreement with a subsidiary of Cadim inc., a Canadian pension fund, a 50% participation in both loans at par for approximately $50,000,000 reducing the Company's net investment in the loans at December 31, 2001 to $56,768,000 including unpaid interest and fees of $6,790,000.

On April 30, 2002, the Company and Cadim acquired the 7,944,893 partnership units at a foreclosure auction. The price paid for the units by application of a portion of Primestone's indebtedness to the Company and Cadim was $8.35 per unit, the April 30, 2002 closing price of shares of PGE on the New York Stock Exchange. On June 28, 2002, pursuant to the terms of the participation agreement, the Company transferred 3,972,447 of the partnership units to Cadim.

In the second quarter, in accordance with foreclosure accounting, the Company recorded a loss on the Primestone foreclosure of $17,671,000 calculated based on (i) the acquisition price of the units and (ii) its valuation of the amounts realizable under the guarantees by affiliates of Primestone, as compared with the net carrying amount of the investment at April 30, 2002.

At September 30, 2002, the Company's carrying amount of the investment was $39,485,000, of which $33,170,000 represents the carrying amount of the 3,972,447 partnership units owned by the Company ($8.35 per unit), $7,100,000 represents the amount expected to be realized under the guarantees, offset by $785,000 representing the Company's share of Prime Group Realty's net loss through June 30, 2002 (see Note 5. Investments in and Advances to Partially-Owned Entities). In the three months ended September 30, 2002, the Company expensed legal fees of $2,229,000 in connection with the ongoing Primestone litigation and the Company's effort to realize the guarantees.

At October 28, 2002, the closing price of PGE shares on the New York Stock Exchange was $4.49 per share. The ultimate realization of the Company's investment will depend upon the future performance of the Chicago real estate market and the performance of PGE, as well as the ultimate realizable value of the net assets supporting the guarantees and the Company's ability to collect under the guarantees. In addition, the Company will continue to monitor this investment to determine whether additional write-downs are required based on (i) declines in value of the shares of PGE (for which the partnership units are exchangeable) which are "other than temporary" as used in accounting literature and (ii) the amount expected to be realized under the guarantees.

4. ACQUISITIONS AND DISPOSITIONS - CONTINUED

CRYSTAL GATEWAY ONE

On July 1, 2002, the Company acquired a 360,000 square foot office building from a limited partnership, which is approximately 50% owned by Mr. Robert H. Smith and Mr. Robert P. Kogod and members of the Smith and Kogod families, trustees of the Company, in exchange for approximately 325,700 newly issued Vornado Operating Partnership units (valued at $13,769,000) and the assumption of $58,500,000 of debt. The building is located in the Crystal City complex in Arlington, Virginia where the Company already owns 24 office buildings containing over 6.9 million square feet, which it acquired on January 1, 2002, in connection with the Company's acquisition of CESCR. In March 2002, the Company purchased the mortgage on this property for $55,000,000. On June 28, 2002, the limited partnership completed a $58,500,000 mortgage refinancing which bears interest at 6.75% and matures in July 2012 and repaid the Company's $55,000,000 mortgage.

LAS CATALINAS

On September 23, 2002, the Company increased its interest in the Las Catalinas Mall located in Caguas, Puerto Rico (San Juan area) to 100% by acquiring the 50% of the mall and the 25% of Kmart's anchor store it did not already own. The purchase price was $48,000,000, including $32,000,000 of indebtedness. The Las Catalinas Mall, which opened in 1997, contains 492,000 square feet, including a 123,000 square foot Kmart and a 138,000 square foot Sears owned by a third party.

MONMOUTH MALL

On October 10, 2002, a joint venture in which the Company has a 50% interest, acquired the Monmouth Mall, an enclosed regional shopping center located in Eatontown, New Jersey containing approximately 1.5 million square feet, including four department stores, two of which aggregating 485,000 square feet are owned by the tenants. The purchase price was approximately $164,700,000, including transaction costs of $4,400,000. The Company made a $7,000,000 common equity investment in the venture and provided it with $23,500,000 of preferred equity yielding 14%. The venture financed the purchase of the Mall with $135,000,000 of floating debt at LIBOR plus 2.05%, with a LIBOR floor of 2.50% on $35,000,000, a three year term and two one-year extension options.

The acquisitions of Crystal Gateway One and Las Catalinas were recorded under the purchase method of accounting. The purchase price for these acquisitions was allocated to acquired assets and assumed liabilities using their relative fair values as of the acquisition dates based on valuations and other studies certain of which are not yet complete. Accordingly, the initial valuations are subject to change as such information is finalized. The Company believes that any such change will not be significant because the allocations were principally to real estate. The Company's investment in the Monmouth Mall was recorded under the purchase method and will be accounted for under the equity method as the Company does not have unilateral control over the joint venture.

4. ACQUISITIONS AND DISPOSITIONS - CONTINUED

DISPOSITIONS

The following table sets forth the details of net gain on disposition of wholly-owned and partially-owned assets for the three and nine months ended September 30, 2002 and 2001:

(dollars in thousands)	For the Three Months Ended September 30, 2002	For the Three Months Ended September 30, 2001	For the Nine Months Ended September 30, 2002	For the Nine Months Ended September 30, 2001
Wholly-owned Assets:				
Gain on transfer of mortgages	$ 2,096	$ --	$ 2,096	$ --
Net gain on sale of air rights - 175 Lexington Avenue (1)	2,126	--	2,126	--
Gain on sale of Kinzie Park condominiums units	281	--	2,156	--
Net gain on sale of marketable securities	--	--	12,346	--
Loss on Primestone foreclosure	--	--	(17,671)	--
Net gain from condemnation proceedings	--	--	--	3,050
Write-off of investments in technology companies	--	--	--	(18,284)
Partially-owned Assets:				
After-tax net gain on sale of Park Laurel condominium units	--	13,869	--	13,869
Write-off of net investment in Russian Tea Room	--	(7,374)	--	(7,374)
Net gain on sale of 50% interest in 570 Lexington Avenue	--	--	--	12,445
	$ 4,503	$ 6,495	$ 1,053	$ 3,706

- ----------
(1) In June 2000, the 175 Lexington Avenue development commenced construction of a 45,000 square foot building containing approximately 2,300 square feet of community facility space and 39,000 square feet of low income residential housing to be exchanged upon completion for air rights. The total cost of the project was $16,256. Upon completion of the project in June 2002, the Company received 163,728 square feet of air rights of which 138,681 square feet were sold, including 31,885 square feet to Alexander's. The Company's net gain was $2,126. The balance of the air rights of 25,047 square feet was sold to Alexander's in the fourth quarter of 2002 resulting in a net gain to the Company of $403 (see Note 5 - Investment in partially-owned entities - Alexander's).

CAPITAL TRUST

On September 30, 2002, the Company's investment in preferred securities of Capital Trust ("CT") was partially redeemed for its $20,000,000 liquidation amount. At September 30, 2002, the Company's remaining investment in CT consisted of $30,000,000 of convertible preferred securities, convertible into common shares of CT at any time after September 30, 2004 at $7.00 per share.

5. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES

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

INVESTMENTS AND ADVANCES:

(dollars in thousands)	September 30, 2002	December 31, 2001
Temperature Controlled Logistics	$ 451,399	$ 474,862
Charles E. Smith Commercial Realty L.P. ("CESCR")(1)	--	347,263
Alexander's	192,831	188,522
Newkirk Joint Ventures (2)	168,624	191,534
Prime Group Realty, L.P. and other guarantees (3)	39,485	--
Partially-Owned Office Buildings (4)	30,164	23,346
Starwood Ceruzzi Joint Ventures	25,865	25,791
Park Laurel	4,789	(4,745)
Other	38,125	23,622
	$ 951,282	$ 1,270,195

- ----------
(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.

(2) The Company's investment in and advances to Newkirk Joint Ventures is comprised of:

	September 30, 2002	December 31, 2001
Investments in limited partnerships	$120,359	$143,269
Mortgages and loans receivable	39,511	39,511
Other	8,754	8,754
Total	$168,624	$191,534

On January 2, 2002, the Newkirk Joint Ventures' partnership interests were merged into a master limited partnership (the "MLP") in which the Company has a 21% interest. In conjunction with the merger, the MLP completed a $225,000 mortgage financing collateralized by its properties, subject to the existing first and certain second mortgages on those properties. The loan bears interest at LIBOR plus 5.5% with a LIBOR floor of 3% (8.5% at September 30, 2002) and matures on January 31, 2005, with two one-year extension options. As a result of the financing on February 6, 2002, the MLP repaid approximately $28,200 of existing debt and distributed approximately $37,000 to the Company.

(3) The Company's carrying amount of the investment, accounted for under the equity method, consists of 3,972,447 partnership units valued at $33,170 ($8.35 per unit) and guarantees valued at $7,100, offset by $785 representing the Company's share of Prime Group's net loss from May 1, 2002 through June 30, 2002. Prior to April 30, 2002, this investment was in the form of a loan and was included in Notes and Mortgage Loans Receivable on the balance sheet.

(4) As at September 30, 2002, includes a 20% interest in a property which was part of the CESCR acquisition in 2002.

5. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES - CONTINUED

Below is a summary of all of the debt of partially owned entities, none of which is guaranteed by the Company.

(amounts in thousands)	100% OF PARTIALLY-OWNED ENTITIES DEBT	
	SEPTEMBER 30, 2002	DECEMBER 31, 2001
Alexander's (33.1% interest) (see "Alexander's" on page 15 for further details):		
Term loan secured by all of Alexander's assets except for the Kings Plaza Regional Shopping Center:		
Portion financed by the Company due on January 3, 2006 with interest at 12.48%	$ 95,000	$ 95,000
Portion financed by a bank, due March 15, 2003, with interest at LIBOR + 1.85% (repaid on July 3, 2002)	--	10,000
Unsecured Line of Credit financed by the Company, due on January 3, 2006 with interest at 12.48%	24,000	24,000
Lexington Avenue construction loan payable, due on December 31, 2005, plus two one-year extensions, with interest at LIBOR plus 2.50% (4.32% at September 30, 2002)	55,500	--
Rego Park mortgage payable, due in June 2009, with interest at 7.25%	82,000	82,000
Kings Plaza Regional Shopping Center mortgage payable, due in June 2011, with interest at 7.46% (prepayable with yield maintenance)	219,968	221,831
Paramus mortgage payable, due in October 2011, with interest at 5.92% (prepayable without penalty)	68,000	68,000
Other notes and mortgages payable (repaid on July 3, 2002)	--	15,000
Temperature Controlled Logistics (60% interest):		
Mortgage notes payable collateralized by 58 temperature controlled warehouses, due in May 2008, requires amortization based on a 25 year term with interest at 6.94% (prepayable with yield maintenance)	576,220	563,782
Other notes and mortgages payable	15,324	38,748
Newkirk Joint Ventures (21.5% interest):		
Portion of first mortgages and contract rights, collateralized by the partnerships' real estate, due from 2002 to 2024, with a weighted average interest rate of 11.31% at September 30, 2002 (various prepayment rights)	1,467,238	1,336,989
Charles E. Smith Commercial Realty L.P. (34% interest in 2001):		
29 mortgages payable	--	1,470,057
Prime Group Realty L.P. (14.9% interest) (1):		
24 mortgages payable	820,213	--
Partially Owned Office Buildings:		
330 Madison Avenue (25% interest) mortgage note payable, due in April 2008, with interest at 6.52 % (prepayable with yield maintenance)	60,000	60,000
Fairfax Square (20% interest) mortgage note payable due in August 2009, with interest at 7.50%	69,170	--
825 Seventh Avenue (50% interest) mortgage payable, due in October 2014, with interest at 8.07% (prepayable with yield maintenance)	23,356	23,552
Las Catalinas Mall (50% interest):		
Mortgage notes payable (2)	--	68,591
Russian Tea Room (50% interest) mortgages payable, due in March 2012, with interest at Prime plus 50 basis points (5.25% at September 30, 2002) (3)	13,000	13,000

Based on the Company's ownership interest in the partially-owned entities above, the Company's share of the debt of these partially-owned entities was $975,851,000 and $1,319,535,000 as of September 30, 2002 and December 31, 2001.

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(1) Balance as of June 30, 2002, as Prime Group's quarterly report on Form 10-Q for the period ended September 30, 2002, has not been filed prior to the filing of this quarterly report on Form 10-Q.
(2) The Company increased its interest in Las Catalinas to 100% on September 23, 2002. Accordingly, Las Catalinas is consolidated as of September 30, 2002.
(3) On July 28, 2002 the Russian Tea Room ceased operations which represented an event of default under the loans.

5. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES - CONTINUED

Below is a summary of the Company's share of income (loss) from partially-owned entities for the three and nine months ended September 31, 2002 and 2001.

(amounts in thousands)	For The Three Months Ended September 30, 2002	For The Three Months Ended September 30, 2001	For The Nine Months Ended September 30, 2002	For The Nine Months Ended September 30, 2001
Income applicable to Alexander's:				
33.1% share of equity in net income (1)	$ 5,603	$ 592	$ 6,097	$ 8,283
Interest income (2)	2,531	2,659	7,818	9,021
Management fees	903	879	2,702	2,663
Development fees (2)	2,022	188	3,997	563
Leasing and other fees (2)	562	124	1,062	892
Guarantee fees (2)	933	--	933	--
	$ 12,554	$ 4,442	$ 22,609	$ 21,422
Temperature Controlled Logistics:				
60% share of equity in net (loss) income (3) .	$ (2,125)	$ 1,353	$ 952	$ 7,324
Management fees	1,520	1,887	4,835	5,585
	(605)	3,240	5,787	12,909
CESCR-34% share of equity in net income (4)	--	7,218	--	21,413
Newkirk Joint Ventures:				
Equity in net income of limited partnerships	6,987(5)	6,635	18,600(5)	19,738
Interest and other income	913	1,273	5,300	4,098
	7,900	7,908	23,900	23,836
Prime Group Realty, L.P. -				
14.9% share of equity in net loss (6)	(785)	--	(785)	--
Partially-Owned Office Buildings (7)	598	411	1,874	3,276
Other	(416)	79	(472)	640(8)
	$ 6,692	$ 18,856	$ 30,304	$ 62,074

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(1) Equity in income for the three and nine months ended September 30, 2002 includes $3,431 representing the Company's share of Alexander's gain on sale of its Third Avenue property. Equity in income for the three months ended September 30, 2002, also includes $1,402 representing the Company's share of the reversal of Alexander's stock appreciation rights compensation expense recorded in the quarter ended June 30, 2002. Equity in income for the nine months ended September 30, 2001 includes $6,298 representing the Company's share of Alexander's gain on sale of its Fordham Road property and excludes $1,170 representing the Company's share of Alexander's extraordinary gain on the early extinguishment of debt on this property which is reflected as an extraordinary item on the consolidated statements of income.

(2) Alexander's capitalizes the fees and interest charged by the Company. Because the Company owns 33.1% of Alexander's, the Company recognizes 66.9% of such amounts as income and the remainder is reflected as a reduction of the Company's carrying amount of the investment in Alexander's.

(3) Equity in net (loss) income for the three and nine months ended September 30, 2002, reflects a decrease in rental income of $3,568 and $4,919, respectively. Equity in net income for the nine months ended September 30, 2002 includes a $1,923 loss on the disposition of an asset.

(4) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.

(5) Includes $1,200 for the Company's share of Newkirk's loss on the sale of a property.

(6) Represents the Company's share of net loss for the period from April 30, 2002 (date of acquisition) to June 30, 2002, which includes (i) a loss of $357 from discontinued operations and (ii) a loss of $147 from the sale of real estate. The Company's share of equity in income or loss for the period from July 1, 2002 to September 30, 2002 will be recognized in earnings in the quarter ended December 31, 2002, as the investee has not released its third quarter 2002 earnings prior to the filing of the Company's quarterly report on Form 10-Q.

(7) 2002 includes a 20% interest in a property which was part of the acquisition of CESCR. 2002 and the three months ended September 30, 2001 do not include 570 Lexington Avenue which was sold in May 2001.

(8) Includes $1,300 for the Company's share of the Starwood Ceruzzi Joint Venture's gain on the sale of a property.

5. INVESTMENTS IN AND ADVANCES TO PARTIALLY-OWNED ENTITIES - CONTINUED

TEMPERATURE CONTROLLED LOGISTICS

The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. As a result, the Company did not recognize its share of the rent the joint venture was due amounting to $6,808,000 and $12,361,000 for the three and nine months ended September 30, 2002 and $5,311,000 and $7,651,000 for the three and nine months ended September 30, 2001. At September 30, 2002, the Company's share of the joint venture's total deferred rent receivable from its tenant is $17,362,000.

ALEXANDER'S

Investment

The Company owns 1,655,000 common shares or 33.1% of the outstanding common stock of Alexander's at September 30, 2002. Alexander's is managed by and its properties are leased and developed by the Company pursuant to management, leasing and development agreements with one-year terms expiring in March of each year, which are automatically renewable. In conjunction with the closing of the Alexander's Lexington Avenue construction loan on July 3, 2002, these agreements were revised to cover the Alexander's Lexington Avenue property separately. Further, the Lexington Avenue management and development agreements were amended to provide for a term lasting until substantial completion of the development of the property, with automatic renewals, and for the payment of the development fee upon the earlier of January 3, 2006, or the payment in full of the construction loan encumbering the property. The Company is entitled to a development fee estimated to be approximately $26,300,000, based on 6% of construction costs, as defined, of which $2,022,000 has been recognized as income during the three months ended September 30, 2002.

Debt

At September 30, 2002, the Company has loans receivable from Alexander's of $119,000,000, including $24,000,000 under the $50,000,000 secured line of credit the Company granted to Alexander's. On March 15, 2002, the loan and the line of credit were extended to April 15, 2003. The interest rates on the loan and line of credit were reset on March 15, 2002, from 13.74% to 12.48%, using a Treasury index (with a 3% floor) plus the same spread to treasuries as previously existed. On July 3, 2002, in conjunction with the closing of Alexander's Lexington Avenue construction loan, the maturity of the Company's loans was extended to the earlier of January 3, 2006 or the date the Alexander's Lexington Avenue construction loan is repaid in full and the debt was assigned to the various subsidiaries of Alexander's (all guaranteed by Alexander's). In addition, amounts which may be due under the Completion Guarantee described in the next paragraph would be due at the same time.

On July 3, 2002, Alexander's finalized a $490,000,000 loan with HVB Real Estate Capital (HYPO Vereinsbank) to finance the construction of its 1.3 million square foot multi-use building at its 59th Street and Lexington Avenue location. The estimated construction costs in excess of the construction loan of approximately $140,000,000 will be provided by Alexander's. The loan has an interest rate of LIBOR plus 2.5% and a term of forty-two months plus two one-year extensions. Alexander's has received an initial funding of $55,500,000 under the loan of which $25,000,000 was used to repay existing loans and notes payable. Pursuant to this loan, Vornado has agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's (the "Completion Guarantee"). The $6,300,000 estimated fee payable by Alexander's to the Company for the Completion Guarantee is 1% of construction costs (as defined) and is payable at the same time that the development fee is payable. In addition, if the Company should advance any funds under the Completion Guarantee in excess of the $26,000,000 currently available under the secured line of credit, interest on those advances is at 15% per annum.

Other

The Company sold 56,932 square feet of air rights to Alexander's for an average price of $114 per square foot in July and October 2002.

6. DEBT AND EQUITY FINANCING

Following is a summary of the Company's debt, by segment, at September 30, 2002:

(amounts in thousands)

	MATURITY	INTEREST RATE AS AT SEPTEMBER 30, 2002	BALANCE AS OF SEPTEMBER 30, 2002	BALANCE AS OF SEPTEMBER 30, 2001
Notes and Mortgages Payable:				
Fixed Interest:				
Office:				
NYC Office:				
Two Penn Plaza	03/04	7.08%	$ 155,446	$157,697
888 Seventh Avenue	02/06	6.63%	105,000	105,000
Eleven Penn Plaza	05/07	8.39%	50,639	51,376
866 UN Plaza	04/04	7.79%	33,000	33,000
CESCR Office (1):				
Crystal Park 1-5	07/06-08/13	6.66%-8.39%	265,692	(1)
Crystal Gateway Crystal Square 5	07/12-01/25	6.75%-7.09%	216,362	(1)
Crystal Square 2, 3 and 4	10/10-11/14	7.08%-7.14%	145,779	(1)
Skyline Place	08/06-12/09	6.6%-6.75%	140,838	(1)
1101 17th, 1140 Connecticut, 1730 M & 1150 17th	08/10	6.74%	97,662	(1)
Courthouse Plaza 1 and 2	01/08	7.05%	80,462	(1)
Crystal Gateway N., Arlington Plaza and 1919 S. Eads	11/07	6.77%	73,013	(1)
Reston Executive I, II & III	01/06	6.75%	73,956	(1)
Crystal Plaza 1-6	10/04	6.65%	70,893	(1)
One Skyline Tower	06/08	7.12%	65,994	(1)
Crystal Malls 1-4	12/11	6.91%	67,091	(1)
1750 Pennsylvania Avenue	06/32	7.26%	49,903	(1)
One Democracy Plaza	02/05	6.75%	27,852	(1)
Retail:				
Cross collateralized mortgages payable on 42 shopping centers	03/10	7.93%	488,523	492,156
Green Acres Mall	02/08	6.75%	151,282	152,894
Montehiedra Town Center	05/17	8.23%	59,827	60,359
Las Catalinas Mall (2)	11/13	6.97%	67,923	--
Merchandise Mart:				
Market Square Complex	07/11	7.95%	48,651	49,702
Washington Design Center	10/11	6.95%	48,622	48,959
Washington Office Center	02/04	6.80%	45,345	46,572
Other	03/09-06/13	7.03%-7.71%	44,706	18,951
Other:				
Industrial Warehouses	10/11	6.95%	49,561	50,000
Student Housing Complex	11/07	7.45%	19,078	19,243
Other		7.95%	6,944	8,659
Total Fixed Interest Notes and Mortgages Payable		7.13%	2,750,044	1,294,568

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See footnotes on the following page.

6. DEBT AND EQUITY FINANCING - CONTINUED

(amounts in thousands)	MATURITY	SPREAD(7)	INTEREST RATE AS AT SEPTEMBER 30, 2002	BALANCE AS OF SEPTEMBER 30, 2002	BALANCE AS OF DECEMBER 31, 2001
Notes and Mortgages Payable:					
Variable Interest:					
Office:					
NYC Office:					
One Penn Plaza (3)	06/03	L+125	3.23%	$275,000	$275,000
770 Broadway/595 Madison Avenue cross-collateralized mortgage (4)	04/03	L+40	2.22%	153,659	123,500
909 Third Avenue	07/03	L+165	3.47%	106,129	105,253
Two Park Avenue (5)	03/03	L+145	--	--	90,000
CESCR Office:					
Tyson Dulles Plaza	06/03	L+130	3.11%	69,788	(1)
Commerce Executive III, IV & V	07/03	L+150	3.31%	53,488	(1)
Seven Skyline (5)	10/02	L+135	--	--	(1)
Merchandise Mart:					
Merchandise Mart (5)	10/02	L+150	--	--	250,000
Furniture Plaza	02/03	L+200	3.82%	48,290	43,524
33 North Dearborn Street	09/03	L+175	3.57%	19,000	19,000
350 North Orleans (5)	06/02	L+165	--	--	70,000
Other	01/03	P-50	4.25%	60	294
Other:					
Palisades construction loan	01/03	L+185	3.66%	99,738	90,526
Hotel Pennsylvania (6)	10/02	L+160	--	--	115,508
Total Variable Interest Notes and Mortgages Payable			3.60%	825,152	1,182,605
Total Notes and Mortgages Payable				$ 3,575,196	$ 2,477,173
Senior unsecured debt due 2007 (5)	06/07	L+77	2.59%	499,319	$ --
Unsecured revolving credit facility	03/03	L+90	--	$ --	$ --

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(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Prior to January 1, 2002, the Company's share of CESCR's debt was included in Investments in and Advances to Partially-Owned Entities. In connection with the acquisition, CESCR's fixed rate debt of $1,289,837 was fair valued at $1,322,685 under purchase accounting.

(2) On September 23, 2002, the Company acquired the 50% of the Mall and the 25% of Kmart's anchor store it did not already own. Prior to this date, the Company accounted for its investment on the equity method and the Company's share of the debt was included in Investments in and Advances to Partially-Owned Entities.

(3) On June 21, 2002, one of the lenders purchased the other participant's interest in the loan. At the same time, the loan was extended for one year, with certain modifications including, (i) making the risk of a loss due to terrorism (as defined) not covered by insurance recourse to the Company and (ii) the granting of two 1-year renewal options to the Company.

(4) On April 1, 2002, the Company increased its mortgage financing cross-collateralized by its 770 Broadway/595 Madison Avenue properties by $115,000. On July 15, 2002, the Company repaid $84,841 with proceeds received from a third party which resulted in a gain on transfer of mortgages of $2,096. The proceeds of the loan are in a restricted mortgage escrow account which bears interest at the same rate as the loan, and at September 30, 2002 totals $153,659.

(5) On June 24, 2002, the Company completed an offering of $500,000 aggregate principal amount of 5.625% senior unsecured notes due June 15, 2007. Interest on the notes is payable semi-annually on June 15th and December 15th, commencing December 15, 2002. The notes were priced at 99.856% of their face amount to yield 5.659%. Of the net proceeds of approximately $496,300, (i) $70,000 was used to repay the mortgage payable on 350 North Orleans prior to June 30, 2002 and (ii) $393,000 was used to repay the mortgages on Two Park Avenue, the Merchandise Mart and a portion of Seven Skyline in July and August 2002. On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the $500,000 senior unsecured notes due 2007 from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (2.53% at October 28, 2002).

(6) On April 1, 2002, the loan was prepaid in full.

(7) Indicates spread over LIBOR ("L") or Prime rate ("P").

6. DEBT AND EQUITY FINANCING - CONTINUED

The scheduled principal repayments for the next five years and thereafter are as follows:

(amounts in thousands)

YEAR ENDING DECEMBER 31,	AS AT SEPTEMBER 30, 2002
2002	$ --
2003	825,152(1)
2004	304,684
2005	27,852
2006	262,047
Thereafter	2,654,780

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(1) Includes $153,659, which is offset by an equivalent amount of cash held in a restricted mortgage escrow account.

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its revolving credit agreement and its senior unsecured notes due 2007, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. The Company has received correspondence from four lenders regarding terrorism insurance coverage, to which the Company has responded. If lenders insist on coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

EQUITY

On February 25, 2002, the Company sold 1,398,743 common shares based on the closing price of $42.96 on the NYSE. The net proceeds to the Company were approximately $57,042,000.

On October 1, 2002, the Operating Partnership redeemed 1,000,000 of the outstanding Series D-5 Perpetual Preferred Units for $25,000,000, the liquidation value of the units.

7. OTHER RELATED PARTY TRANSACTIONS

The Company currently manages and leases the real estate assets of Interstate Properties pursuant to a management agreement. Management fees earned by the Company pursuant to the management agreement were $439,000 and $250,000 for the three months ended September 30, 2002 and 2001 and $1,023,000 and $1,134,000 for the nine months ended September 30, 2002 and 2001.

The estate of Bernard Mendik and certain other individuals including Mr. Greenbaum, one of the Company's executive officers, own an entity which provides cleaning and related services and security services to office properties, including the Company's Manhattan office properties. The Company was charged fees in connection with these contracts of $13,728,000 and $12,381,000 for the three months ended September 30, 2002 and 2001, and $41,349,000 and $38,006,000 for the nine months ended September 30, 2002 and 2001.

On September 30, 2002, the Company issued 107,134 Class A Operating Partnership units (valued at $4,400,000) to the estate of Bernard Mendik and the Mendik Realty Company, Inc., of which Mr. Greenbaum, an executive officer of the Company, received 4,677 class A units, in accordance with the earn-out provisions of the Agreement for Contribution of Interests in 20 Broad Street LLC, dated August 5, 1998.

7. OTHER RELATED PARTY TRANSACTIONS - CONTINUED

Effective January 1, 2002, the Company extended its employment agreement with Mr. Fascitelli for a five year period through December 31, 2006. Pursuant to the extended employment agreement, he is entitled to receive a deferred payment on December 31, 2006 of 626,566 Vornado common shares which are valued for compensation purposes at $27,500,000 (the value of the shares on March 8, 2002, the date the extended employment agreement was signed). The number of shares was set by the Company's Compensation Committee in December 2001 to achieve a value of $25,000,000 and had appreciated $2,500,000 as of March 8, 2002. The shares are being held in an irrevocable trust for the benefit of Mr. Fascitelli and will vest on December 31, 2002. Mr. Fascitelli will also receive regular annual cash compensation as determined by the Company's Compensation Committee and will continue as a member of Vornado's Board of Trustees. Mr. Fascitelli may also borrow up to $20,000,000 from the Company during the term of his 2002 employment agreement reduced by $8,600,000, the amount of his outstanding loans under his 1996 employment agreement. Each loan will bear interest, payable quarterly, at the applicable Federal Rate on the date the loan is made and will mature on the fifth anniversary of the loan.

On May 29, 2002, Mr. Roth replaced common shares of the Company securing the Company's outstanding loan to Mr. Roth with options to purchase common shares of the Company with a value of not less than two times the loan amount.

Pursuant to the Company's annual compensation review in February 2002 with Joseph Macnow, the Company's Chief Financial Officer, the Compensation Committee approved a $2,000,000 loan to Mr. Macnow, bearing interest at the applicable federal rate of 4.65% per annum and due January 1, 2006. The loan, which was funded on July 23, 2002, was made in conjunction with Mr. Macnow's June 2002 exercise of options to purchase 225,000 shares of the Company's common stock. The loan is collateralized by assets with a value of not less than two times the loan amount.

VORNADO OPERATING COMPANY ("VORNADO OPERATING")

Pursuant to a revolving credit facility which expires December 31, 2004, Vornado Operating owes the Company $32,836,000 at September 30, 2002. Vornado Operating has disclosed that in the aggregate its investments do not, and for the foreseeable future are not expected to, generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates a further lease restructuring and the sale of non-core assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility, which may be extended. Since January 1, 2002, the Company has not recognized interest income on the debt under this facility.

8. INCOME PER SHARE

The following table sets forth the computation of basic and diluted income per share:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2002	2001	2002	2001
(amounts in thousands except per share amounts)				
Numerator:				
Income before cumulative effect of change in accounting principle and extraordinary item ...	$ 62,805	$ 76,780	$ 211,048	$ 202,341
Cumulative effect of change in accounting principle	--	--	(30,129)	(4,110)
Extraordinary item	--	--	--	1,170
Net income	62,805	76,780	180,919	199,401
Preferred share dividends	(5,695)	(8,904)	(17,722)	(27,769)
Numerator for basic and diluted income per share - net income applicable to common shares ..	$ 57,110	$ 67,876	$ 163,197	$ 171,632
Denominator:				
Denominator for basic income per share - weighted average shares	106,830	88,783	105,276	87,511
Effect of dilutive securities:				
Employee stock options	3,118	3,276	3,792	2,844
Deferred compensation shares issued but not yet earned	401	--	254	--
Denominator for diluted income per share - adjusted weighted average shares and assumed conversions	110,349	92,059	109,322	90,355
INCOME PER COMMON SHARE - BASIC:				
Income before cumulative effect of change in accounting principle and extraordinary item .	$ .53	$ .76	$ 1.84	$ 2.00
Cumulative effect of change in accounting principle	--	--	(.29)	(.05)
Extraordinary item	--	--	--	.01
Net income per common share	$ .53	$ .76	$ 1.55	$ 1.96
INCOME PER COMMON SHARE - DILUTED:				
Income before cumulative effect of change in accounting principle and extraordinary item .	$ .52	$ .74	$ 1.77	$ 1.94
Cumulative effect of change in accounting principle	--	--	(.28)	(.05)
Extraordinary item	--	--	--	.01
Net income per common share	$ .52	$ .74	$ 1.49	$ 1.90

9. COMPREHENSIVE INCOME

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

(amounts in thousands)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2002	2001	2002	2001
Net income applicable to common shares	$ 57,110	$ 67,876	$163,197	$171,632
Adjustment to record cumulative effect of change in accounting principle	--	--	--	4,110
Other comprehensive income (loss)	37,124(1)	(6,694)	27,423(1)	2,356
Comprehensive income	$ 94,234	61,182	$190,620	$178,098

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(1) Includes $37,293 resulting from the Company's valuation of interest rate swap agreements at September 30, 2002, in accordance with Statement of Financial Accounting Standards No. 133 - "Accounting for Derivative Instruments and Hedging Activities", as amended.

10. COMMITMENTS AND CONTINGENCIES

At September 30, 2002, the Company's $1,000,000,000 revolving credit facility had a zero balance, and the Company utilized $9,112,000 of availability under the facility for letters of credit and guarantees, in addition to $7,500,000 of other letters of credit outstanding.

In conjunction with the closing of Alexander's Lexington Avenue construction loan on July 3, 2002, the Company agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of all project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's (see note 5 - Investments in and Advances to Partially-Owned Entities).

Each of the Company's properties has been subjected to varying degrees of environmental assessment at various times. The environmental assessments did not reveal any material environmental contamination. However, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to the Company.

The Company carries comprehensive liability and all risk property insurance (fire, flood, extended coverage and rental loss insurance) with respect to its assets. The Company's all risk insurance policies in effect before September 11, 2001 do not expressly exclude coverage for hostile acts, except for acts of war. Since September 11, 2001, insurance companies have for the most part excluded terrorist acts from coverage in all risk policies. The Company has generally been unable to obtain all risk insurance which includes coverage for terrorist acts for policies it has renewed since September 11, 2001, for each of its businesses. In 2002, the Company obtained $200,000,000 of separate coverage for terrorist acts for each of its New York City Office, Washington, D.C. Office, Retail and Merchandise Mart businesses and $60,000,000 for its Temperature Controlled Logistics business. Therefore, the Company is at risk for financial loss in excess of these limits for terrorist acts (as defined), which loss could be material.

10. COMMITMENTS AND CONTINGENCIES - CONTINUED

The Company's debt instruments, consisting of mortgage loans secured by its properties (which are generally non-recourse to the Company), its senior unsecured notes due 2007 and its revolving credit agreement, contain customary covenants requiring the Company to maintain insurance. There can be no assurance that the lenders under these instruments will not take the position that an exclusion from all risk insurance coverage for losses due to terrorist acts is a breach of these debt instruments that allows the lenders to declare an event of default and accelerate repayment of debt. The Company has received correspondence from four lenders regarding terrorism insurance coverage, which the Company has responded to. If lenders insist on coverage for these risks, it could adversely affect the Company's ability to finance and/or refinance its properties and to expand its portfolio.

From time to time, the Company has disposed of substantial amounts of real estate to third parties for which, as to certain properties, it remains contingently liable for rent payments or mortgage indebtedness.

There are various legal actions against the Company in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material effect on the Company's financial condition, results of operations or cash flow.

11. Segment Information

The Company has four business segments: Office, Retail, Merchandise Mart and Temperature Controlled Logistics, whose operating results are as follows.

(amounts in thousands)	For The Three Months Ended September 30, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 310,515	$ 217,915	$ 29,827	$ 48,509	$ --	$ 14,264
Expense reimbursements	44,407	27,160	13,246	2,742	--	1,259
Other income	6,286	4,548	450	1,496	--	(208)
Total revenues	361,208	249,623	43,523	52,747	--	15,315
Operating expenses	145,237	92,824	16,822	23,400	--	12,191
Depreciation and amortization	52,011	37,514	3,384	6,920	--	4,193
General and administrative	27,352	8,899	814	5,593	--	12,046
Amortization of officer's deferred compensation expense	6,875	--	--	--	--	6,875
Total expenses	231,475	139,237	21,020	35,913	--	35,305
Operating income	129,733	110,386	22,503	16,834	--	(19,990)
Income applicable to Alexander's	12,554	--	--	--	--	12,554
Income from partially-owned entities	6,692	598	(734)	(75)	(605)(5)	7,508
Interest and other investment income	6,407	1,202	88	147	--	4,970
Interest and debt expense	(61,354)	(35,501)	(14,082)	(4,516)	--	(7,255)
Net gain on disposition of wholly-owned and partially-owned assets	4,503	--	--	281	--	4,222
Minority interest	(35,730)	(27,849)	(2,730)	(4,163)	184	(1,172)
Income before cumulative effect of change in accounting principle and extraordinary item	62,805	48,836	5,045	8,508	(421)	837
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Net income	62,805	48,836	5,045	8,508	(421)	837
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Minority interest	35,730	27,849	2,730	4,163	(184)	1,172
Net gain on disposition of wholly-owned and partially-owned assets	--	--	--	--	--	--
Interest and debt expense(3)	78,042	36,010	14,578	4,516	6,533	16,405
Depreciation and amortization(3)	64,151	37,945	4,126	6,920	8,389	6,771
Straight-lining of rents(3)	(8,226)	(6,802)	216	(1,046)	--	(594)
Other	(4,403)	(973)	--	--	--	(3,430)(4)
EBITDA(1)	$ 228,099	$ 142,865	$ 26,695	$ 23,061	$ 14,317	$ 21,161

(amounts in thousands)	For The Three Months Ended September 30, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 211,541	$ 117,455	$ 30,501	$ 48,394	$ --	$ 15,191
Expense reimbursements	36,216	21,548	11,417	2,335	--	916
Other income	2,508	977	562	905	--	64
Total revenues	250,265	139,980	42,480	51,634	--	16,171
Operating expenses	102,222	57,410	13,674	19,633	--	11,505
Depreciation and amortization	29,275	16,851	3,357	5,750	--	3,317
General and administrative	15,043	2,857	1,003	4,041	--	7,142
Amortization of officer's deferred compensation expense	--	--	--	--	--	--
Total expenses	146,540	77,118	18,034	29,424	--	21,964
Operating income	103,725	62,862	24,446	22,210	--	(5,793)
Income applicable to Alexander's	4,442	--	--	--	--	4,442
Income from partially-owned entities	18,856	7,629	617	110	3,240(5)	7,260
Interest and other investment income	14,584	1,571	104	400	--	12,509
Interest and debt expense	(43,054)	(13,049)	(13,016)	(7,880)	--	(9,109)
Net gain on disposition of wholly-owned						

and partially-owned assets	6,495	--	--	--	--	6,495
Minority interest	(28,268)	(13,613)	(3,910)	(3,641)	(2,469)	(4,635)
Income before cumulative effect of change in accounting principle and extraordinary item	76,780	45,400	8,241	11,199	771	11,169
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Net income	76,780	45,400	8,241	11,199	771	11,169
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Minority interest	28,268	13,613	3,910	3,641	2,469	4,635
Net gain on disposition of wholly-owned and partially-owned assets	--	--	--	--	--	--
Interest and debt expense(3)	65,772	22,960	13,680	7,880	6,712	14,540
Depreciation and amortization(3)	42,637	21,466	4,523	5,750	8,400	2,498
Straight-lining of rents(3)	(8,600)	(6,242)	(449)	(1,483)	--	(426)
Other	(1,329)	(1,571)	(1,002)	--	41	1,203
EBITDA(1)	$ 203,528	$ 95,626	$ $28,903	$ 26,987	$ 18,393	$ 33,619

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See footnotes on page 25.

11. Segment Information - continued

For The Nine Months Ended September 30, 2002

(amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 922,144	$ 645,489	$ 87,819	$ 148,387	$ --	$ 40,449
Expense reimbursements	118,526	68,516	37,063	9,957	--	2,990
Other income	20,109	14,621	1,055	4,133	--	300
Total revenues	1,060,779	728,626	125,937	162,477	--	43,739
Operating expenses	398,950	255,452	44,490	65,980	--	33,028
Depreciation and amortization	149,162	105,765	10,310	20,688	--	12,399
General and administrative	74,578	27,409	3,180	15,298	--	28,691
Cost of acquisitions not consummated	--	--	--	--	--	--
Amortization of officer's deferred compensation expense	20,625	--	--	--	--	20,625
Total expenses	643,315	388,626	57,980	101,966	--	94,743
Operating income	417,646	340,000	67,957	60,511	--	(51,004)
Income applicable to Alexander's	22,609	--	--	--	--	22,609
Income from partially-owned entities	30,304	1,874	(803)	(62)	5,787(5)	23,508
Interest and other investment income	25,984	5,071	245	425	--	20,243
Interest and debt expense	(179,491)	(105,011)	(41,793)	(18,386)	--	(14,301)
Net gain on disposition of wholly-owned and partially-owned assets	1,053	--	--	2,156	--	(1,103)
Minority interest	(106,875)	(89,530)	(9,203)	(16,542)	3,488	4,912
Income before cumulative effect of change in accounting principle and extraordinary item	211,048	152,404	16,403	28,102	9,275	4,864
Cumulative effect of change in accounting principle	(30,129)	--	--	--	(15,490)	(14,639)
Extraordinary item	--	--	--	--	--	--
Net income	180,919	152,404	16,403	28,102	(6,215)	(9,775)
Cumulative effect of change in accounting principle	30,129	--	--	--	15,490	14,639
Extraordinary item	--	--	--	--	--	--
Minority interest	106,875	89,530	9,203	16,542	(3,488)	(4,912)
Net gain on disposition of wholly-owned and partially-owned assets	--	--	--	--	--	--
Interest and debt expense(3)	228,534	106,529	43,559	18,386	19,394	40,666
Depreciation and amortization(3)	187,086	107,116	11,873	20,688	25,642	21,767
Straight-lining of rents(3)	(26,489)	(21,504)	(639)	(2,837)	--	(1,509)
Other	(4,328)	(3,400)	860	(123)	1,376	(3,041)(4)
EBITDA(1)	$ 702,726	$ 430,675	$ 81,259	80,758	$ 52,199	$ 57,835

For The Nine Months Ended September 30, 2001

(amounts in thousands)

	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 628,511	$ 345,575	$ 87,402	$ 145,517	$ --	$ 50,017
Expense reimbursements	102,851	56,509	34,923	10,166	--	1,253
Other income	7,588	2,362	1,467	2,442	--	1,317
Total revenues	738,950	404,446	123,792	158,125	--	52,587
Operating expenses	299,436	164,855	41,528	62,427	--	30,626
Depreciation and amortization	91,226	52,795	10,364	18,256	--	9,811
General and administrative	51,706	8,864	2,405	13,286	--	27,151
Cost of acquisitions not consummated	5,000	--	--	--	--	5,000
Amortization of officer's deferred compensation expense	--	--	--	--	--	--
Total expenses	447,368	226,514	54,297	93,969	--	72,588
Operating income	291,582	177,932	69,495	64,156	--	(20,001)
Income applicable to Alexander's	21,422	--	--	--	--	21,422
Income from partially-owned entities	62,074	24,689	3,009	219	12,909(5)	21,248
Interest and other investment income	43,931	5,766	520	1,777	--	35,868
Interest and debt expense	(136,443)	(44,063)	(41,429)	(25,866)	--	(25,085)
Net gain on disposition of wholly-owned and partially-owned assets	3,706	12,445	3,050	--	--	(11,789)
Minority interest	(83,931)	(41,935)	(12,386)	(11,410)	(8,294)	(9,906)

Income before cumulative effect of change in accounting principle and extraordinary item......	202,341	134,834	22,259	28,876	4,615	11,757
Cumulative effect of change in accounting principle...	(4,110)	--	--	--	--	(4,110)
Extraordinary item....................................	1,170	--	--	--	--	1,170
Net income...	199,401	134,834	22,259	28,876	4,615	8,817
Cumulative effect of change in accounting principle...	4,110	--	--	--	--	4,110
Extraordinary item....................................	(1,170)	--	--	--	--	(1,170)
Minority interest.....................................	83,931	41,935	12,386	11,410	8,294	9,906
Net gain on disposition of wholly-owned and partially-owned assets..........................	(15,495)	(12,445)	(3,050)	--	--	--
Interest and debt expense(3)..........................	206,177	75,266	43,377	25,866	20,198	41,470
Depreciation and amortization(3)......................	136,473	67,102	13,862	18,256	25,211	12,042
Straight-lining of rents(3)...........................	(22,676)	(16,247)	(1,144)	(3,871)	--	(1,414)
Other...	(8,889)	(3,791)	(2,337)	--	222	(2,983)(4)
EBITDA(1)...	$ 581,862	$ 286,654	$ 85,353	$ 80,537	$ 58,540	$ 70,778

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See footnotes on page 25.

11. SEGMENT INFORMATION- CONTINUED

Notes to EBITDA by segment information:

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income as a measure of operating performance or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Hotel Pennsylvania (A)	$ 1,715	$ 2,886	$ 4,621	$ 14,307
Newkirk Joint Ventures:				
Equity in income of limited partnerships	15,400	13,749	45,929	40,457
Interest and other income	2,200	1,343	6,671	4,545
Alexander's	11,783	6,892	26,549	21,430
Investment income and other (B)	4,077	8,934	21,963	32,046
Unallocated general and administrative expenses	(10,436)(C)	(6,680)	(24,985)(C)	(25,218)
Amortization of Officer's deferred compensation expense	(6,875)	--	(20,625)	--
Gain on transfer of mortgages	2,096	--	2,096	--
Net gain on sale of air rights	2,126	--	2,126	--
Palisades (D)	(925)	--	(1,185)	--
Loss on Primestone foreclosure	--	--	(17,671)	--
Net gain on sale of marketable equity securities	--	--	12,346	--
After-tax net gain on sale of Park Laurel condominium units	--	13,869	--	13,869
Costs of acquisitions not consummated	--	--	--	(5,000)
Write-off of net investment in Russian Tea Room ("RTR")	--	(7,374)	--	(7,374)
Write-off of investments in technology companies	--	--	--	(18,284)
Total	$ 21,161	$ 33,619	$ 57,835	$ 70,778

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(A) Average occupancy and REVPAR for the Hotel Pennsylvania were 69.4% and $56.07 for the three months ended September 30, 2002 compared to 65.5% and $71.69 for the prior year's quarter. Average occupancy and REVPAR for the Hotel Pennsylvania were 61.7% and $53.50 for the nine months ended September 30, 2002 compared to 66.6% and $74.61 for the prior year's nine months.

(B) No income was recognized on the Company's loans to Primestone and Vornado Operating Company for the three and nine months ended September 30, 2002.

(C) Includes $2,229 for Primestone litigation costs.

(D) The development of the Palisades residential complex was substantially complete as of March 1, 2002. Accordingly, the Company placed the property into service on March 1, 2002 and discontinued the capitalization of interest and other property specific costs. Operating results for the three months ended September 30, 2002, include a charge of $533 based on a retroactive increase in the real estate tax assessment of the complex to January 1, 2002. As of September 30, 2002, the property, which is now in the lease-up phase, is 45% occupied (244 of the 538 total apartments have been leased).

(3) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(4) Includes $3,430 and $6,298 representing the Company's share of Alexander's gain on sale of its Third Avenue property on August 30, 2002 and its Fordham Road property on January 12, 2001.

(5) Excludes rent not recognized of $6,808 and $12,361 for the three and nine months ended September 30, 2002 and $5,311 and $7,651 for the three and nine months ended September 30, 2001.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Vornado Realty Trust as of September 30, 2002, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2002 and 2001 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Vornado Realty Trust as of December 31, 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 11, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
October 30, 2002

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "intends," "plans" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2001 under "Forward-Looking Statements." For these statements, we claim protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of the Company's consolidated financial statements for the three and nine months ended September 30, 2002 and 2001. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of the Company's significant accounting policies is included in Note 2 - - Summary of Significant Accounting Policies to the Company's annual report on Form 10-K for the year ended December 31, 2001.

Operating results for the three and nine months ended September 30, 2002, reflect the Company's January 1, 2002 acquisition of the remaining 66% of Charles E. Smith Commercial Realty L.P. ("CESCR") and the resulting consolidation of CESCR's operations. See Supplemental Information beginning on page 48 for Condensed Pro Forma Operating Results for the three and nine months ended September 30, 2001 giving effect to the CESCR acquisition as if it had occurred on January 1, 2001. Further, the Supplemental Information contains data regarding (i) details of the changes by segment in EBITDA for the three months ended September 30, 2002 compared to the three months ended June 30, 2002, (ii) leasing activity and (iii) pro forma senior unsecured debt covenant compliance ratios.

In comparing the financial results of the Company's segments on a quarterly basis, the following should be noted:

- The third quarter financial results of the Office and Merchandise Mart segments have historically been impacted by higher net utility costs than in each other quarter of the year;
- The fourth quarter financial results of the Retail segment have historically been higher than the first three quarters due to the recognition of percentage rental income in that quarter; and
- The second and fourth quarter financial results of the Merchandise Mart segment have historically been higher than the first and third quarters due to major trade shows occurring in those quarters.

CRITICAL ACCOUNTING POLICIES

In preparing the consolidated financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. The summary should be read in conjunction with the more complete discussion of significant accounting policies included in Note 2 to the consolidated financial statements of the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2001.

REAL ESTATE

Real estate is carried at cost, net of accumulated depreciation and amortization. Maintenance and repairs are charged to operations as incurred. Depreciation requires an estimate by management of the useful life of each property as well as an allocation of the costs associated with a property to its various components. If the Company does not allocate these costs appropriately or incorrectly estimates the useful lives of its real estate, depreciation expense may be misstated.

The Company's properties are reviewed for impairment if events or circumstances indicate that the carrying amount of the asset may not be recoverable. If the Company incorrectly estimates the value of the asset or the undiscounted cash flows, the impairment charges may be different.

NOTES AND MORTGAGE LOANS RECEIVABLE

The Company evaluates the collectibility of both interest and principal of each of its notes and mortgage loans receivable if circumstances warrant to determine whether it is impaired. If the Company fails to identify that the investee or borrower are unable to perform the Company's bad debt expense may be different.

PARTIALLY-OWNED ENTITIES

The Company has several investments in entities that are partially owned and are accounted for under the equity method of accounting. To the extent that the Company is deemed to control these entities, these entities would have to be consolidated and therefore impact the balance sheet, operations and related ratios. The ultimate realization of the investment in joint ventures is dependent on a number of factors including the performance of the investee and market conditions. If the Company determines that a decline in the value of its investee is other than temporary then an impairment charge would be recorded.

REVENUE RECOGNITION

Base rents, additional rents based on tenants' sales volume and reimbursement of the tenants' share of certain operating expenses are generally recognized when due from tenants. The straight-line basis is used to recognize base rents under leases if they provide for varying rents over the lease terms. Contingent rents are not recognized until realized. Before the Company can recognize revenue, it is required to assess, among other things, its collectibility. If the Company incorrectly determines the collectibility of its revenue, its net income and assets could be overstated.

INCOME TAXES

The Company operates in a manner intended to enable it to continue to qualify as a Real Estate Investment Trust ("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. The Company intends to distribute to its shareholders 100% of its taxable income. Therefore, no provision for Federal income taxes is required. If the Company fails to distribute the required amount of income to its shareholders, it would fail to qualify as a REIT and substantial adverse tax consequences may result.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

Below is a summary of Net Income and EBITDA (1):

(amounts in thousands)	Three Months Ended September 30, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 310,515	$ 217,915	$ 29,827	$ 48,509	$ --	$ 14,264
Expense reimbursements	44,407	27,160	13,246	2,742	--	1,259
Other income	6,286	4,548	450	1,496	--	(208)
Total revenues	361,208	249,623	43,523	52,747	--	15,315
Operating expenses	145,237	92,824	16,822	23,400	--	12,191
Depreciation and amortization	52,011	37,514	3,384	6,920	--	4,193
General and administrative	27,352	8,899	814	5,593	--	12,046
Amortization of officer's deferred compensation expense	6,875	--	--	--	--	6,875
Total expenses	231,475	139,237	21,020	35,913	--	35,305
Operating income	129,733	110,386	22,503	16,834	--	(19,990)
Income applicable to Alexander's	12,554	--	--	--	--	12,554
Income (loss) from partially-owned entities	6,692	598	(734)	(75)	(605)(5)	7,508
Interest and other investment income	6,407	1,202	88	147	--	4,970
Interest and debt expense	(61,354)	(35,501)	(14,082)	(4,516)	--	(7,255)
Net gain on disposition of wholly-owned and partially-owned assets	4,503	--	--	281	--	4,222
Minority interest	(35,730)	(27,849)	(2,730)	(4,163)	184	(1,172)
Income before cumulative effect of change in accounting principle and extraordinary item	62,805	48,836	5,045	8,508	(421)	837
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Net income (loss)	62,805	48,836	5,045	8,508	(421)	837
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Minority interest	35,730	27,849	2,730	4,163	(184)	1,172
Interest and debt expense(3)	78,042	36,010	14,578	4,516	6,533	16,405
Depreciation and amortization(3)	64,151	37,945	4,126	6,920	8,389	6,771
Straight-lining of rents(3)	(8,226)	(6,802)	216	(1,046)	--	(594)
Other	(4,403)	(973)	--	--	--	(3,430)(4)
EBITDA(1)	$ 228,099	$ 142,865	$ 26,695	$ 23,061	$ 14,317	$ 21,161

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See footnotes on page 31.

(amounts in thousands)	Three Months Ended September 30, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 211,541	$ 117,455	$ 30,501	$ 48,394	$ --	$ 15,191
Expense reimbursements	36,216	21,548	11,417	2,335	--	916
Other income	2,508	977	562	905	--	64
Total revenues	250,265	139,980	42,480	51,634	--	16,171
Operating expenses	102,222	57,410	13,674	19,633	--	11,505
Depreciation and amortization	29,275	16,851	3,357	5,750	--	3,317
General and administrative	15,043	2,857	1,003	4,041	--	7,142
Costs of acquisitions not consummated	--	--	--	--	--	--
Total expenses	146,540	77,118	18,034	29,424	--	21,964
Operating income (loss)	103,725	62,862	24,446	22,210	--	(5,793)
Income applicable to Alexander's	4,442	--	--	--	--	4,442
Income from partially-owned entities	18,856	7,629	617	110	3,240(5)	7,260
Interest and other investment income	14,584	1,571	104	400	--	12,509
Interest and debt expense	(43,054)	(13,049)	(13,016)	(7,880)	--	(9,109)
Net gain on disposition of wholly-owned and partially-owned assets	6,495	--	--	--	--	6,495
Minority interest	(28,268)	(13,613)	(3,910)	(3,641)	(2,469)	(4,635)
Income before cumulative effect of change in accounting principle and extraordinary item	76,780	45,400	8,241	11,199	771	11,169
Cumulative effect of change in accounting principle	--	--	--	--	--	--
Extraordinary item	--	--	--	--	--	--
Net income	76,780	45,400	8,241	11,199	771	11,169
Minority interest	28,268	13,613	3,910	3,641	2,469	4,635
Interest and debt expense(3)	65,772	22,960	13,680	7,880	6,712	14,540
Depreciation and amortization(3)	42,637	21,466	4,523	5,750	8,400	2,498
Straight-lining of rents(3)	(8,600)	(6,242)	(449)	(1,483)	--	(426)
Other	(1,329)	(1,571)	(1,002)	--	41	1,203
EBITDA(1)	$ 203,528	$ 95,626	$ 28,903	$ 26,987	$ 18,393	$ 33,619

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See footnotes on page 31.

NOTES TO EBITDA BY SEGMENT TABLES:

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income as a measure of operating performance or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

(amounts in thousands)	For the Three Months Ended September 30, 2002	2001
Hotel Pennsylvania (A)	$ 1,715	$ 2,886
Newkirk Joint Ventures:		
Equity in income of limited partnerships	15,400	13,749
Interest and other income	2,200	1,343
Alexander's	11,783	6,892
Investment income and other (B)	4,077	8,934
Unallocated general and administrative expenses	(10,436)(C)	(6,680)
Amortization of Officer's deferred compensation expense	(6,875)	--
Gain on transfer of mortgages	2,096	--
Net gain on sale of air rights	2,126	--
Palisades (D)	(925)	--
After-tax net gain on sale of Park Laurel condominium units	--	13,869
Write-off of net investment in Russian Tea Room ("RTR")	--	(7,374)
Total	$ 21,161	$ 33,619

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(A) Average occupancy and REVPAR for the Hotel Pennsylvania were 69.4% and $56.07 for the three months ended September 30, 2002 compared to 65.5% and $71.69 for the prior year's quarter.

(B) No income was recognized on the Company's loans to Primestone and Vornado Operating Company for the three months ended September 30, 2002.

(C) Includes $2,229 for Primestone litigation costs.

(D) The development of the Palisades residential complex was substantially complete as of March 1, 2002. Accordingly, the Company placed the property into service on March 1, 2002 and discontinued the capitalization of interest and other property specific costs. Operating results for the three months ended September 30, 2002, include a charge of $533 based on a retroactive increase in the real estate tax assessment of the complex to January 1, 2002. As of September 30, 2002, the property, which is now in the lease-up phase, is 45% occupied (244 of the 538 total apartments have been leased).

(3) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(4) Includes $3,430 representing the Company's share of Alexander's gain on sale of its Third Avenue property on August 30, 2002.

(5) Excludes rent not recognized of $6,808 and $5,311 for the three months ended September 30, 2002 and 2001.

THREE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

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

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended September 30, 2001 ...	$ 203,528	$ 95,626	$ 28,903	$ 26,987	$ 18,393	$ 33,619
2002 Operations:						
Same store operations(1)	(2,126)	2,368	(368)	(406)(3)	(4,076)(4)	356
Acquisitions, dispositions and non-recurring income and expenses	26,697	44,871	(1,840)(5)	(3,520)(6)	--	(12,814)(7)
Three months ended September 30, 2002 ...	$ 228,099	$ 142,865(2)	$ 26,695	$ 23,061	$ 14,317	$ 21,161
% increase (decrease) in same store operations	(1.0%)	2.5%(2)	(1.3%)	(1.5%)(3)	(22.2%)(4)	1.1%

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(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.

(2) EBITDA and the same store percentage increase was $75,307 and 2.6% for the New York City office portfolio and $67,558 and 1.9% for the CESCR portfolio.

(3) The net of a $1,300 (4.5%) same store increase in the core portfolio and a $1,706 decline at the LA Mart as a result of rent reductions and increased marketing expenditures.

(4) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. The Company did not recognize its share of the rent the joint venture was due amounting to $6,808 for the three months ended September 30, 2002. The tenant has advised the Landlord that (i) its revenue for the quarter ended September 30, 2002 from the warehouses it leases from the Landlord, was higher than last year by .3%, and (ii) its gross profit before rent at these warehouses for the corresponding period decreased by $2,295 (a 6.0% decrease). The increase in revenue is primarily attributable to higher occupancy rates, offset by a reduction in customer inventory turns. The decrease in gross profit is primarily attributable to higher insurance, workers' compensation and other costs. In addition, the tenant's cash requirements for capital expenditures, debt service and a non-recurring pension funding were $2,628 higher in the current quarter than in the prior year's quarter, which impacted the ability of the tenant to pay rent.

(5) EBITDA for the three months ended September 30, 2002 includes (i) losses of $600 in connection with the Company's investment in the Starwood Ceruzzi Joint Venture for properties placed into service on January 1, 2002 and (ii) a $402 payment of Puerto Rico taxes related to the prior year. EBITDA for the three months ended September 30, 2001 included non-recurring lease termination fees and real estate tax refunds aggregating $500.

(6) EBITDA for the three months ended September 30, 2002, reflects (i) a charge of $954 in connection with the termination of a contract and (ii) a charge of $312 for the settlement of a 1998 utility assessment. EBITDA for the three months ended September 30, 2001 includes income of $1,529 resulting from the reversal of real estate tax accruals.

(7) Reflects net non-recurring items included in EBITDA, see page 31, footnote 2 for details.

REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues and other income, were $361,208,000 for the three months ended September 30, 2002, compared to $250,265,000 in the prior year's quarter, an increase of $110,943,000, of which $104,906,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase (decrease) by segment:

(amounts in thousands)

	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Property rentals:						
Acquisitions:						
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%).................	January 2002	$ 96,887	$ 96,887	$ --	$ --	$ --
Palisades..................	March 2002	1,209	--	--	--	1,209
715 Lexington Avenue........	July 2001	38	38	--	--	--
Hotel activity.................		(2,402)(1)	--	--	--	(2,402)(1)
Trade Shows activity...........		(597)	--	--	(597)	--
Leasing activity...............		3,839	3,535	(674)	712	266
Total increase (decrease) in property rentals............		98,974	100,460	(674)	115	(927)
Tenant expense reimbursements:						
Increase due to acquisitions...		4,074	4,074	--	--	--
Other..........................		4,117	1,538	1,829	407	343
Total increase in tenant expense reimbursements......		8,191	5,612	1,829	407	343
Other Income:						
Increase due to acquisitions...		3,945	3,945	--	--	--
Other..........................		(167)	(374)	(112)	591	(272)
Total increase (decrease) in other income......................		3,778	3,571	(112)	591	(272)
Total increase (decrease) in revenues....................		$110,943	$109,643	$1,043	$1,113	$ (856)

(1) Average occupancy and REVPAR for the Hotel Pennsylvania were 69.4% and $56.07 for the three months ended September 30, 2002 compared to 65.5% and $71.69 for the prior year's quarter.

See supplemental information beginning on page 48, including leasing activity on page 49 for further information.

EXPENSES

The Company's expenses were $231,475,000 for the three months ended September 30, 2002, compared to $146,540,000 in the prior year's quarter, an increase of $84,935,000 of which $52,193,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase by segment:

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%).................	$30,390	$30,390	$--	$ --	$ --
Palisades.....................	2,214	--	--	--	2,214
715 Lexington Avenue..........	80	80	--	--	--
Hotel activity................	(208)	--	--	--	(208)
Trade Shows activity..........	(225)	--	--	(225)	--
Same store operations.........	10,764	4,944(1)	3,148(2)	3,992(3)	(1,320)
	43,015	35,414	3,148	3,767	686
Depreciation and amortization:					
Acquisitions..................	17,307	16,441	--	--	866
Same store operations.........	5,429	4,222	27	1,170	10
	22,736	20,663	27	1,170	876
General and administrative:					
Appreciation in value of Vornado shares and other securities held in officers' deferred compensation trust in the three months ended September 30, 2001............	607	--	--	--	607
Acquisitions..................	5,362	5,362	--	--	--
Other expenses.................	6,340	680	(189)	1,552(4)	4,297(5)
Total increase (decrease) in general and administrative....	12,309	6,042	(189)	1,552	4,904
Amortization of officer's deferred compensation expense...	6,875	--	--	--	6,875
	$84,935	$62,119	$2,986	$6,489	$13,341

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(1) Results primarily from (i) a $2,401 increase in insurance, security and other costs in 2002, largely reimbursed by tenants, (ii) a $334 increase in repairs and maintenance and (iii) a $720 write-off of deferred rents receivable in the current quarter.
(2) Results primarily from (i) increases in insurance costs which are reimbursed by tenants, (ii) a $402 payment of Puerto Rico taxes related to the prior year and (iii) lease termination fees and real estate tax refunds netted against expenses in 2001, which aggregated $500.
(3) Reflects (i) increased insurance costs of $709 in 2002, (ii) a charge of $312 from the settlement of a 1998 utility assessment, and (iii) the reversal of a $1,529 accrual of real estate taxes in 2001.
(4) Reflects a charge of $954 in connection with the termination of a contract and the write-off of related deferred costs in 2002.
(5) Includes professional fees expensed of $2,229 in connection with the Primestone litigation in 2002.

INCOME APPLICABLE TO ALEXANDER'S

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was $12,554,000 in the three months ended September 30, 2002, compared to $4,442,000 in the prior year's quarter, an increase of $8,112,000. This increase resulted from (i) Alexander's reversal of stock appreciation rights compensation expense of which the Company's share is $1,402,000, (ii) $3,431,000 from the Company's share of Alexander's gain on sale of its Third Avenue property on August 30, 2002, and (iii) $2,955,000 from development and commitment fees in connection with Alexander's Lexington Avenue development project.

INCOME FROM PARTIALLY-OWNED ENTITIES

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who exercises significant control, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income of partially-owned entities for the three months ended September 30, 2002 as compared to the prior year's quarter:

(amounts in thousands)	Total	CESCR(1)	Temperature Controlled Logistics	Newkirk Joint Venture	Las Catalinas Mall(2)	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
SEPTEMBER 30, 2002:								
Revenues	$114,209		$ 23,627	$ 73,917	$ 3,342	$ 289	$13,034	
Expenses:								
Operating, general and administrative	(10,595)		(1,692)	(1,439)	(1,163)	(509)	(5,792)	
Depreciation	(26,058)		(14,454)	(8,682)	(450)	(329)	(2,143)	
Interest expense	(44,440)		(10,451)	(30,021)	(1,124)	--	(2,844)	
Other, net	(2,828)		(572)	(1,212)	(802)	(262)	20	
Net income/(loss)	$ 30,288		$ (3,542)	$ 32,563	$ (197)	$(811)	$ 2,275	
Vornado's interest			60%	21%	50%	80%	26%	
Equity in net income	$ 4,259		$ (2,125)	$ 6,987	$ (86)(2)	$(648)	$ 598	$(467)
Interest and other income	913		--	913	--	--	--	--
Fee income	1,520		1,520	--	--	--	--	--
Income from partially-owned entities	$ 6,692	$ --(1)	$ (605)	$ 7,900	$ (86)	$(648)	$ 598	$(467)
SEPTEMBER 30, 2001:								
Revenues	$203,609	$108,681	$ 29,574	$ 52,155	$ 3,602	$ 401	$ 9,196	
Expenses:								
Operating, general and administrative	(56,528)	(48,518)	(1,833)	(1,126)	(808)	(94)	(4,149)	
Depreciation	(35,580)	(12,285)	(14,775)	(6,641)	(502)	(168)	(1,209)	
Interest expense	(61,230)	(26,805)	(11,415)	(20,141)	(1,319)	--	(1,550)	
Other, net	(1,223)	156	704	(2,130)	--	1	46	
Net income/(loss)	$ 49,048	$ 21,229	$ 2,255	$ 22,117	$ 973	$ 140	$ 2,334	
Vornado's interest		34%	60%	30%	50%	80%	18%	
Equity in net income	$ 15,696	$ 7,218	$ 1,353	$ 6,635	$ 505	$ 112	$ 411	$(538)
Interest and other income	1,637	--	364	1,273	--	--	--	--
Fee income	1,523	--	1,523	--	--	--	--	--
Income from partially-owned entities	$ 18,856	$ 7,218	$ 3,240	$ 7,908	$ 505	$ 112	$ 411	$(538)
(DECREASE) INCREASE IN INCOME FROM PARTIALLY-OWNED ENTITIES	$(12,164)	$ (7,218)(1)	$(3,845)	$ (8)	$ (591)(2)	$(760)	$ 187	$ 71

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(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.

(2) On September 23, 2002, the Company acquired the remaining 50% of the Mall and the 25% of Kmart's anchor store that it did not previously own. Accordingly, Las Catalinas is consolidated as of September 30, 2002.

INTEREST AND OTHER INVESTMENT INCOME

Interest and other investment income (interest income on mortgage loans receivable, other interest income, and dividend income) was $6,407,000 for the three months ended September 30, 2002, compared to $14,584,000 in the prior year's quarter, a decrease of $8,177,000. Of this decrease (i) $3,382,000 resulted from the lower yield on the investment of the proceeds received from the repayment of the Company's loan to NorthStar Partnership, L.P. in May 2002, (ii) $3,316,000 resulted from the loss of interest income on the Company's foreclosed loans to Primestone, (iii) $645,000 resulted from not recognizing interest on the loan to Vornado Operating Company (see "Liquidity and Capital Resources - Vornado Operating Company") and (iv) $834,000 resulted from lower yields on other investments.

INTEREST AND DEBT EXPENSE

Interest and debt expense was $61,354,000 for the three months ended September 30, 2002, compared to $43,054,000 in the prior year's quarter, an increase of $18,300,000. This increase was primarily comprised of (i) $25,575,000 from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations, partially offset by (ii) a $5,795,000 savings from a 175 basis point reduction in weighted average interest rates of the Company's variable rate debt and (iii) lower average outstanding debt balances.

NET GAIN ON DISPOSITION OF WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS

The following table sets forth the details of net gain on disposition of wholly-owned and partially-owned assets for the three months ended September 30, 2002 and 2001:

(amounts in thousands)	For the Three Months Ended September 30, 2002	2001
Wholly-owned Assets:		
Gain on transfer of mortgages	$2,096	$--
Net gain on sale of air rights	2,126	--
Gain on sale of Kinzie Park condominiums units	281	--
Partially-owned Assets:		
After-tax net gain on sale of Park Laurel condominium units	--	13,869
Write-off of net investment in Russian Tea Room	--	(7,374)
	$ 4,503	$ 6,495

INVESTMENT IN PRIMESTONE

On September 28, 2000, the Company made a $62,000,000 loan to Primestone Investment Partners, L.P. ("Primestone"). The Company received a 1% up-front fee and was entitled to receive certain other fees aggregating approximately 3% upon repayment of the loan. The loan bore interest at 16% per annum. Primestone defaulted on the repayment of this loan on October 25, 2001. The loan was subordinate to $37,957,000 of other debt of the borrower. On October 31, 2001, the Company purchased the other debt for its face amount. The loans were secured by 7,944,893 partnership units in Prime Group Realty, L.P., the operating partnership of Prime Group Realty Trust (NYSE:PGE) and the partnership units are exchangeable for the same number of common shares of PGE. The loans are also guaranteed by affiliates of Primestone.

On November 19, 2001, the Company sold, pursuant to a participation agreement with a subsidiary of Cadim inc., a Canadian pension fund, a 50% participation in both loans at par for approximately $50,000,000 reducing the Company's net investment in the loans at December 31, 2001 to $56,768,000 including unpaid interest and fees of $6,790,000.

On April 30, 2002, the Company and Cadim acquired the 7,944,893 partnership units at a foreclosure auction. The price paid for the units by application of a portion of Primestone's indebtedness to the Company and Cadim was $8.35 per unit, the April 30, 2002 closing price of shares of PGE on the New York Stock Exchange. On June 28, 2002, pursuant to the terms of the participation agreement, the Company transferred 3,972,447 of the partnership units to Cadim.

In the second quarter, in accordance with foreclosure accounting, the Company recorded a loss on the Primestone foreclosure of $17,671,000 calculated based on (i) the acquisition price of the units and (ii) its valuation of the amounts realizable under the guarantees by affiliates of Primestone, as compared with the net carrying amount of the investment at April 30, 2002.

At September 30, 2002, the Company's carrying amount of the investment was $39,485,000, of which $33,170,000 represents the carrying amount of the 3,972,447 partnership units owned by the Company ($8.35 per unit), $7,100,000 represents the amount expected to be realized under the guarantees, offset by $785,000 representing the Company's share of Prime Group Realty's net loss through June 30, 2002 (see Note 5. Investments in and Advances to Partially-Owned Entities). In the three months ended September 30, 2002, the Company expensed legal fees of $2,229,000 in connection with the ongoing Primestone litigation and the Company's effort to realize the guarantees.

At October 28, 2002, the closing price of PGE shares on the New York Stock Exchange was $4.49 per share. The ultimate realization of the Company's investment will depend upon the future performance of the Chicago real estate market and the performance of PGE, as well as the ultimate realizable value of the net assets supporting the guarantees and the Company's ability to collect under the guarantees. In addition, the Company will continue to monitor this investment to determine whether additional write-downs are required based on (i) declines in value of the shares of PGE (for which the partnership units are exchangeable) which are "other than temporary" as used in accounting literature and (ii) the realizable value of the guarantees.

NINE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

Below is a summary of Net income and EBITDA(1):

(amounts in thousands)	Nine Months Ended September 30, 2002					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 922,144	$ 645,489	$ 87,819	$148,387	--	$40,449
Expense reimbursements	118,526	68,516	37,063	9,957	--	2,990
Other income	20,109	14,621	1,055	4,133	--	300
Total revenues	1,060,779	728,626	125,937	162,477	--	43,739
Operating expenses	398,950	255,452	44,490	65,980	--	33,028
Depreciation and amortization	149,162	105,765	10,310	20,688	--	12,399
General and administrative	74,578	27,409	3,180	15,298	--	28,691
Amortization of officer's deferred compensation expense	20,625	--	--	--	--	20,625
Total expenses	643,315	388,626	57,980	101,966	--	94,743
Operating income	417,464	340,000	67,957	60,511	--	(51,004)
Income applicable to Alexander's	22,609	--	--	--	--	22,609
Income (loss) from partially-owned entities	30,304	1,874	(803)	(62)	5,787(5)	23,508
Interest and other investment income	25,984	5,071	245	425	--	20,243
Interest and debt expense	(179,491)	(105,011)	(41,793)	(18,386)	--	(14,301)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	1,053	--	--	2,156	--	(1,103)
Minority interest	(106,875)	(89,530)	(9,203)	(16,542)	3,488	4,912
Income before cumulative effect of change in accounting principle and extraordinary item	211,048	152,404	16,403	28,102	9,275	4,864
Cumulative effect of change in accounting principle	(30,129)	--	--	--	(15,490)	(14,639)
Extraordinary item	--	--	--	--	--	--
Net income (loss)	180,919	152,404	16,403	28,102	(6,215)	(9,775)
Cumulative effect of change in accounting principle	30,129	--	--	--	15,490	14,639
Extraordinary item	--	--	--	--	--	--
Minority interest	106,875	89,530	9,203	16,542	(3,488)	(4,912)
Net gain on disposition of assets	--	--	--	--	--	--
Interest and debt expense(3)	228,534	106,529	43,559	18,386	19,394	40,666
Depreciation and amortization(3)	187,086	107,116	11,873	20,688	25,642	21,767
Straight-lining of rents(3)	(26,489)	(21,504)	(639)	(2,837)	--	(1,509)
Other	(4,328)	(3,400)	860	(123)	1,376	(3,041)(4)
EBITDA(1)	$702,726	$430,675	$81,259	$ 80,758	$ 52,199	$57,835

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See footnotes on page 40.

(amounts in thousands)

	Nine Months Ended September 30, 2001					
	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 628,511	$ 345,575	$ 87,402	$ 145,517	$ --	$ 50,017
Expense reimbursements	102,851	56,509	34,923	10,166	--	1,253
Other income	7,588	2,362	1,467	2,442	--	1,317
Total revenues	738,950	404,446	123,792	158,125	--	52,587
Operating expenses	299,436	164,855	41,528	62,427	--	30,626
Depreciation and amortization	91,226	52,795	10,364	18,256	--	9,811
General and administrative	51,706	8,864	2,405	13,286	--	27,151
Costs of acquisitions not consummated	5,000	--	--	--	--	5,000
Total expenses	447,368	226,514	54,297	93,969	--	72,588
Operating income (loss)	291,582	177,932	69,495	64,156	--	(20,001)
Income applicable to Alexander's	21,422	--	--	--	--	21,422
Income from partially-owned entities	62,074	24,689	3,009	219	12,909(5)	21,248
Interest and other investment income	43,931	5,766	520	1,777	--	35,868
Interest and debt expense	(136,443)	(44,063)	(41,429)	(25,866)	--	(25,085)
Net gain (loss) on disposition of wholly-owned and partially-owned assets	3,706	12,445	3,050	--	--	(11,789)
Minority interest	(83,931)	(41,935)	(12,386)	(11,410)	(8,294)	(9,906)
Income before cumulative effect of change in accounting principle and extraordinary item	202,341	134,834	22,259	28,876	4,615	11,757
Cumulative effect of change in accounting principle	(4,110)	--	--	--	--	(4,110)
Extraordinary item	1,170	--	--	--	--	1,170
Net income	199,401	134,834	22,259	28,876	4,615	8,817
Cumulative effect of change in accounting principle	4,110	--	--	--	--	4,110
Extraordinary item	(1,170)	--	--	--	--	(1,170)
Minority interest	83,931	41,935	12,386	11,410	8,294	9,906
Net gain on disposition of wholly-owned and partially-owned assets	(15,495)	(12,445)	(3,050)	--	--	--
Interest and debt expense(3)	206,177	75,266	43,377	25,866	20,198	41,470
Depreciation and amortization(3)	136,473	67,102	13,862	18,256	25,211	12,042
Straight-lining of rents(3)	(22,676)	(16,247)	(1,144)	(3,871)	--	(1,414)
Other	(8,889)	(3,791)	(2,337)	--	222	(2,983)(4)
EBITDA(1)	$ 581,862	$ 286,654	$ 85,353	$ 80,537	$ 58,540	$ 70,778

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See footnotes on the following page.

NOTES TO EBITDA BY SEGMENT TABLES

(1) EBITDA represents income before interest, taxes, depreciation and amortization, extraordinary or non-recurring items, gains or losses on sales of depreciable real estate, the effect of straight-lining of property rentals for rent escalations and minority interest. Management considers EBITDA a supplemental measure for making decisions and assessing the performance of its segments. EBITDA should not be considered a substitute for net income as a measure of operating performance or a substitute for cash flow as a measure of liquidity. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

(amounts in thousands)	For the Nine Months Ended September 30, 2002	2001
Hotel Pennsylvania (A)	$ 4,621	$ 14,307
Newkirk Joint Ventures:		
Equity in income of limited partnerships	45,929	40,457
Interest and other income	6,671	4,545
Alexander's	26,549	21,430
Investment income and other (B)	21,963	32,046
Unallocated general and administrative expenses	(24,985)(C)	(25,218)
Amortization of Officer's deferred compensation expense	(20,625)	--
Gain on transfer of mortgages	2,096	--
Net gain on sale of air rights	2,126	--
Loss on Primestone foreclosure	(17,671)	--
Net gain on sale of marketable securities	12,346	--
Palisades (D)	(1,185)	--
After-tax net gain on sale of Park Laurel condominium units	--	13,869
Costs of acquisitions not consummated	--	(5,000)
Write-off of net investment in Russian Tea Room ("RTR")	--	(7,374)
Write-off of investments in technology companies	--	(18,284)
Total	$ 57,835	$ 70,778

(A) Average occupancy and REVPAR for the Hotel Pennsylvania were 61.7% and $53.50 for the nine months ended September 30, 2002 compared to 66.6% and $74.61 for the prior year's nine months.

(B) No income was recognized on the Company's loans to Primestone and Vornado Operating Company for the nine months ended September 30, 2002.

(C) Includes $2,229 for Primestone litigation costs expensed in 2002.

(D) The development of the Palisades residential complex was substantially complete as of March 1, 2002. Accordingly, the Company placed the property into service on March 1, 2002 and discontinued the capitalization of interest and other property specific costs. As of September 30, 2002, the property, which is now in the lease-up phase, is 45% occupied (244 of the 538 total apartments have been leased).

(3) Interest and debt expense, depreciation and amortization and straight-lining of rents included in the reconciliation of net income to EBITDA reflects amounts which are netted in income from partially-owned entities.

(4) Includes $3,430 and $6,298 representing the Company's share of Alexander's gain on sale of its Third Avenue property on August 30, 2002 and its Fordham Road property on January 12, 2001.

(5) Excludes rent not recognized of $12,361 and $7,651 for the nine months ended September 30, 2002 and 2001.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

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

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Nine months ended September 30, 2001.	$581,862	$286,654	$85,353	$80,537	$58,540	$70,778
2002 Operations:						
Same store operations(1)........	8,292	13,613	1,396	1,866(3)	(6,341)(4)	(2,242)(5)
Acquisitions, dispositions and non-recurring income and expenses.....................	112,572	130,408	(5,490)(6)	(1,645)(7)	--	(10,701)(8)
Nine months ended September 30, 2002.	$702,726	$430,675(2)	$81,259	$80,758	$52,199	$57,835
% increase (decrease) in same store operations..............	1.4%	4.7%(2)	1.6%	2.3%(3)	(10.8%)(4)	(3.2%)(5)

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(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.

(2) EBITDA and the same store percentage increase was $230,478 and 5.4% for the New York City office portfolio and $200,197 and 2.4% for the CESCR portfolio.

(3) The net of a $3,572 (4.4%) same store increase in the core portfolio and a $1,706 decline at the LA Mart as a result of rent reductions and increased marketing expenditures.

(4) The Company reflects its 60% share of the Vornado/Crescent Partnerships' ("the Landlord") equity in the rental income it receives from AmeriCold Logistics, its tenant, which leases the underlying temperature controlled warehouses used in its business. The Company's joint venture does not recognize rental income unless earned and collection is assured or cash is received. The Company did not recognize its share of the rent the joint venture was due amounting to $12,361 for the nine months ended September 30, 2002. The tenant has advised the Landlord that (i) its revenue for the nine months ended September 30, 2002 from the warehouses it leases from the Landlord, is lower than last year by .5%, and (ii) its gross profit before rent at these warehouses for the corresponding period decreased by $2,411 (a 2.1% decrease). The decrease in revenue is primarily attributable to a reduction in customer inventory turns. The decrease in gross profit is primarily attributable to higher insurance, workers' compensation and other costs. In addition, the tenant's cash requirements for capital expenditures, debt service and a non-recurring pension funding were $4,481 higher in the current nine month period than in the prior year's nine months, which impacted the ability of the tenant to pay rent.

(5) Primarily due to the reinvestment of the proceeds received from the repayment of the Company's $75,000 loan to NorthStar Partnership L.P. in May 2002 at lower yields and from not recognizing income on the Company's foreclosed loan to Primestone and outstanding loan to Vornado Operating.

(6) Primarily due to (i) losses of $1,400 in the nine months ended September 30, 2002 in connection with the Company's Starwood Ceruzzi joint venture for properties placed into service on January 1, 2002, and (ii) a recovery of a bad debt of $1,000 and a $1,300 gain on sale of a joint venture property in the nine months ended September 30, 2001.

(7) Reflects a charge of $954 in connection with the termination of a contract in the nine months ended September 30, 2002, as compared to $1,529 of income in the nine months ended September 30, 2001 resulting from the reversal of real estate tax accruals.

(8) Reflects net non-recurring items included in EBITDA, see page 40, footnote 2 for details.

REVENUES

The Company's revenues, which consist of property rentals, tenant expense reimbursements, hotel revenues, trade shows revenues and other income were $1,060,779,000 for the nine months ended September 30, 2002, compared to $738,950,000 in the nine months ended September 30, 2001, an increase of $321,829,000 of which $304,325,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase (decrease) by segment:

(amounts in thousands)

Property rentals:	Date of Acquisition	Total	Office	Retail	Merchandise Mart	Other
Acquisitions:						
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%)..................	January 2002	$284,663	$284,663	$ --	$ --	$ --
Palisades...................	March 2002	1,209	--	--	--	1,209
715 Lexington Avenue........	July 2001	976	976	--	--	--
Hotel activity.................		(10,341)(1)	--	--	--	(10,341)(1)
Trade Shows activity...........		950	--	--	950	--
Leasing activity...............		16,176	14,275	417	1,920	(436)
Total increase (decrease) in property rentals............		293,633	299,914	417	2,870	(9,568)
Tenant expense reimbursements:						
Increase (decrease) due to acquisitions/dispositions...		8,274	8,274	--	--	--
Other..........................		7,401	3,733	2,140	(209)	1,737
Total increase (decrease) in tenant expense reimbursements......		15,675	12,007	2,140	(209)	1,737
Other Income:						
Increase due to acquisitions/dispositions...		11,388	11,388	--	--	--
Other..........................		1,133	871	(412)	1,691	(1,017)
Total increase (decrease) in other income......................		12,521	12,259	(412)	1,691	(1,017)
Total increase (decrease) in revenues....................		$321,829	$324,180	$2,145	$ 4,352	$ (8,848)

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(1) Average occupancy and REVPAR for the Hotel Pennsylvania were 61.7% and $53.50 for the nine months ended September 30, 2002 compared to 66.6% and $74.61 for the prior year's nine months.

See supplemental information beginning on page 48, including leasing activity on page 49 for further information.

EXPENSES

The Company's expenses were $643,315,000 for the nine months ended September 30, 2002, compared to $447,368,000 in the nine months ended September 30, 2001, an increase of $195,947,000 of which $147,719,000 resulted from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations. Below are the details of the increase by segment:

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Other
Operating:					
Acquisitions:					
CESCR (effect of acquisition of 66% and consolidation vs. equity method accounting for 34%)	$ 83,205	$ 83,205	$ --	$ --	$ --
Palisades	2,214	--	--	--	2,214
715 Lexington Avenue	588	588	--	--	--
Hotel activity	(694)	--	--	--	(694)
Trade Shows activity	(77)	--	--	(77)	--
Same store operations	14,278	6,804(1)	2,962(2)	3,630(3)	882
	99,514	90,597	2,962	3,553	2,402
Depreciation and amortization:					
Acquisitions	48,522	47,656	--	--	866
Same store operations	9,414	5,314	(54)	2,432	1,722
	57,936	52,970	(54)	2,432	2,588
General and administrative:					
Appreciation in value of Vornado shares and other securities held in officers' deferred compensation trust in the nine months ended September 30, 2001	1,276	--	--	--	1,276
Acquisitions	16,858	16,858	--	--	--
Other expenses	4,738	1,687	775	2,012(4)	264
Total increase (decrease) in general and administrative	22,872	18,545	775	2,012	1,540
Amortization of officer's deferred compensation expense	20,625	--	--	--	20,625
Costs of acquisitions not consummated	(5,000)	--	--	--	(5,000)
	$195,947	$162,112	$3,683	$7,997	$22,155

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(1) Results primarily from (i) a $5,060 increase in insurance, security and other costs in 2002, largely reimbursed by tenants, (ii) an increase of $300 in repairs and maintenance and (iii) $720 for the write-off of deferred rent receivables in 2002.

(2) Results primarily from (i) increases in insurance costs which are reimbursed by tenants, (ii) a $402 payment of Puerto Rico taxes in 2002 related to the prior year and (iii) lease termination fees and real estate tax refunds netted against expenses in 2001, which aggregated $500.

(3) Reflects (i) increased insurance costs of $879 in 2002, (ii) a charge of $312 in 2002 from the settlement of a 1998 utility assessment, and (iii) the reversal of a $1,529 accrual of real estate taxes in 2001.

(4) Reflects a charge of $954 in connection with the termination of a contract and the write-off of related deferred costs.

INCOME APPLICABLE TO ALEXANDER'S

Income applicable to Alexander's (loan interest income, management, leasing, development and commitment fees, and equity in income) was $22,609,000 in the nine months ended September 30, 2002, compared to $21,422,000 in the nine months ended September 30, 2001, an increase of $1,187,000. This increase resulted from (i) $4,930,000 of development and commitment fees in connection with Alexander's Lexington Avenue development project, (ii) the Company's $3,431,000 share of Alexander's gain on sale of its Third Avenue property, partially offset by (iii) the Company's $6,298,000 share of Alexander's gain on the sale of its Fordham Road property in the prior year's nine months.

INCOME FROM PARTIALLY-OWNED ENTITIES

In accordance with accounting principles generally accepted in the United States of America, the Company reflects the income it receives from (i) entities it owns less than 50% of and (ii) entities it owns more than 50% of, but which have a partner who exercises significant control, on the equity method of accounting resulting in such income appearing on one line in the Company's consolidated statements of income. Below is the detail of income from partially-owned entities by investment as well as the increase (decrease) in income of partially-owned entities for the nine months ended September 30, 2002 as compared to the prior year:

(amounts in thousands)	Total	CESCR(1)	Temperature Controlled Logistics	Newkirk Joint Venture	Las Catalinas Mall(2)	Starwood Ceruzzi Joint Venture	Partially-Owned Office Buildings	Other
SEPTEMBER 30, 2002:								
Revenues................	$ 356,066		$ 86,336	$219,967	$ 10,671	$ 406	$ 38,686	
Expenses:								
Operating, general and administrative.....	(32,615)		(5,909)	(6,017)	(3,102)	(1,422)	(16,165)	
Depreciation..........	(82,716)		(44,140)	(29,691)	(1,482)	(852)	(6,551)	
Interest expense......	(135,097)		(32,324)	(90,615)	(3,643)	--	(8,515)	
Other, net............	(9,804)		(2,377)	(6,960)	(802)	(200)	535	
Net income/(loss).......	$ 95,834		$ 1,586	$ 86,684	$ 1,642	$(2,068)	$ 7,990	
Vornado's interest......			60%	21%	50%	80%	23%	
Equity in net income....	$ 20,169		$ 952	$ 18,600	$ 851(2)	$(1,654)	$ 1,874	$ (454)
Interest and other income.	5,606		306	5,300	--	--	--	--
Fee income..............	4,529		4,529	--	--	--	--	--
Income from partially-owned entities...............	$ 30,304	$ --(1)	$ 5,787	$ 23,900	$ 851	$(1,654)	$ 1,874	$ (454)
SEPTEMBER 30, 2001:								
Revenues................	$ 597,127	$ 297,373	$ 94,535	$159,126	$ 10,808	$ 1,201	$ 34,084	
Expenses:								
Operating, general and administrative.....	(140,437)	(112,467)	(5,904)	(3,773)	(2,631)	(500)	(15,162)	
Depreciation..........	(107,654)	(37,577)	(43,888)	(20,091)	(1,509)	(489)	(4,100)	
Interest expense......	(192,072)	(84,616)	(34,350)	(62,795)	(3,865)	--	(6,446)	
Other, net............	(1,575)	267	1,814	(6,674)	--	1,744	1,274	
Net income.............	$ 155,389	$ 62,980	$ 12,207	$ 65,793	$ 2,803	$ 1,956	$ 9,650	
Vornado's interest......		34%	60%	30%	50%	80%	34%	
Equity in net income....	$ 52,391	$ 21,413	$ 7,324	$ 19,738	$ 1,444	$ 1,565	$ 3,276	$(2,369)
Interest and other income.	5,177	--	1,079	4,098	--	--	--	--
Fee income.............	4,506	--	4,506	--	--	--	--	--
Income from partially-owned entities.............	$ 62,074	$ 21,413	$ 12,909	$ 23,836	$ 1,444	$ 1,565	$ 3,276	$(2,369)
(DECREASE) INCREASE IN INCOME FROM PARTIALLY-OWNED ENTITIES.	$ (31,770)	$ (21,413)(1)	$ (7,122)	$ 64	$ (593)(2)	$(3,219)(3)	$ (1,402)(4)	$ 1,915(5)

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(1) On January 1, 2002, the Company acquired the remaining 66% of CESCR it did not previously own. Accordingly, CESCR is consolidated as of January 1, 2002.
(2) On September 23, 2002, the Company acquired the remaining 50% of the Mall and the 25% of Kmart's anchor store that it did not previously own. Accordingly, Las Catalinas is consolidated as of September 30, 2002.
(3) The prior year's nine months includes $1,394 for the Company's share of a gain on sale of a property.
(4) The nine months ended September 30, 2002 excludes 570 Lexington Avenue which was sold in May 2001.
(5) The prior year's nine months includes $2,000 for the Company's share of equity in loss of its Russian Tea Room ("RTR") investment. In the third quarter of 2001, the Company wrote-off its entire net investment in RTR based on the operating losses and an assessment of the value of the real estate.

INTEREST AND OTHER INVESTMENT INCOME

Interest and other investment income (interest income on mortgage loans receivable, other interest income, and dividend income) was $25,984,000 for the nine months ended September 30, 2002, compared to $43,931,000 in the nine months ended September 30, 2001, a decrease of $17,947,000. Of this decrease (i) $4,626,000 resulted from the lower yield on the investment of the proceeds received from the repayment of the Company's loan to NorthStar Partnership, L.P. in May 2002, (ii) $11,560,000 resulted primarily from the Company not recognizing income on its loans to Primestone and Vornado Operating Company (see "Liquidity and Capital Resources - Vornado Operating Company") and (iii) $1,761,000 resulted from lower yields on other investments.

INTEREST AND DEBT EXPENSE

Interest and debt expense was $179,491,000 for the nine months ended September 30, 2002, compared to $136,443,000 in the nine months ended September 30, 2001, an increase of $43,048,000. This increase was primarily comprised of (i) $74,979,000 from the acquisition of the remaining 66% of CESCR and the resulting consolidation of its operations, partially offset by (ii) a $25,051,000 savings from a 246 basis point reduction in weighted average interest rates of the Company's variable rate debt and (iii) lower average outstanding debt balances.

NET GAIN ON DISPOSITION OF WHOLLY-OWNED AND PARTIALLY-OWNED ASSETS

The following table sets forth the details of net gain on disposition of wholly-owned and partially-owned assets for the nine months ended September 30, 2002 and 2001:

(amounts in thousands)	For the Nine Months Ended September 30, 2002	2001
Wholly-owned Assets:		
Gain on transfer of mortgages	$ 2,096	$ --
Gain on sale of Kinzie Park condominiums units	2,156	--
Net gain on sale of air rights	2,126	--
Net gain on sale of marketable securities	12,346	--
Loss on Primestone foreclosure	(17,671)	--
Net gain from condemnation proceedings	--	3,050
Write-off of investments in technology companies	--	(18,284)
Partially-owned Assets:		
After-tax net gain on sale of Park Laurel condominium units	--	13,869
Write-off of net investment in Russian Tea Room	--	(7,374)
Net gain on sale of 50% interest in 570 Lexington Avenue	--	12,445
	$ 1,053	$ 3,706

LIQUIDITY AND CAPITAL RESOURCES

NINE MONTHS ENDED SEPTEMBER 30, 2002

Cash flow provided by operating activities of $347,501,000 was primarily comprised of (i) income of $180,919,000, (ii) adjustments for non-cash items of $206,585,000, partially offset by (iii) the net change in operating assets and liabilities of $56,621,000. The adjustments for non-cash items were primarily comprised of (i) a cumulative effect of change in accounting principle of $30,129,000, (ii) amortization of Officer's deferred compensation expense of $20,625,000, (iii) depreciation and amortization of $149,162,000, (iv) minority interest of $106,875,000, partially offset by (v) the effect of straight-lining of rental income of $29,622,000, (vi) equity in net income of partially-owned entities and income applicable to Alexander's of $52,913,000, and (vii) a loss on the Primestone foreclosure of $17,671,000.

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

Net cash used in financing activities of $354,396,000 was primarily comprised of (i) dividends paid on common shares of $240,802,000, (ii) dividends paid on preferred shares of $17,722,000, (iii) distributions to minority partners of $108,477,000, (iv) repayments of borrowings of $719,761,000, partially offset by proceeds from (iv) the issuance of common shares of $56,508,000, (vi) notes and mortgages payable of $654,373,000, of which $499,319,000 was from the issuance of the Company's senior unsecured notes on June 24, 2002, and (vii) the exercise of employee share options of $25,455,000.

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

Capital expenditures are categorized as follows:

Recurring -- capital improvements expended to maintain a property's competitive position within the market and tenant improvements and leasing commissions for costs to re-lease expiring leases or renew or extend existing leases.

Non-recurring -- capital improvements completed in the year of acquisition and the following two years which were planned at the time of acquisition and tenant improvements and leasing commissions for space which was vacant at the time of acquisition of a property.

Development and redevelopment expenditures include all hard and soft costs associated with the development or redevelopment of a property, including tenant improvements, leasing commissions and capitalized interest and operating costs until the property is substantially complete and ready for its intended use.

(amounts in thousands)

Capital Expenditures:	Total	New York City Office	CESCR	Retail	Merchandise Mart	Other
Expenditures to maintain the assets:						
Recurring	$16,158	$ 5,441	$ 6,377	$ 1,271	$ 2,295	$ 774
Non-recurring	14,485	5,965	4,423	--	4,097	--
	30,643	11,406	10,800	1,271	6,392	774
Tenant improvements:						
Recurring	18,487	8,249	5,818	2,212	2,208	--
Non-recurring	4,003	1,525	2,478	--	--	--
	22,490	9,774	8,296	2,212	2,208	--
Total	$53,133	$21,180	$19,096	$ 3,483	$ 8,600	$ 774
Leasing Commissions:						
Recurring	$11,127	$ 7,639	$ 2,803	$ 180	$ 397	$ 108
Non-recurring	3,393	1,725	1,668	--	--	--
	$14,520	$ 9,364	$ 4,471	$ 180	$ 397	$ 108
Total Capital Expenditures and Leasing Commissions:						
Recurring	$45,772	$21,329	$14,998	$ 3,663	$ 4,900	$ 882
Non-recurring	21,881	9,215	8,569	--	4,097	--
	$67,653	$30,544	$23,567	$ 3,663	$ 8,997	$ 882
Development and Redevelopment Expenditures:						
Palisades-Fort Lee, NJ (1)	$12,338	$ --	$ --	$ --	$ --	$ 12,338
Other	35,013	28,630	5,508	(879)(2)	724	1,030

$47,351	$28,630	$ 5,508	$ (879)	$ 724	$ 13,368

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(1) Does not include $9,103 of Fort Lee development costs funded by a construction loan during 2002.

(2) Represents reimbursements from tenants for expenditures incurred in the prior year.

VORNADO OPERATING COMPANY ("VORNADO OPERATING")

Pursuant to a revolving credit facility which expires December 31, 2004, Vornado Operating owes the Company $32,836,000 at September 30, 2002. Vornado Operating has disclosed that in the aggregate, its investments do not, and for the foreseeable future, are not expected to generate sufficient cash flow to pay all of its debts and expenses. Further, Vornado Operating states that its only investee, AmeriCold Logistics ("Tenant"), anticipates that its Landlord, a partnership 60% owned by the Company and 40% owned by Crescent Real Estate Equities, will need to restructure the leases between the Landlord and the Tenant to provide additional cash flow to the Tenant (the Landlord has previously restructured the leases to provide additional cash flow to the Tenant). Management anticipates further lease restructuring and the sale of non-core assets by AmeriCold Logistics, and accordingly, Vornado Operating is expected to have a source to repay the debt under this facility which may be extended. Since January 1, 2002, the Company has not recognized income on the debt under this facility.

NINE MONTHS ENDED SEPTEMBER 30, 2001

Cash flows provided by operating activities of $261,235,000 was primarily comprised of (i) income of $199,401,000, (ii) adjustments for non-cash items of $97,442,000, partially offset by (iii) the net change in operating assets and liabilities of $5,074,000. The adjustments for non-cash items are primarily comprised of (i) cumulative effect of change in accounting principle of $4,110,000, (ii) the write-off of the Company's remaining equity investments in technology companies of $18,284,000, (iii) the write-off of the Company's entire net investment of $7,374,000 in the Russian Tea Room, (iv) depreciation and amortization of $91,226,000, (v) minority interest of $83,931,000, partially offset by (vi) the effect of straight-lining of rental income of $23,987,000, and (vii) equity in net income of partially-owned entities and income applicable to Alexander's of $83,496,000.

Net cash provided by investing activities of $17,725,000 was primarily comprised of (i) recurring capital expenditures of $36,173,000, (ii) non-recurring capital expenditures of $27,514,000, (iii) development and redevelopment expenditures of $68,152,000, (iv) investment in notes and mortgages receivable of $36,831,000, (v) investments in partially-owned entities of $68,145,000, (vi) acquisitions of real estate of $11,574,000, offset by, (vii) proceeds from the sale of real estate of $146,197,000, (viii) distributions from partially-owned entities of $102,404,000, and (ix) a decrease in restricted cash arising primarily from the repayment of mortgage escrows of $13,709,000.

Net cash used in financing activities of $228,071,000 was primarily comprised of (i) proceeds from borrowings of $347,853,000, (ii) proceeds from the issuance of preferred units of $52,673,000, offset by, (iii) repayments of borrowings of $388,319,000, (iv) dividends paid on common shares of $143,544,000, (v) dividends paid on preferred shares of $26,811,000, and (vi) distributions to minority partners of $79,452,000.

Below are the details of capital expenditures, leasing commissions and development and redevelopment expenditures for the nine months ended September 30, 2001.

(amounts in thousands)	Total	New York City Office	Retail	Merchandise Mart	Other	CESCR (34% interest)
Capital Expenditures:						
Expenditures to maintain the assets:						
Recurring	$ 13,703	$ 8,010	$1,142	$ 2,265	$ 2,286	$ 1,328
Non-recurring	23,029	10,574	--	4,812	7,643	3,911
	36,732	18,584	1,142	7,077	9,929	5,239
Tenant improvements:						
Recurring	22,470	18,331	176	3,874	89	2,085
Non-recurring	4,485	4,485	--	--	--	37
	26,955	22,816	176	3,874	89	2,122
	$ 63,687	$ 41,400	$1,318	$ 10,951	$ 10,018	$ 7,361
Leasing Commissions:						
Recurring	$ 10,978	$ 10,126	$ 442	$ 137	$ 273	$ 899
Non-recurring	8,339	8,339	--	--	--	11
	$ 19,317	$ 18,465	$ 442	$ 137	$ 273	$ 910
Development and Redevelopment:						
Market Square on Main Street	$ 26,227	$ --	$ --	$ 26,227	$ --	$ --
Other (1)	41,925	20,990	3,453	3,390	14,092	11,590
	$ 68,152	$ 20,990	$3,453	$ 29,617	$ 14,092	$ 11,590

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(1) Does not include $75,265 of Fort Lee development costs funded by a

construction loan.

SUPPLEMENTAL INFORMATION

Below is a summary of net income, EBITDA and funds from operations for the three and nine months ended September 30, 2002 and 2001, giving effect to the following transactions as if they had occurred on January 1, 2001: (i) the acquisition of the remaining 66% of CESCR on January 1, 2002 and (ii) the Company's November 21, 2001 sale of 9,775,000 common shares and the use of proceeds to repay indebtedness.

(amounts in thousands, except per share amounts)	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001 (Pro Forma)	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001 (Pro Forma)
Revenues	$ 361,208	$ 344,972	$ 1,060,779	$ 1,024,514
Net income	$ 62,805	$ 82,509	$ 180,919	$ 211,025
Preferred share dividends	(5,695)	(8,904)	(17,722)	(27,769)
Net income applicable to common shares	$ 57,110	$ 73,605	$ 163,197	$ 183,256
Net income per common share - diluted	$ .52	$ .72	$ 1.49	$ 1.83
EBITDA	$ 228,099	$ 242,650	$ 702,726	$ 695,873
Funds from operations(1)	$ 101,820	$ 119,927	$ 318,393	$ 317,845
Shares used for determining funds from operations per share	112,858	109,767	112,536	108,063

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(1) See page 51 for further details on funds from operations.

Below are the details of the changes by segment in EBITDA for the three months ended September 30, 2002 from the three months ended June 30, 2002.

(amounts in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other
Three months ended June 30, 2002	$235,599	$ 144,932	$ 27,030	$ 31,469	$ 16,645	$15,523
2002 Operations:						
Same store operations(1)	(14,796)	(1,567)	(935)	(6,417)(2)	(2,328)(3)	(3,549)(4)
Non-recurring income and expenses	7,296	(500)	600	(1,991)(5)	--	9,187(6)
Three months ended September 30, 2002	$228,099	$ 142,865	$ 26,695	$ 23,061	$ 14,317	$21,161
% increase (decrease) in same store operations	(6.3%)	(1.1%)	(3.5%)	(20.4%)(2)	(14.0%)(3)	(22.9%)(4)

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(1) Represents operations which were owned for the same period in each year and excludes non-recurring income and expenses.

(2) In addition to the normal level of trade show activity in each quarter, the second quarter includes the results of two major trade shows, the June NeoCon Show and the April Highpoint Furniture Show. As a result, same store operations are $6,738 less in the quarter ended September 30, 2002, compared to the quarter ended June 30, 2002. This decline is partially offset by a 2.0% same store increase in other operations in the third quarter.

(3) The tenant has advised the Landlord that (i) its revenue for the quarter ended September 30, 2002 from the warehouses it leases from the Landlord, was higher than last quarter by 3.7%, and (ii) its gross profit before rent at these warehouses decreased by $1,623 (4.3%). The increase in revenue is primarily attributable to higher occupancy rates, offset by a reduction in customer inventory turns. The decrease in gross profit is primarily attributable to higher insurance, workers' compensation and other costs. In addition, the tenant's cash requirements for capital expenditures, debt service and a non-recurring pension funding were $3,728 higher in the current quarter than in the prior quarter, which impacted the ability of the tenant to pay rent.

(4) Same store decrease is primarily due to (i) a $4,066 decrease in interest and investment income resulting from lower average investments during the quarter and lower yields, (ii) a $1,415 increase in legal and professional fees in the current quarter, partially offset by (iii) $2,219 of Alexander's development and commitment fees earned in the current quarter.

(5) Represents non-recurring expenses in the current quarter including (i) a charge of $954 in connection with the termination of a contract and (ii) a charge of $312 related to a utility tax settlement.

(6) Reflects net non-recurring charges in the three months ended June 30, 2002, which include the loss on foreclosure of Primestone partially offset by the net gain on sales of marketable securities, in excess of net non-recurring income in the three months ended September 30, 2002, which include gains on transfer of mortgages and sale of air rights.

LEASING ACTIVITY

The following table sets forth certain information for the properties the Company owns directly or indirectly, including leasing activity:

(square feet and cubic feet in thousands)

	Office			Merchandise Mart		
As of September 30, 2002:	New York City	CESCR	Retail	Office	Showroom	Temperature Controlled Logistics
Square feet..............................	14,373	13,396	11,827	2,815	5,515	17,509
Cubic feet...............................	--	--	--	--	--	441,500
Number of properties.....................	22	51	55	9	9	88
Occupancy rate...........................	95.5%	93.3%	87.4%(3)	91.1%	95.6%	83.3%
Leasing Activity:						
Quarter ended September 30, 2002:						
Square feet......................	152(2)	797	207	39	317	--
Initial rent(1)..................	$39.71	$30.40	$10.03	$28.35	$17.97	--
Rent per square foot on relet space:						
Square feet....................	112	693	207	39	317	--
Initial rent (1)................	$40.29	$30.46	$10.03	$28.35	$17.97	--
Prior escalated rent............	$31.24	$29.10	$8.00	$26.57	$17.87	--
Percentage increase(decrease)...	29.0%	4.7%	25.4%	6.7%	0.5%	--
Rent per square foot on space previously vacant:						
Square feet....................	40	104	--	--	--	--
Initial rent (1)................	$38.07	$30.03	--	--	--	--
Nine Months Ended September 30, 2002:						
Square feet......................	441(2)	1,710	1,222	124	733	--
Initial rent(1)..................	$45.03	$31.28	$8.29	$24.85	$18.90	--
Rent per square foot on relet space:						
Square feet....................	333	1,606	715	124	733	--
Initial Rent(1)................	$44.25	$31.36	$11.78	$24.85	$18.90	--
Prior escalated rent...........	$33.37	$29.89	$9.19	$23.68	$18.63	--
Percentage increase............	32.6%	4.9%	28.2%	4.9%	1.5%	--
Rent per square foot on space previously vacant:						
Square feet....................	108	104	507(4)	--	--	--
Initial rent (1)................	$47.43	$30.03	$3.36	--	--	--
As of June 30, 2002:						
Square feet..............................	14,325	13,008	11,301	2,831	5,497	17,509
Cubic feet...............................	--	--	--	--	--	441,500
Number of properties.....................	22	51	55	9	9	88
Occupancy rate...........................	96.1%	94.7%	88.5%	89.8%	94.9%	78.6%
As of December 31, 2001:						
Square feet..............................	14,300	4,386	11,301	2,840	5,532	17,695
Cubic feet...............................	--	--	--	--	--	445,200
Number of properties.....................	22	51	55	9	9	89
Occupancy rate...........................	97.4%	94.7%	92.0%	90.9%	95.5%	80.7%
As of September 30, 2001:						
Square feet..............................	14,246	4,249	11,301	2,869	5,044	17,695
Cubic feet...............................	--	--	--	--	--	445,200
Number of properties.....................	21	50	55	9	9	89
Occupancy rate...........................	97.0%	96.9%	91.0%	92.2%	96.8%	82.0%

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(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.

(2) In addition to the above, 63 square feet of retail space included in the NYC office properties, was leased at an initial rent of $140.85 per square foot for the nine months ended September 31, 2002. Of this amount, 43 square feet at $139.14 per square foot is from the Hennes & Mauritz lease at 435 Seventh Avenue which commenced upon completion of development on August 22, 2002.

(3) Reflects K-Mart's rejection of its lease at the Company's Green Acres location (131 square feet at $13.64 per square foot) on June 29, 2002 and the expiration of the Stop & Shop guarantee of the former Bradlees lease at the Company's Chicopee location (92 square feet at $4.71 per square foot) on August 31, 2002. The Company's other five K-Mart leases have not been accepted or rejected to date. Of the remaining 15 locations which Bradlees leased from the Company, (i) Stop & Shop pays rent on seven locations, of which the guarantees for five of these locations which represent 487 square feet at an average rent of $6.59 per square foot expire on November 30, 2002, (ii) three have been assigned, and (iii) five other locations aggregating 466 square feet have been released at $9.86 per square foot, a 36.9% increase over the prior escalated rents.

(4) Ground leases.

SENIOR UNSECURED DEBT COVENANT COMPLIANCE RATIOS

The following ratios as of and for the three months ended September 30, 2002, are computed pursuant to the covenants and definitions of the Company's senior unsecured notes due 2007.

	Actual	Required
Total Outstanding Debt/Total Assets	45%	Less than 60%
Secured Debt/Total Assets	41%	Less than 55%
Interest coverage (Annualized Combined EBITDA to Annualized Interest Expense)	3.02	Greater than 1.50
Unencumbered Assets/ Unsecured Debt	587%	Greater than 150%

The covenants and definitions of the Company's senior unsecured notes due 2007 are described in Exhibit 4.2 to the quarterly report on Form 10-Q.

FUNDS FROM OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

Funds from operations was $101,820,000 in the three months ended September 30, 2002, compared to $104,607,000 in the prior year's quarter, a decrease of $2,787,000. Funds from operations include net nonrecurring charges of $4,601,000(1) in the three months ended September 30, 2002 and net nonrecurring income of $6,495,000(1) in the three months ended September 30, 2001. Funds from operations before these items and after minority interest was $105,578,000 in the three months ended September 30, 2002, compared to $98,870,000 in the prior year's quarter, a $6,708,000 increase over the prior year, or a 5.1% decrease on a per share basis.

Funds from operations was $318,393,000 in the nine months ended September 30, 2002, compared to $270,445,000 in the prior year's nine months, an increase of $47,948,000. Funds from operations includes net nonrecurring charges totaling $21,801,000(1) and $16,789,000(1) in the nine months ended September 30, 2002 and 2001. Funds from operations before these items and after minority interest was $335,715,000 in the nine months ended September 30, 2002, compared to $285,141,000 in the prior year's nine months, a $50,574,000 increase over the prior year, or a 2.8% increase on a per share basis.

The following table reconciles funds from operations and net income:

(amounts in thousands)	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2002	2001	2002	2001
Net income applicable to common shares	$ 57,110	$ 67,876	$ 163,197	$ 171,632
Cumulative effect of a change in accounting principle	--	--	30,129	4,110
Extraordinary item	--	--	--	(1,170)
Depreciation and amortization of real property	49,262	28,342	142,741	88,423
Straight-lining of property rentals for rent escalations	(7,560)	(7,952)	(25,101)	(21,026)
Leasing fees received in excess of income recognized	413	(124)	1,163	(372)
Appreciation of securities held in officer's deferred compensation trust	--	607	--	1,276
Net gain on sale of real estate and partially-owned entities	--	--	--	(12,445)
Net gain from condemnation proceedings	--	--	--	(3,050)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:				
Depreciation and amortization of real property	12,140	16,612	37,924	48,219
Net gains on sale of real estate	(3,431)	--	(3,431)	(6,298)
Other	2,344	(540)	2,550	(1,290)
Minority interest in excess of preferential distributions	(9,902)	(4,869)	(35,751)	(12,585)
	100,376	99,952	313,421	255,424
Series A preferred shares	1,444	4,655	4,972	15,021
Funds from operations--diluted (2)	$ 101,820	$ 104,607	$ 318,393	$ 270,445

The number of shares that should be used for determining funds from operations per share is as follows:

(amounts in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Weighted average shares used for determining diluted income per share	110,349	92,059	109,322	90,355
Series A preferred shares	2,509	7,933	3,214	7,933
Shares used for determining diluted funds from operations per share (2)	112,858	99,992	112,536	98,288

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

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(1) Net Nonrecurring items which are included in funds from operations above are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Gains on sale of air rights	$ 2,126	$ --	$ 2,126	$ --
Gains on transfer of mortgages	2,096	--	2,096	--
Primestone litigation expenses	(2,229)	--	(2,229)	--
Amortization of Officer's deferred compensation	(6,875)	--	(20,625)	--
Gain on sale of residential condominium units	281	13,869	2,156	13,869
Write-off of net investment in Russian Tea Room	--	(7,374)	--	(7,374)
Gains on sale of marketable securities	--	--	12,346	--
Loss on Primestone foreclosure	--	--	(17,671)	--
Write-off of investments in technology companies	--	--	--	(18,284)
Costs of acquisitions not consummated	--	--	--	(5,000)
	$ (4,601)	$ 6,495	$ (21,801)	$ (16,789)

(2) Assuming all of the convertible units of the Operating Partnership were converted to shares, the minority interest in partnership earnings would not be deducted in calculating funds from operations and the shares used in calculating funds from operations per share would be increased to reflect the conversion. Funds from operations per share would not change. The following table reconciles funds from operations as shown above, to the Operating Partnership's funds from operations for the three months and nine months ended September 30, 2002 and 2001:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Funds from operations, as above	$ 101,820	$ 104,607	$ 318,393	$ 270,445
Addback of minority interest reflected as equity in the Operating Partnership	26,258	13,831	82,326	38,519
Operating Partnership funds from operations	$ 128,078	$ 118,438	$ 400,719	$ 308,964

The number of shares that should be used for determining Operating Partnership funds from operations per share is as follows:

Shares used for determining diluted funds from operations per share, as above	112,858	99,992	112,536	98,288
Convertible units:				
Non-Vornado owned Class A units	21,401	5,453	21,330	6,231
B-1 units	822	822	822	822
B-2 units	411	411	411	411
C-1 units	855	855	855	855
E-1 units	5,680	5,680	5,680	5,680

Shares used for determining Operating Partnership diluted funds from operations per share.....	142,027	113,213	141,634	112,287
	==========	========	========	========

CASH FLOWS

Below are the cash flows provided by (used in) operating, investing and financing activities:

(amounts in thousands)	For the Nine Months Ended September 30, 2002	2001
Operating activities.................	$ 347,501	$ 261,235
Investing activities.................	$ 55,674	$ 17,725
Financing activities.................	$ (354,396)	$ (228,071)

EMPLOYEE STOCK OPTIONS

On August 7, 2002, the Company announced that beginning January 1, 2003, it will expense the cost of employee stock options in accordance with the Statement of Financial Accounting Standard ("SFAS") No. 123, ACCOUNTING FOR STOCK BASED COMPENSATION. On October 4, 2002, the FASB issued an exposure draft proposing to amend the transition and disclosure provisions of SFAS No. 123. Specifically, SFAS No. 123, as amended, would permit two additional transition methods for entities that adopt the fair value method of accounting for stock based employee compensation. Both of these methods avoid the ramp-up effect on earnings arising from the prospective application of the fair value method. The Company is currently in the process of evaluating each of the transition methods and the impact to the Company's financial position and results of operations.

FINANCINGS

The Company anticipates that cash from continuing operations will be adequate to fund business operations and the payment of dividends and distributions on an on-going basis for more than the next twelve months; however, capital outlays for significant acquisitions would require funding from borrowings or equity offerings.

On June 24, 2002, the Company completed an offering of $500,000,000 aggregate principal amount of 5.625% senior unsecured notes due June 15, 2007. Interest on the notes is payable semi-annually on June 15th and December 15th, commencing December 15, 2002. The notes were priced at 99.856% of their face amount to yield 5.659%. Of the net proceeds of approximately $496,300,000, (i) $70,000,000 was used to repay the mortgage payable on 350 North Orleans prior to June 30, 2002, and (ii) $393,000,000 was used to repay the mortgages on Two Park Avenue, the Merchandise Mart and a portion of Seven Skyline in July and August 2002. On June 27, 2002, the Company entered into interest rate swaps that effectively converted the interest rate on the $500,000,000 senior unsecured notes due 2007 from a fixed rate of 5.625% to a floating rate of LIBOR plus ..7725%, based upon the trailing 3 month LIBOR rate (2.53% if set on October 28, 2002).

COMMITMENTS

In conjunction with the closing of Alexander's Lexington Avenue construction loan on July 3, 2002, the Company agreed to guarantee, among other things, the lien free, timely completion of the construction of the project and funding of all project costs in excess of a stated budget, as defined in the loan agreement, if not funded by Alexander's.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company's exposure to a change in interest rates on its wholly-owned and partially-owned debt (all of which arises out of non-trading activity) is as follows:

(amounts in thousands except per share amounts)	September 30, 2002			December 31, 2001	
	Balance	Weighted Average Interest Rate	Effect of 1% Change In Base Rates	Balance	Weighted Average Interest Rate
Wholly-owned debt:					
Variable rate...........	$ 1,324,471(1)	3.19%	$ 11,708(2)	$ 1,182,605	3.39%
Fixed rate.............	2,750,044	7.13%	--	1,294,568	7.53%
	$ 4,074,515		11,708	$ 2,477,173	
Partially-owned debt:					
Variable rate...........	$ 43,841	7.12%	438(3)	$ 85,516	5.63%
Fixed rate.............	932,010	8.57%	--	1,234,019	8.29%
	$ 975,851		438	$ 1,319,535	
Minority interest.............			(2,551)		
Total decrease in the Company's annual net income...................			$ 9,595		
Per share-diluted.........			$ .09		

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(1) Includes the Company's $499,319 senior unsecured notes due 2007, as the Company entered into interest rate swap agreements that effectively converted the interest rate from a fixed rate of 5.625% to a floating rate of LIBOR plus .7725%, based upon the trailing 3 month LIBOR rate (2.53% if set on October 28, 2002).

(2) The effect of a 1% change in wholly-owned debt base rates shown above excludes $153,659 of variable rate mortgage financing, cross-collateralized by the Company's 770 Broadway and 595 Madison Avenue office properties as the proceeds are held in a restricted mortgage escrow account which bear interest at the same rate as the loans.

(3) The effect of a 1% change in partially-owned debt base rates shown above is calculated after including $37,341, representing the Company's 14.9% share of Prime Group Realty L.P.'s ("PGE") outstanding variable rate debt as at June 30, 2002. PGE has not filed its quarterly report on Form 10-Q for the quarter ended September 30, 2002, prior to the filing of this quarterly report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of Vornado Realty Trust's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is from time to time involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

As a result of the Company's April 30, 2002 foreclosure on the partnership units of Prime Group Realty L.P., the Company's litigation against Primestone discussed in the quarterly report on Form 10-Q for the quarter ended March 31, 2002, has been dismissed pursuant to the parties' stipulation on May 28, 2002.

As previously disclosed, on February 13, 2002, Primestone counterclaimed against the Company, alleging, among other things, that the Company tortiously interfered with a prospective contract with Cadim inc., and on March 4, 2002, the Company filed an answer denying the essential allegations of the counterclaim. On May 20, 2002, the Company served a motion for summary judgment asking the Court to enter judgment in its favor on its claims against Primestone and to dismiss Primestone's counterclaims. On July 31, 2002, Primestone moved for leave to amend its counterclaim, primarily to assert that Vornado's April 30, 2002 foreclosure on the collateral pledged by Primestone did not comply with the Uniform Commercial Code. This litigation is continuing. See "Item 3. Legal Proceedings" of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 for more information about this litigation.

Primestone and several affiliates commenced an action against the Company on May 3, 2002 in New York Supreme Court, alleging substantially the same causes of action as in Primestone's February 13, 2002 counterclaim. In the May 3, 2002 action, Primestone also alleges that Vornado's foreclosure on the collateral pledged by Primestone did not comply with the Uniform Commercial Code. On June 10, 2002, Vornado moved to dismiss this action. This litigation is continuing.

On May 9, 2002, five affiliates of Primestone asserted counterclaims in an action which the Company had commenced against them on March 28, 2002 in New York Supreme Court. The counterclaims are virtually identical to the claims asserted in the May 3, 2002 action. On May 29, 2002, Vornado filed an answer denying the essential allegations of this counterclaim. This litigation is continuing.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2002, the Company issued 2,676 common shares upon the redemption of Class A units of the Operating Partnership held by persons who received units in private placements in earlier periods in exchange for their interests in limited partnerships that owned real estate. The common shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) of that Act.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

(b) Reports on Form 8-K:
During the quarter ended September 30, 2002, the Company filed the following reports on Form 8-K:

Period Covered: (Date of Earliest Event Reported)	Items Reported	Date Filed
August 20, 2002	Joseph Hakim, Executive Vice President, COO retires	August 22, 2002

SIGNATURES

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

VORNADO REALTY TRUST
(Registrant)

Date: October 31, 2002

By: /s/ JOSEPH MACNOW
Joseph Macnow, Executive Vice President - Finance and Administration and Chief Financial Officer

CERTIFICATION

I, Steven Roth, Chief Executive officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

October 31, 2002

/s/ Steven Roth

Steven Roth
Chief Executive Officer

CERTIFICATION

I, Joseph Macnow, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vornado Realty Trust;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

October 31, 2002

/s/ Joseph Macnow

Joseph Macnow,
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NO.			
3.1	--	Amended and Restated Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 16, 1993 - Incorporated by reference to Exhibit 3(a) of Vornado's Registration Statement on Form S-4 (File No. 33-60286), filed on April 15, 1993..........	*
3.2	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on May 23, 1996 - Incorporated by reference to Exhibit 3.2 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 11, 2002..........	*
3.3	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 3, 1997 - Incorporated by reference to Exhibit 3.3 of Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-11954), filed on March 11, 2002..........	*
3.4	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on October 14, 1997 - Incorporated by reference to Exhibit 3.2 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..........	*
3.5	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 22, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated April 22, 1998 (File No. 001-11954), filed on April 28, 1998..........	*
3.6	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on November 24, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..........	*
3.7	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on April 20, 2000 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-36080), filed on May 2, 2000..........	*
3.8	--	Articles of Amendment of Declaration of Trust of Vornado, as filed with the State Department of Assessments and Taxation of Maryland on September 14, 2000 - Incorporated by reference to Exhibit 4.6 of Vornado's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001..........	*
3.9	--	Articles of Amendment of Declaration of Trust of Vornado dated May 31, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 - incorporated by reference to Exhibit 3.9 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954)..........	*
3.10	--	Articles of Amendment of Declaration of Trust of Vornado dated June 6, 2002, as filed with the Department of Assessments and Taxation of the State of Maryland on June 13, 2002 - incorporated by reference to Exhibit 3.10 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954)..........	*
3.11	--	Articles Supplementary Classifying Vornado's $3.25 Series A Preferred Shares of Beneficial Interest, liquidation preference $50.00 per share - Incorporated by reference to Exhibit 4.1 of Vornado's Current Report on Form 8-K, dated April 3, 1997 (File No. 001-11954), filed on April 8, 1997..........	*

EXHIBIT NO.			
3.12	--	Articles Supplementary Classifying Vornado's $3.25 Series A Convertible Preferred Shares of Beneficial Interest, as with the State Department of Assessments and Taxation of Maryland on December 15, 1997 - Incorporated by reference to Exhibit 3.10 to Vornado's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-11954), filed on March 31, 2002...	*
3.13	--	Articles Supplementary Classifying Vornado's Series D-1 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value (the "Series D-1 Preferred Shares") - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998...	*
3.14	--	Articles Supplementary Classifying Additional Series D-1 8.5% Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999..	*
3.15	--	Articles Supplementary Classifying 8.5% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..	*
3.16	--	Articles Supplementary Classifying Vornado's Series C 8.5% Cumulative Redeemable Preferred Shares of Beneficial Interest, liquidation preference $25.00 per share, no par value - Incorporated by reference to Exhibit 3.7 of Vornado's Registration Statement on Form 8-A (File No. 001-11954), filed on May 19, 1999..	*
3.17	--	Articles Supplementary Classifying Vornado Realty Trust's Series D-2 8.375% Cumulative Redeemable Preferred Shares, dated as of May 27, 1999, as filed with the State Department of Assessments and Taxation of Maryland on May 27, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999...	*
3.18	--	Articles Supplementary Classifying Vornado's Series D-3 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..	*
3.19	--	Articles Supplementary Classifying Vornado's Series D-4 8.25% Cumulative Redeemable Preferred Shares, dated September 3, 1999, as filed with the State Department of Assessments and Taxation of Maryland on September 3, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999..	*
3.20	--	Articles Supplementary Classifying Vornado's Series D-5 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999.......................	*
3.21	--	Articles Supplementary Classifying Vornado`s Series D-6 8.25% Cumulative Redeemable Preferred Shares, dated May 1, 2000, as filed with the State Department of Assessments and Taxation of Maryland on May 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed May 19, 2000........................	*

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* Incorporated by reference

EXHIBIT NO.			
3.22	--	Articles Supplementary Classifying Vornado's Series D-7 8.25% Cumulative Redeemable Preferred Shares, dated May 25, 2000, as filed with the State Department of Assessments and Taxation of Maryland on June 1, 2000 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000............	*
3.23	--	Articles Supplementary Classifying Vornado's Series D-8 8.25% Cumulative Redeemable Preferred Shares - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000........................	*
3.24	--	Articles Supplementary Classifying Vornado's Series D-9 8.75% Preferred Shares, dated September 21, 2001, as filed with the State Department of Assessments and Taxation of Maryland on September 25, 2001 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001......................................	*
3.25	--	Amended and Restated Bylaws of Vornado, as amended on March 2, 2000 - Incorporated by reference to Exhibit 3.12 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-11954), filed on March 9, 2000...	*
3.26	--	Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of October 20, 1997 (the "Partnership Agreement") - Incorporated by reference to Exhibit 3.4 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 31, 1998...	*
3.27	--	Amendment to the Partnership Agreement, dated as of December 16, 1997-Incorporated by reference to Exhibit 3.5 of Vornado's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 001-11954) filed on March 31, 1998...	*
3.28	--	Second Amendment to the Partnership Agreement, dated as of April 1, 1998 - Incorporated by reference to Exhibit 3.5 of Vornado's Registration Statement on Form S-3 (File No. 333-50095), filed on April 14, 1998...	*
3.29	--	Third Amendment to the Partnership Agreement, dated as of November 12, 1998 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 12, 1998 (File No. 001-11954), filed on November 30, 1998...	*
3.30	--	Fourth Amendment to the Partnership Agreement, dated as of November 30, 1998 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated December 1, 1998 (File No. 001-11954), filed on February 9, 1999...	*
3.31	--	Exhibit A to the Partnership Agreement, dated as of December 22, 1998 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K/A, dated November 12, 1998 (File No. 001-11954), filed on February 9, 1999...	*
3.32	--	Fifth Amendment to the Partnership Agreement, dated as of March 3, 1999 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999..	*
3.33	--	Exhibit A to the Partnership Agreement, dated as of March 11, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated March 3, 1999 (File No. 001-11954), filed on March 17, 1999...	*

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* Incorporated by reference

EXHIBIT NO.			
3.34	--	Sixth Amendment to the Partnership Agreement, dated as of March 17, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.35	--	Seventh Amendment to the Partnership Agreement, dated as of May 20, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.36	--	Eighth Amendment to the Partnership Agreement, dated as of May 27, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated May 27, 1999 (File No. 001-11954), filed on July 7, 1999	*
3.37	--	Ninth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.3 of Vornado's Current Report on Form 8-K (File No. 001-11954), filed on October 25, 1999	*
3.38	--	Tenth Amendment to the Partnership Agreement, dated as of September 3, 1999 - Incorporated by reference to Exhibit 3.4 of Vornado's Current Report on Form 8-K, dated September 3, 1999 (File No. 001-11954), filed on October 25, 1999	*
3.39	--	Eleventh Amendment to the Partnership Agreement, dated as of November 24, 1999 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated November 24, 1999 (File No. 001-11954), filed on December 23, 1999	*
3.40	--	Twelfth Amendment to the Partnership Agreement, dated as of May 1, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 1, 2000 (File No. 001-11954), filed on May 19, 2000	*
3.41	--	Thirteenth Amendment to the Partnership Agreement, dated as of May 25, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated May 25, 2000 (File No. 001-11954), filed on June 16, 2000	*
3.42	--	Fourteenth Amendment to the Partnership Agreement, dated as of December 8, 2000 - Incorporated by reference to Exhibit 3.2 of Vornado's Current Report on Form 8-K, dated December 8, 2000 (File No. 001-11954), filed on December 28, 2000	*
3.43	--	Fifteenth Amendment to the Partnership Agreement, dated as of December 15, 2000 - Incorporated by reference to Exhibit 4.35 of Vornado Realty Trust's Registration Statement on Form S-8 (File No. 333-68462), filed on August 27, 2001	*
3.44	--	Sixteenth Amendment to the Partnership Agreement, dated as of July 25, 2001 - Incorporated by reference to Exhibit 3.3 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.45	--	Seventeenth Amendment to the Partnership Agreement, dated as of September 21, 2001 - Incorporated by reference to Exhibit 3.4 of Vornado Realty Trust's Current Report on Form 8-K (File No. 001-11954), filed on October 12, 2001	*
3.46	--	Eighteenth Amendment to the Partnership Agreement, dated as of January 1, 2002 - Incorporated by reference to Exhibit 3.1 of Vornado's Current Report on Form 8-K (File No. 1-11954), filed on March 18, 2002	*
3.47	--	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)	*

* Incorporated by reference

EXHIBIT NO.			
4.1	--	Indenture, dated as of June 24, 2002, between Vornado Realty L.P. and The Bank of New York, as Trustee - Incorporated by reference to Exhibit 4.1 to Vornado Realty L.P.'s Current Report on Form 8-K dated June 19, 2002 (File No. 000-22685), filed on June 24, 2002......................	*
4.2	--	Officer's Certificate pursuant to Sections 102 and 301 of the Indenture, dated June 24, 2002 - Incorporated by reference to Exhibit 4.2 to Vornado Realty Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-11954)	*
10.1	--	Amended and Restated Credit Agreement dated July 3, 2002, between 59th Street Corporation and Vornado Lending L.L.C. (evidencing $40,000,000 of debt) - Incorporated by reference to Exhibit 10(i)(B)(1) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
10.2	--	Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. (evidencing a $20,000,000 loan) - Incorporated by reference to Exhibit 10(i)(B)(2) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
10.3	--	Amended and Restated Credit Agreement, dated July 3, 2002, between Alexander's Inc. and Vornado Lending L.L.C. (evidencing a $50,000,000 line of credit facility) - Incorporated by reference to Exhibit 10(i)(B)(3) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
10.4	--	Credit Agreement, dated July 3, 2002, between Alexander's and Vornado Lending L.L.C. (evidencing a $35,000,000 loan) - Incorporated by reference to Exhibit 10(i)(B)(4) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002..	*
10.5	--	Guaranty of Completion, dated as of July 3, 2002, executed by Vornado Realty L.P. for the benefit of Bayerische Hypo- and Vereinsbank AG, New York Branch, as Agent for the Lenders - Incorporated by reference to Exhibit 10(i)(C)(5) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002..................	*
10.6	--	Reimbursement Agreement, dated as of July 3, 2002, by and between Alexander's, Inc., 731 Commercial LLC, 731 Residential LLC and Vornado Realty L.P. - Incorporated by reference to Exhibit 10(i)(C)(8) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
10.7	--	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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
10.8	--	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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*

EXHIBIT NO.			
10.9	--	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) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002..................	*
10.10	--	59th Street Management and Development Agreement, dated as of July 3, 2002, by and between 731 Commercial LLC and Vornado Management Corp. - Incorporated by reference to Exhibit 10(i)(F)(2) of Alexander's Inc.'s quarterly report for the period ended June 30, 2002 (File No. 001-06064), filed on August 7, 2002...	*
15.1	--	Letter regarding Unaudited Interim Financial Information	

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* Incorporated by reference

Exhibit 15.1

October 30, 2002

Vornado Realty Trust
New York, New York

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Vornado Realty Trust for the periods ended September 30, 2002 and 2001, as indicated in our report dated October 30, 2002; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated by reference in:

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

and in Vornado Realty Trust and Vornado Realty L.P (Joint Registration Statements):

Amendment No. 4 to Registration Statement No. 333-40787 on Form S-3
Amendment No. 4 to Registration Statement No. 333-29013 on Form S-3

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

DELOITTE & TOUCHE LLP
Parsippany, New Jersey