

Vornado Announces Third Quarter 2008 Financial Results

Company Release - 11/4/2008

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

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

Third Quarter 2008 Financial Results

NET INCOME applicable to common shares for the quarter ended September 30, 2008 was \$31.4 million, or \$0.20 per diluted share, versus \$116.5 million, or \$0.74 per diluted share, for the quarter ended September 30, 2007. Net income for the quarters ended September 30, 2008 and 2007 include \$1.3 million and \$31.9 million, respectively, for our share of net gains on sale of real estate. Net income for the quarters ended September 30, 2008 and 2007 also include certain items that affect comparability which are listed in the table below. The aggregate of these items and net gains on sale of real estate, net of minority interest, decreased net income applicable to common shares by \$31.2 million, or \$0.20 per diluted share for the quarter ended September 30, 2008 and increased net income applicable to common shares by \$54.5 million, or \$0.33 per diluted share for the quarter ended September 30, 2007.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions ("FFO") for the quarter ended September 30, 2008 was \$173.8 million, or \$1.06 per diluted share, compared to \$221.2 million, or \$1.35 per diluted share, for the quarter ended September 30, 2007. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended September 30, 2008 and 2007 were \$207.3 million and \$193.0 million, or \$1.26 and \$1.18 per diluted share, respectively.

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

2008	2007

FFO applicable to common shares plus assumed conversions (1)	\$173,7872	\$221,199
Per Share	\$ 1.069	\$ 1.35
Items that affect comparability (income) expense:		
Alexander's stock appreciation rights compensation expense (income)	\$ 14,557	\$(3,075)
Marketable equity securities - impairment losses	11,808	--
Lexington MLP - impairment loss	7,175	--
Land held for development - impairment loss	5,000	--
Derivative positions in marketable equity securities	3,982	(18,606)
After-tax net gain on sale of residential condominiums	(3,570)	--
Other, net	(2,151)	(2,029)
	36,801	(23,710)
Americold - sold in March 2008	--	(5,673)
GMH - sold in June 2008	--	(1,685)
	36,801	(31,068)
Minority limited partners' share of above adjustments	(3,259)	2,853
	\$ 33,542	\$(28,215)
Per share	\$ 0.20	\$(0.17)
FFO as adjusted for comparability	\$ 207,329	\$192,984
Per share	\$ 1.26	\$ 1.18

(1) See page 4 for a reconciliation of net income to FFO for the quarters ended September 30, 2008 and 2007.

Nine Months Ended September 30, 2008 Financial Results

NET INCOME applicable to common shares for the nine months ended September 30, 2008 was \$554.7 million, or \$3.48 per diluted share, versus \$420.8 million, or \$2.65 per diluted share, for the nine months ended September 30,

2007. Net income for the nine months ended September 30, 2008 and 2007 include \$65.9 million and \$32.4 million, respectively, for our share of net gains on sale of real estate. Net income for the nine months ended September 30, 2008 and 2007 also include certain items that affect comparability which are listed in the table below. The aggregate of these items and net gains on sale of real estate, net of minority interest, increased net income applicable to common shares by \$275.6 million, or \$1.68 per diluted share, and \$114.2 million, or \$0.70 per diluted share, for the nine months ended September 30, 2008 and 2007, respectively.

FFO for the nine months ended September 30, 2008 was \$917.3 million, or \$5.60 per diluted share, compared to \$773.5 million, or \$4.71 per diluted share, for the nine months ended September 30, 2007. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the nine months ended September 30, 2008 and 2007 were \$695.2 million and \$670.6 million, or \$4.24 and \$4.08 per diluted share, respectively.

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

	----- 2008	2007 -----	
FFO applicable to common shares plus assumed conversions (1)	\$ 917,258	\$ 773,457	
	=====	=====	
Per Share	\$ 5.60	\$ 4.71	
	=====	=====	
Items that affect comparability (income) expense:			
Reversal of deferred income taxes initially recorded in connection with H Street acquisition	\$(222,174)	\$ --	
Net gain on sale of Americold	(112,690)	--	
Write-off of pre-development costs	34,200	--	
Derivative positions in marketable equity securities	25,812	(100,060)	
Marketable equity securities - impairment losses	20,881	--	
Partially owned entities - non-cash purchase price accounting adjustments:			
Toys "R" Us	14,900	--	
Beverly Connection	(4,100)	--	
Reversal of MPH mezzanine loan loss accrual	(10,300)	--	
Alexander's stock appreciation rights compensation expense (income)	7,605	(8,991)	
Lexington MLP - impairment loss	7,175	--	
Land held for development - impairment loss	5,000	--	

After-tax net gain on sale of residential condominiums	(3,570)	--	
Costs of acquisitions not consummated		3,009	8,807
Net gain on disposition of our 13.8% interest in GMH	(2,038)	--	
Prepayment penalties and write-off of unamortized financing costs		--	7,562
Other, net	(1,642)	1,969	
	-----	-----	
	(237,932)	(90,713)	
Americold - sold in March 2008		(6,098)	(17,824)
GMH - sold in June 2008		--	(4,718)
	-----	-----	
	(244,030)	(113,255)	
Minority limited partners' share of above adjustments	21,9417	10,3677	
	-----	-----	
	\$(222,089)	\$(102,888)	
	=====	=====	
Per share	\$ (1.36)	\$ (0.63)	
	=====	=====	
FFO as adjusted for comparability		\$ 695,169	\$ 670,569
	=====	=====	
Per share	\$ 4.24	\$ 4.08	
	=====	=====	

(1) See page 4 for a reconciliation of net income to FFO for the nine months ended September 30, 2008 and 2007.

Supplemental Financial Information

Further details regarding the Company's results of operations, properties and tenants can be accessed at the Company's website www.vno.com. Vornado Realty Trust is a fully - integrated equity real estate investment trust.

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion of factors that could materially affect the outcome of our forward-looking statements and our future results and financial condition, see "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2007. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and

general competitive factors.

(tables to follow)

VORNADO REALTY TRUST
OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2008 AND 2007

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

(Amounts in thousands,
except per share amounts)

	2008	2007	2008	2007
Revenues	\$677,145	\$637,078	\$2,000,792	\$1,753,350
Income from continuing operations	\$ 53,508	\$121,362	\$ 499,617	\$ 497,255
Income from discontinued operations, net of minority interest	102	24,538	154,442	25,162
Income before allocation to limited partners	53,610	145,900	654,059	522,417
Minority limited partners' interest in the Operating Partnership	(3,091)	(10,241)	(42,046)	(44,270)
Perpetual preferred unit distributions of the Operating Partnership	(4,818)	(4,818)	(14,455)	(14,455)
Net income	45,701	130,841	597,558	463,692
Preferred share dividends	(14,271)	(14,295)	(42,820)	(42,886)
Net income applicable to common shares	\$ 31,430	\$116,546	\$ 554,738	\$ 420,806
Net income per common share:				
Basic	\$ 0.20	\$ 0.77	\$ 3.61	\$ 2.77

Diluted	\$ 0.20	\$ 0.74	\$ 3.48	\$ 2.65
	=====	=====	=====	=====

Average number of
common shares and
share equivalents
outstanding:

Basic	154,025	151,990	153,668	151,739
	=====	=====	=====	=====
Diluted	158,688	158,513	163,918	158,745
	=====	=====	=====	=====

FFO applicable to common
shares plus assumed
conversions

	\$173,787	\$221,199	\$ 917,258	\$ 773,457
	=====	=====	=====	=====

FFO per diluted share	\$ 1.06	\$ 1.35	\$ 5.60	\$ 4.71
	=====	=====	=====	=====

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

diluted share	164,324	164,072	163,918	164,213
	=====	=====	=====	=====

The following table reconciles net income to FFO:

	For The Three Months Ended September (Amounts in thousands)		For The Nine Months Ended September	
	2008	2007	2008	2007
Net income	\$ 45,701	\$130,841	\$597,558	\$463,692
Depreciation and amortization of real property	127,975	117,148	380,062	325,324
Net gains on sale of real estate	(112)	(22,942)	(57,523)	(22,942)
Proportionate share of adjustments to equity in net income of Toys to arrive at FFO:				
Depreciation and amortization of real property	17,892	17,949	50,902	68,984

Net gain on sale of real estate	(164)	-	(164)	(493)
Income tax effect of above adjustments	(6,205)	(6,282)	(17,981)	(23,972)
Proportionate share of adjustments to equity in net income of partially-owned entities, excluding Toys, to arrive at FFO:				
Depreciation and amortization of real property	12,524	13,506	35,778	36,091
Net gain on sale of real estate	(1,037)	(8,980)	(8,231)	(8,980)
Minority limited partners' share of above adjustments	(13,816)	(11,070)	(36,232)	(37,570)
	-----	-----	-----	-----
FFO	182,758	230,170	944,169	800,134
Preferred share dividends	(14,271)	(14,295)	(42,820)	(42,886)
	-----	-----	-----	-----
FFO applicable to common shares	168,487	215,875	901,349	757,248
Interest on 3.875% exchangeable senior debentures	5,255	5,256	15,764	15,768
Series A convertible preferred share dividends	45	68	145	441
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FFO applicable to common shares plus assumed conversions	\$173,787	\$221,199	\$917,258	\$773,457
	=====	=====	=====	=====

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income or loss determined in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation,

amortization and gains or losses from sales of real estate, all of which are based on historical cost which implicitly assume that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Consolidated Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity. In addition to FFO, the Company also discloses FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, the Company believes it provides a meaningful presentation of operating performance. A reconciliation of net income to FFO is provided above. In addition, reconciliations of FFO to FFO before certain items that affect comparability are provided on page 1 and 2 of this press release.

Source: Vornado Realty Trust

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