

Vornado Realty Trust Second Quarter 2005 Results

Company Release - 7/29/2005

PARAMUS, N.J.--(BUSINESS WIRE)--July 29, 2005--VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Second Quarter 2005 Results

NET INCOME applicable to common shares for the quarter ended June 30, 2005 was \$172.7 million, or \$1.25 per diluted share, versus \$158.4 million, or \$1.21 per diluted share, for the quarter ended June 30, 2004. Net income for the three months ended June 30, 2005 includes a \$31.6 million net gain on sale of 400 N. LaSalle Residential Tower, as well as certain items that affect comparability which are listed in the table below. Net income for the three months ended June 30, 2004 includes a \$65.9 million net gain on sale of the Palisades Residential Complex in Fort Lee, New Jersey, as well as certain items that affect comparability which are listed in the table below. These items net of minority interest, increased net income by \$72.9 or \$.51 per diluted share for the quarter ended June 30, 2005 and increased net income by \$56.7 million or \$.43 per diluted share in the prior year's quarter.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions (FFO)(1) for the quarter ended June 30, 2005 was \$215.8 million(1), or \$1.51 per diluted share, compared to \$159.7 million(1), or \$1.22 per diluted share, for the prior year's quarter. Adjusting FFO for certain items that affect comparability, second quarter 2005 FFO is 2.4% lower than second quarter 2004 on a per share basis, as detailed below:

FOR THE THREE MONTHS ENDED

(Amounts in thousands, except per share amounts)

Amount Per Share Amount Per Share

FFO as shown above (1)	\$215,802	\$ 1.51	\$159,674	\$ 1.22
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Adjustments:

Income from mark-to-market of Sears Holdings derivative position	(37,860)	--		
Income from mark-to-market of GMH Communities LP warrants	(12,741)	--		
Net gain on sale of Alexander's condominiums	(5,541)	--		
Impairment losses of partially-owned entities	3,520	5,975		
Alexander's stock appreciation rights compensation expense	2,034	2,171		
Net gain on sale of Newkirk MLP option units	--	(7,494)		
Limited partners' share of above adjustments	5,694	(86)		
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FFO, as adjusted for comparability	\$170,908	\$ 1.20	\$160,240	\$ 1.23
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(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the quarters ended June 30, 2005 and 2004.

First Half 2005 Results

Net income applicable to common shares for the six months ended June 30, 2005 was \$360.1 million, or \$2.63 per diluted share, versus \$232.9 million, or \$1.81 per diluted share, for the six months ended June 30, 2004. Net income for the six months ended June 30, 2005 includes a \$31.6 million net gain on sale of 400 N. LaSalle, as well as certain items that affect comparability which are listed in the table below. Net income for the six months ended June 30, 2004 includes (i) a \$65.9 million net gain on sale of the Palisades Residential Complex in Fort Lee, New Jersey, (ii) the Company's \$2.8 million share of net gains on sale of real estate of partially-owned entities, as well as (iii) certain items that affect comparability which are listed in the table below. These items, net of minority interest, increased net income by \$153.7 million, or \$1.11 per diluted share in the six months ended June 30, 2005 and increased net income by \$45.9 million, or \$.36 per diluted share in the six months ended June 30, 2004.

FFO(1) for the six months ended June 30, 2005 was \$465.0 million, or \$3.35 per diluted share, compared to \$288.6 million, or \$2.24 per diluted share, for the prior year's six months. Adjusting FFO for certain items that affect comparability, first half 2005 FFO is 4.3% higher than first half 2004 on a per share basis, as detailed below:

FOR THE SIX MONTHS ENDED

(Amounts in thousands, except per share amounts) June 30, 2005 June 30, 2004

	Amount	Per Share	Amount	Per Share
FFO as shown above	\$465,011	\$ 3.35	\$288,649	\$ 2.24
Adjustments:				
Net gain on conversion of Sears common shares and derivative position to Sears Holdings common shares and derivative position	(86,094)	--		
Income from mark-to-market of Sears Holdings derivative position	(45,759)	--		
Net gain on sale of Alexander's condominiums	(26,174)	--		
Income from mark-to-market of GMH Communities LP warrants	(2,563)	--		
Net gain on sales of land parcels and condominiums	(1,469)	(776)		
Alexander's stock appreciation rights compensation expense	9,467	12,084		
Write-off of perpetual preferred share and unit issuance costs	6,052	3,895		
Impairment losses of partially-owned entities	4,016	5,975		
Loss on early extinguishment of debt of a partially-owned entity	--	1,434		
Net gain on sale of Newkirk MLP option units	--	(7,494)		
Limited partners' share of above adjustments	16,748	(2,176)		
FFO, as adjusted for comparability	\$339,235	\$ 2.44	\$ 301,591	\$ 2.34

(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the six months ended June 30, 2005 and 2004.

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

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

VORNADO REALTY TRUST
 OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED
 JUNE 30, 2005 AND 2004

FOR THE THREE MONTHS FOR THE SIX MONTHS
 ENDED JUNE 30, ENDED JUNE 30,

(Amounts in thousands, except per share amounts)	2005	2004	2005	2004
Revenues	\$ 594,785	\$ 398,996	\$1,193,454	\$791,441
Income from continuing operations	\$ 188,493	\$ 136,907	\$ 433,258	\$250,975
Income from discontinued operations	31,716	67,053	32,506	67,179
Income before allocation to limited partners	220,209	203,960	465,764	318,154
Limited partners' interest in the Operating Partnership	(23,975)	(25,011)	(51,170)	(39,468)
Perpetual preferred unit distributions of the Operating Partnership	(15,152)	(16,948)	(33,693)	(34,246)
Net income	181,082	162,001	380,901	244,440
Preferred stock dividends	(8,385)	(3,565)	(20,771)	(11,547)
Net income applicable to				

common shares	\$ 172,697	\$ 158,436	\$ 360,130	\$232,893
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Net income per common share:

Basic	\$ 1.33	\$ 1.26	\$ 2.79	\$ 1.89
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Diluted	\$ 1.25	\$ 1.21	\$ 2.63	\$ 1.81
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Average number of common shares and share equivalents outstanding:

Basic	130,178	125,468	129,254	123,539
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Diluted	142,813	130,744	139,003	129,087
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FFO applicable to common shares plus assumed conversions

	\$ 215,802	\$ 159,674	\$ 465,011	\$288,649
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FFO per diluted share	\$ 1.51	\$ 1.22	\$ 3.35	\$ 2.24
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Average number of common shares and share equivalents outstanding used for determining funds from operations per diluted share

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The following table reconciles FFO and net income:

(Amounts in thousands, except For The Three Months For The Six Months per share amounts)

Ended June 30, Ended June 30,

Reconciliation of Net Income to

FFO:	2005	2004	2005	2004
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Net income	\$ 181,082	\$ 162,001	\$380,901	\$244,440
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Depreciation and amortization

of real property	68,418	54,492	132,294	108,132
Net gain on sale of real estate	(31,614)	(65,905)	(31,614)	(65,905)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property	6,290	13,442	12,587	26,546
Net gain on sale of real estate	(79)	(862)	(214)	(2,779)
Limited partners' share of above adjustments	(5,244)	(196)	(14,245)	(10,782)
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FFO	218,853	162,972	479,709	299,652
Preferred share dividends	(8,385)	(3,565)	(20,771)	(11,547)
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FFO applicable to common shares	210,468	159,407	458,938	288,105
Interest on 3.875% exchangeable senior debentures	5,094	--	5,578	--
Series A convertible preferred share dividends	240	267	495	544
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FFO applicable to common shares plus assumed conversions	\$ 215,802	\$ 159,674	\$465,011	\$288,649
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(1) 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 GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of

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

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SOURCE: Vornado Realty Trust