UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
May 5, 2003

VORNADO REALTY TRUST

(Exact Name of Registrant as Specified in Charter)

Maryland

(State or Other Jurisdiction of Incorporation)

No. 001-11954

(Commission File Number)

No. 22-1657560

(IRS Employer Identification No.)

888 Seventh Avenue
New York, New York

(Address of Principal Executive offices)

10019

(Zip Code)

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

N/A

(Former name or former address, if changed since last report)

Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements.

None

(b) Pro Forma Financial Information.

None

(c) Exhibits.

The following exhibit is furnished as part of this report:

Exhibit Number	Description
99.1	Chairman's Letter to the Shareholders from Vornado Realty Trust's 2002 Annual Report to Shareholders
99.2	Excerpts from Vornado Realty Trust's 2002 Annual Report to Shareholders
99.3	Excerpt from Exhibit 99.1 to Vornado Realty Trust's Current Report on Form 8-K, dated April 23, 2003, filed on April 24, 2003

Item 9. REGULATION FD DISCLOSURE

In accordance with guidance from the Securities and Exchange Commission in Release number 33-8216, part of the information furnished under this Item 9 ("Regulation FD Disclosure") is intended to be furnished under Item 9 ("Regulation FD Disclosure") and part of the information furnished under this Item 9 ("Regulation FD Disclosure") is intended to be filed under Item 12 ("Results of Operations and Financial Condition"). In accordance with General Instruction B.6 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed "filed" for the purpose of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

The following material is furnished under Item 9 ("Regulation FD Disclosure"):

On May 5, 2003, Vornado Realty Trust (the "Company") began mailing its 2002 Annual Report to Shareholders (the "Annual Report"), which includes the Chairman's Letter to the Shareholders (the "Chairman's Letter"). A copy of the Chairman's Letter is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The Chairman's Letter contains certain "non-GAAP financial measures" (as defined in Regulation G promulgated by the Securities and Exchange Commission). Excerpts from the Annual Report and Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 24, 2003 containing reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP") are furnished as Exhibits 99.2 and 99.3 to this Current Report on Form 8-K. The non-GAAP financial measures presented in the Chairman's Letter should be considered supplemental to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP.

The following material is furnished under Item 12 ("Results of Operations and Financial Condition"):

The Chairman's Letter contains certain information regarding the Company's results of operations and financial condition for previously completed periods that has not been disclosed previously. The portions of the Chairman's Letter containing this information are set forth below.

* * *

Vornado's capital structure - the right hand side of the balance sheet - is shown below. The summary balance sheet shown in this table is as at April 23, 2003. It differs from our year-end financial statements by including the Company's pro-rata share of joint venture debt gross and by stating equity at the NYSE closing price of VNO shares on that date.

($ in millions except share data)	Amount	Weighted Average Rate
Floating Rate Debt	1,449	2.86%
Fixed Rate Debt	3,642	7.56%
Total Debt (including 1,032 of joint venture debt)	5,091	6.22%
Perpetual Preferred	1,067	8.33%
Market Value of Shares/Units - 139.6 million at $39.52	5,517	N/A
Enterprise Value	11,675	
Debt to Enterprise	43.6%	
Debt plus Perpetual Preferred to Enterprise Value	52.7%	

* * *

In June 2002, Vornado was a first-time issuer of unsecured debt, placing $500 million of five-year 5.66% unsecured notes. These notes were issued at 168 basis points over the five-year treasury, which at the time was 3.98%. Thanks to Wendy for this important deal - and for the as large and as important Hypo deal,(1) as well.

Mike and I thought we timed this right, but with the 5-Year Treasury today at 2.94% we get a hindsight flunking grade here. But no matter - at issue date we simultaneously swapped this note to floating at 77 basis points over three-month LIBOR in arrears. We are now paying a very satisfactory 2.18% floating rate for this capital. Use of proceeds was to pay off other floating rate debt, leaving our balance sheet both floating rate and leverage neutral. At March 31, 2003, this swap (really the only sizeable derivative on our balance sheet) is in the money by $35.2 million.

(1) The $490 million construction financing for the Alexander's 59th Street tower.

* * *

Our mission during these times is the same as always - and that is to lease, lease lease. Here's the math:

	Office		Retail	Merchandise Mart	
	New York	CESCR		Office	Showroom
Year Ended December 31, 2002:					
Square feet leased (in thousands)	579	2,342	1,960	164	911
Initial rent per square foot	$44.34	$31.29	$12.17	$26.97	$18.99
Percentage increase (1)	30.0%	5.5%	32.4%	1.2%	2.0%
Occupancy rate	95.9%	93.6%	88.3%	91.7%	95.2%
Quarter Ended March 31, 2003:					
Square feet leased (in thousands)	235	563	110	110	436
Initial rent per square foot	$43.86	$31.27	$27.03	$23.15	$22.62
Percentage increase (1)	30.5%	5.6%	17.6%	5.8%	21.4%
Occupancy rate	95.9%	93.2%	87.5%	90.4%	95.3%

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(1) Percentage increase over expiring escalated rent.

In this market, David Greenbaum has maintained 96% occupancy in New York - think about that. In first quarter 2003, his roll over rents increased 30.5% - - think about that.

* * *

The following table reconciles, as at April 23, 2003, debt disclosed in accordance with GAAP with debt disclosed in the Chairman's Letter which includes debt of partially owned entities:

($ in millions)	Variable Rate Debt	Fixed Rate Debt	Total Debt
Debt (GAAP)	$1,310	$2,749	$4,059
Partially-owned debt	139	893	1,032
Debt including partially-owned debt	1,449	3,642	5,091

Management believes that debt calculated to include debt of partially owned entities is helpful to investors' understanding of the Company's total leverage.

Certain statements contained in this Current Report on Form 8-K 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. 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, 2002 under "Forward Looking Statements" and "Item 1. Business - Certain Factors That May Adversely Affect the Company's Business and Operations." For these statements, we claim protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

SIGNATURE

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 hereunto duly authorized.

VORNADO REALTY TRUST
(Registrant)

By: /s/ Joseph Macnow

Name: Joseph Macnow
Title: Executive Vice President - Finance and Administration, Chief Financial Officer

Date: May 6, 2003

EXHIBIT INDEX

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Exhibit 99.1

TO OUR SHAREHOLDERS

Vornado's Funds From Operations for the year ended December 31, 2002 was $407.2 million, $3.62 per diluted share, compared to $377.7 million, $3.79 per diluted share, for the year ended December 31, 2001.

Net Income applicable to common shares for the year ended December 31, 2002 was $209.7 million, $1.91 per diluted share, versus $227.2 million, $2.47 per diluted share, for the previous year. Here are the financial results by segment:

($ in millions, except per share data)	% of 2002 Adjusted EBITDA	2002	2001	Same Store
Adjusted EBITDA(1):				
New York Office	33%	303.3	295.2	5.0%
CESCR(2) (34% in 2001)	29%	270.0	84.6	4.1%
Total Office	62%	573.3	379.8	4.8%
Retail	12%	112.7	119.1	(2.6%)
Merchandise Mart	12%	108.9	110.8	(1.2%)
Temperature Controlled Logistics	8%	71.8	78.4	(8.4%)
Newkirk Joint Venture	8%	69.6	63.4	9.8%
Alexander's	4%	34.4	19.4	77.3%
Hotel Pennsylvania	--	7.6	17.0	(55.3%)
Other (including non-comparable adjustments as detailed below)	(6%)	(57.3)	(2.8)	--
Total Adjusted EBITDA(1)	100%	921.0	785.1	.2%
Funds				

From Operations ($3.62 per share in 2002; $3.79 per share in 2001) 407.2 377.7
Adjustments for certain items which affect comparability:
Primestone foreclosure and impairment losses 35.7 - -
Amortization of officer's employment arrangement 27.5 --
Gain on sale of non-real estate assets (18.3) (15.7)
Write-offs of non-core investments 6.9 29.1
Donations to Twin Towers and NYC Fireman's Fund -- 1.3
Minority interest (10.6) (1.8)
- --
Funds From Operations, as adjusted ($3.98 per share in 2002; $3.92 per share in 2001) 448.4 390.6
- --

(1) Adjusted EBITDA is defined in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 10 of this Annual Report. Adjusted EBITDA and FFO shown above do not include the benefit of straight-lining of rent and FASB 141 adjustments. See discussion on the next page. Also see reconciliations of these non-GAAP earnings metrics to GAAP Net Income in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 7-9 and 43 of this Annual Report.
(2) Charles E. Smith Commercial Realty.

THE ANTI-REALITY SHOW CALLED ACCOUNTING

Cash flow is the lifeblood of business--ours too. We have long held that Vornado's financial statements should mirror actual cash flow as closely as possible. The accounting profession is making this close to impossible.

In 1976 and 1985, the Financial Accounting Standards Board (FASB) invented and reinvented FASB 13--straight-lining of rents. We write almost all of our leases with contractual rent bumps. FASB 13 requires that the revenue shown in our GAAP financial statements be the average rent for the lease term, not the actual rent received in any given year. Thus, in the early years GAAP revenue is greater than actual cash receipts and the opposite in trailing years. We do this in our GAAP statements because we must. For good or for bad, we had somewhat more flexibility in our FFO(1) reporting. Historically, we have not included the benefit of straight-lining rent when reporting FFO. Only two or three of the 150 companies in our industry make this adjustment, which for us has penalized FFO in recent years by about $.25 a share, and that's a big penalty.(2)

In 2001, the FASB brought us FASB 141 and 142. This affects purchase accounting and essentially requires companies to fair value leases for acquisitions completed after July 1, 2001. For us, this affected the Charles E. Smith, Monmouth Mall and Las Catalinas acquisitions, requiring us to recognize in 2002 the present value of below-market leases as a deferred credit to be included into income over the term of the leases. This procedure requires valuations of leases (a cynic would say subjective valuations). This non-cash calculation increased our GAAP income in 2002 by $.08 per share.

We capitulate. With respect to the straight-lining of rents, after years of doing it right, we announced days ago that to comply with the Securities and Exchange Commission's Regulation G (effective March 28, 2003) concerning non-GAAP financial measures, to adhere to NAREIT's definition of FFO and to report FFO for straight-lining of rent on a basis comparable with virtually all other companies in our industry, Vornado will revise its definition of FFO to include the effect of straight-lining of rent. Beginning with the Company's filing of its first quarter 2003 Form 10-Q, the Company will reflect this change retroactively to the earliest period being reported and, accordingly, previously reported FFO per share will be adjusted as follows:

	As Previously Reported	Effect of Change(1)	As Restated
2002	$3.62	$.20(2)	$3.82
2001	$3.79	$.21	$4.00
2000	$3.45	$.26	$3.71

(1) This change eliminates the item for straight-lining of rent in the reconciliation of the non-GAAP earnings metric FFO to GAAP Net Income in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 43 of this Annual Report. A Form 8-K dated April 24, 2003 has been filed with the amended reconciliation.
(2) Net of a $.03 allowance for uncollectible rents.

Similarly, the Company will report FFO including the effect of FASB 141. The Company will reflect this change retroactively to 2002, the Company's effective date for FASB 141, and accordingly, 2002 FFO will increase by $.09 per share.

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(1) FFO (Funds From Operations) is a non-GAAP performance measure universally used by the REIT industry and its investors and analysts. Simply put, FFO is net income plus property depreciation.

(2) Investors and analysts who utilize AFFO see through all of this stuff. The acronym AFFO is Adjusted FFO, adjusted for capex, straight-lining and other non-cash items.

This next item is not accounting per se, but as you will see it involves the same mark to market sort of thing. Green Street(3) recently decided to mark down NAVs to reflect its marking of fixed rate debt to market. While this is, of course, intellectually correct, it is ironic. It reinforces our long-held belief that management of the right hand side of the balance sheet is hugely important in creating value. And it disproves the simplistic approach that long-term fixed rate debt is always the safe, value creating way to go.

In a benign interest rate environment, there is as much risk in locking in long term as there is reward. After all, cost of capital is our largest expense item by far. In today's weak market, landlords who are able to avail themselves of low rates can be much more competitive. Those who can't could be slaughtered. Further, it seems to me that the twenty-odd-year bull market in interest rates is still intact.

Here is one of my favorite graphs. It tracks the 10-Year Treasury plus 200 basis points against 30-Day LIBOR plus 100 basis points, surrogates for our long-term and short-term borrowing rates. Interestingly, had you borrowed long, you would have been wrong in all but several months of the last ten years.

HISTORICAL RATE ANALYSIS
U.S. 10-Year Treasury + 200 basis points vs. 30-Day LIBOR + 100 basis points

(HISTORICAL RATE ANALYSIS GRAPH)

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(3) Green Street Advisors, "Real Estate Securities Monthly," April 1, 2003.

Vornado's capital structure--the right hand side of the balance sheet--is shown below. The summary balance sheet shown in this table is as at April 23, 2003. It differs from our year-end financial statements by including the Company's pro-rata share of joint venture debt gross and by stating equity at the NYSE closing price of VNO shares on that date.

($ in millions except share data)	Amount	Weighted Average Rate
Floating Rate Debt	1,449	2.86%
Fixed Rate Debt	3,642	7.56%
Total Debt (including 1,032 of joint venture debt)	5,091	6.22%
Perpetual Preferred	1,067	8.33%
Market Value of Shares/Units--139.6 million at $39.52	5,517	N/A
Enterprise Value	11,675	
Debt to Enterprise Value	43.6%	
Debt plus Perpetual Preferred to Enterprise Value	52.7%	

Green Street's mark to market of debt dinged our NAV by $3 per share. We will do battle over fractions affecting our NAV, but not this time. In fact, Mike and I consider our over-market interest rates to be a hidden asset, valuable, as are our below-market rents. Our income will rise as we refinance above-market debt--and we will gain back that $3 of NAV over time.

$500 MILLION UNSECURED DEBT

Access to multiple capital markets is the hallmark of a successful company. In June 2002, Vornado was a first-time issuer of unsecured debt, placing $500 million of five-year 5.66% unsecured notes. These notes were issued at 168 basis points over the five-year treasury, which at the time was 3.98%. Thanks to Wendy for this important deal--and for the as large and as important Hypo deal,(4) as well.

Mike and I thought we timed this right, but with the 5-Year Treasury today at 2.94% we get a hindsight flunking grade here. But no matter--at issue date we simultaneously swapped this note to floating at 77 basis points over three-month LIBOR in arrears. We are now paying a very satisfactory 2.18% floating rate for this capital. Use of proceeds was to pay off other floating rate debt, leaving our balance sheet both floating rate and leverage neutral. At March 31, 2003, this swap (really the only sizeable derivative on our balance sheet) is in the money by $35.2 million.

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(4) The $490 million construction financing for the Alexander's 59th Street tower.

STOCK PERFORMANCE -- A VIEW FROM 30,000 FEET

Green Street recently published a report(5) pointing out what I well know--that our ten-year returns have been extraordinary, our five-year returns have been just ordinary and our one-year return has been negative, and unacceptable. Since we're all in it for the money, we are totally focused on stock price performance. Here's a ten-year graph of our stock price versus the Wilshire REIT Index.

[VORNADO'S STOCK PRICE CHART]

Michael Fascitelli joined Vornado as President and chief growth officer in January 1997. The stock celebrated by doubling that year.(6) In January 1998, Vornado's stock reached an all-time high of $49.75 a share, an FFO multiple of 19 and an NAV of $32.50 per share. In essence, the stock market was discounting the next five years of our growth in Mike's first year.

Mike has delivered growth in spades. For the record, here's Adjusted EBITDA and FFO in dollars and per share during the period.

[$ in millions, except per share data]

YEAR	ADJUSTED EBITDA(1)	FUNDS FROM OPERATIONS(1) PER SHARE	% INCREASE	DIVIDENDS PER SHARE	% INCREASE
2002	921.0	3.62(2)	(4.5%)	2.66	1.1%
2001	785.1	3.79(2)	9.2%	2.63	33.5%
2000	737.8	3.47	10.2%	1.97	9.4%
1999	609.4	3.15	18.9%	1.80	9.8%
1998	427.1	2.65	108.7%	1.64	20.6%
1997	150.4	1.27(2)	(9.9%)	1.36	11.5%

(1) Reconciliations of the non-GAAP earnings metric FFO to GAAP Net Income for the five years ended December 31, 2002 are in Selected Consolidated Financial Data on page 2 of this Annual Report and the non-GAAP earnings metric Adjusted EBITDA to GAAP Net Income for the three years ended December 31, 2002 are in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 7-9 of this Annual Report. Reconciliations for the years in this table not previously mentioned are contained in the appendix to this letter on page 15.

(2) Excluding net non-recurring items, 2002 was $3.98, 2001 was $3.92 and 1997 was $1.67 per share.

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(5) Green Street Advisors, "Vornado Realty Trust--What Have You Done For Me Lately?" April 4, 2003.

(6) Vornado's stock was $22.50 on December 2, 1996, the day we announced Mike's joining. It rose to $43.44 on September 29, 1997 after a $7.53 spike the day of the announcement of the AmeriCold acquisition (go figure) and rose to an all-time high of $49.75 on January 20, 1998.

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As a regulated REIT, we pay out 100% of our taxable income as dividends. Our intention is to pay out no more. Our dividends, when combined with capex, leave little over in the form of retained earned capital. While I can't think of anything better than paying out our earnings to our shareholders, myself and all my partners, in the larger sense it means that we must sell new shares in order to grow. We have done so repeatedly. Since January 1997, we have sold over 46.3 million shares in 6 separate offerings at an average price of $41.41 per share gross.(7) We seem to have conditioned the market to expect a share issuance whenever the share price gets to the mid $40s. We will issue shares only when we get at least as much or more value than we give.

Should we reverse course and buy back shares? We know how to do this. In the 1980's, Vornado implemented one of the largest cap shrinks in the history of the NYSE, buying back 60% of its shares. But that was done at deep discounts of 50% or more to underlying value. In the modern era, we have not done buybacks, although this is a value-enhancing technique that we would use, and use in scale, in the right circumstances. Any buyback over the last two years would have been only slightly accretive to FFO and NAV. Source of funds is the key here. To the extent we have excess cash flow, buybacks so funded would be perfect. Buybacks from sale proceeds would be acceptable, but would yield marginally more than merely treading water. Buybacks from borrowings are a narcotic we will avoid.

We have been an asset accumulator, growing in the absolute. We have sold a few small odds and ends -- nothing really. Several shareholders and analysts have suggested that we have grown to be too big, that the growth rate per share we seek cannot be achieved on such a large asset base (at least in this market) and that it's about time we became an asset recycler. We have well over $1 billion in profits in our New York office assets alone that we could harvest. Our goal is definitely to sell assets this year.

The selection of which assets to sell is easy. Those that we would re-acquire at current market prices are keepers. All others are candidates for sale. The best candidates are those that we no longer wish to own for whatever reason or where we are offered an outsized price.

There are ramifications to selling assets. Without rapid redeployment of the proceeds, selling assets is dilutive. Selling assets creates (hopefully) capital gains tax issues that can either be handled through like-kind exchanges (sort of like swapping my cats for your dogs) or capital gains dividend distributions (i.e., shrinking the company).(8) Mike and I have a lot to think about in this regard.

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(7) We have also issued 39.9 million Operating Partnership Units (principally for the Mendik, Merchandise Mart and Smith acquisitions) at an average price per unit of $38.39.

(8) The private real estate market functions differently here. As buildings appreciate over time, the private owner shuns selling and paying taxes in favor of the non-recourse loan -- mortgaging and re-mortgaging again and again, realizing excess financing proceeds on a tax-free basis. Now that's the ticket.

LEASE, LEASE, LEASE

Everyone knows business is soft. It seems like every business in America is contracting, although the rate of contraction seems to be slowing. Our mission during these times is the same as always--and that is to lease, lease, lease. Here's the math.

	Office		Retail	Merchandise Mart	
	New York	CESCR		Office	Showroom
Year Ended December 31, 2002:					
Square feet leased (in thousands)	579	2,342	1,960	164	911
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Percentage increase(1)	30.5%	5.6%	17.6%	5.8%	21.4%
Occupancy rate	95.9%	93.2%	87.5%	92.7%	95.3%

(1) Percentage increase over expiring escalated rent.

In this market, David Greenbaum has maintained 96% occupancy in New York--think about that. In first quarter 2003, his roll over rents increased 30.5%--think about that. In the school of New York real estate, David is a dean. Chris Kennedy's showroom results continue to be extraordinary, as well.

All leasing markets continue to challenge. Our capex for tenant improvements is up,(9) and while we always lease more than our share, we are budgeting occupancies and rents conservatively for the rest of this year.

(9) ...but not as much as was estimated for 2003 outlays in the MD&A in our 2002 financials. Revised estimates will be included in our first quarter 2003 financials to be filed shortly.

BMS

In 1997, when we acquired the Mendik Company, the cornerstone of our New York City office business, Bernie Mendik and his partners held on to Building Maintenance Service Company (BMS), the company that provides cleaning, security and engineering services to the buildings we bought then, as well as to buildings we would acquire over the next ten years. In a deal completed on January 1, 2003, we acquired BMS for $13 million. This is actually a big business, with 1,150 employees, $82 million in revenue and $5-ish million of bottom line. We will seek to grow this business by providing cleaning services to our malls and perhaps even to our other office assets.

CESCR/KAEMPFER

On January 2, 2002, we completed the acquisition of the 66% of CESCR that we didn't already own. We now own 100%. Bob Smith and Bob Kogod, the partners and brothers-in-law who over the last fifty years built this business into the largest office landlord in the Washington, D.C. area, continue to be actively involved in management -- and we want them to be. Months ago we began an external search(10) for a candidate for President. We had very specific requirements for this position, most importantly, that he/she be Washington-based with extensive knowledge of the Washington market, its brokers, its tenants, etc. The best candidate by far was Mitchell Schear, and Mike and I am delighted he is now division head of the Charles E. Smith Company.

Mitchell is a seasoned 44 year old real estate executive with unique leasing and development skills. Mitchell also came with a dowry. As Mike was courting Mitchell, who at the time was president of the Kaempfer Company, the best arrangement for all turned out to be our acquisition of Kaempfer. We got Mitchell, sliver interests in six important District of Columbia buildings and, importantly, the Kaempfer management company with its long-term management and leasing fees. Mitchell is now working closely with Bob Smith, Ken McVearry and Brent Bitz to make this great company even greater.

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(10) We have been hugely successful with external searches for division heads, witness Mel Blum, Alec Covington and Sandeep Mathrani.

RETAIL

It occurs to me that I have spent the last ten years diversifying away from retail.(11) I am keenly aware that over the last year or two the stock market has awarded retail the highest marks by far.(12) The miscalculation I made here was underrating the great American consumer and not anticipating that lifetime low interest rates would rule consumer buying and buying. But beware, retail saturation and over-storing will create dangers that over time only skilled managements will be able to avoid.

Retail is a core business of Vornado. In fact, it is our original business, the business we grew up in. A baseball manager shapes his team based upon the talents and strengths of his players. We have a proven star player in Sandeep Mathrani. Vornado will be growing in retail.

Don't be fooled by the 2002 decline in retail Adjusted EBITDA, same store and occupancy, which were caused largely by several bankruptcies and the in-process repositioning of the Bradlees centers. Sandeep, Sherri and the retail leasing team are on fire. Our internal projections are that retail will be our number one grower in 2003 and 2004.

Hotel Pennsylvania is suffering. Its solution lies in big box retail at the base and a repositioning. All this will require patience and better markets.

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(11) We have grown our retail business, just not quite as fast as our office business. After all, we did acquire the Green Acres super regional mall, 50% of the Monmouth mall, two regional malls in Puerto Rico, etc.

(12) No sour grapes here. No investment, not retail, not anything, has done better than our New York office acquired at $175 per foot.

PEOPLE

Alec Covington is a great manager who has worked hard to stabilize AmeriCold. We have said repeatedly and publicly that AmeriCold's performance has been a disappointment.(13) We will restructure the leases with AmeriCold this year. We will re-double our efforts to withdraw capital here.

In 1998, Vornado acquired the Chicago Merchandise Mart, Chris Kennedy's family business. Chris Kennedy has worked in this business for 16 years and in October 2000 was promoted to division head of our Mart business. Chris is talented and uniquely qualified to run this business, which has over $100 million of EBITDA and $1 billion of assets.

Joe Hakim, who had run the Mart business for the last ten years, has retired. Mike, Chris and I hold Joe in the highest regard and thank him for all he did for us. We wish Karen good health. We're certain that our young friend Joe (54) has one more career in front of him.

Paul Larner was CFO and then Chief Operating Officer of CESCR. This year we were lucky enough to convince Paul to move up to New York / New Jersey as EVP--Chief Administrative Officer of Vornado.

Michelle Felman, EVP and acquisitions division head, pulled off one miracle this year and her usual quota of other deals. She is a strong advocate with great judgment--especially at those times this year when she was the lone voice.

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(13) But not a tragedy. After the disappointments and declines, the business still returned 10.3% on our leveraged capital in 2002.

CORPORATE GOVERNANCE

A very few, very dishonest executives have created havoc in the investing community. Congress, the stock exchange and analysts (who for sure are not blameless) have focused on the independent board of directors as the cure all. I believe an independent board is absolutely, absolutely necessary. But while an independent board is surely necessary, it is not a sufficient solution.

Independent directors, however capable, are not sufficient to stop abuses. In my mind, the single most important corporate governance item is total disclosure, the information that allows investors to understand all the workings and all the details of a company's business. It is this objective toward which Joe, Ross, Matt and our financial team strive. Our 168-page and growing 10K (with its 39-page MD&A) is a huge step towards this continuing objective. Our new 61-page supplemental package is another. Each quarter and each year our filings contain more and more disclosure. This trend will continue.

Vornado's incumbent nine-member Board is uniquely qualified to oversee our business by virtue of their business savvy and in the case of seven members, their nine-figure investments in Vornado. They always ask the challenging questions. Vornado will enthusiastically increase its board so that a majority of directors are independent. We'll need to attract a handful of truly qualified new independent directors, and we will. This will take time.

In May 2002, a non-binding precatory shareholder proposal to declassify Vornado's staggered Board was carried 51% to 49%. After deliberation and external advice, Vornado's Board determined to maintain the staggered format. In fact, we inherited a staggered board. Historians may remember that over twenty years ago current management took over the Company -- and it took proxy contests at two annual meetings to do so. Our belief that a staggered Board is appropriate is not self-serving or entrenching -- this is a big business and stability and continuity are important.

Vornado's proxy, filed with this annual report, discloses a change in stock-based compensation favoring restricted share grants in lieu of options. Unfortunately, this seems to be becoming industry standard.

SIGHTSEEING

Shareholders may wish to inspect our recently completed buildings and our under construction projects and following their progress. First in the New York area.

Vornado is the for-fee, ground up developer of 731 Lexington Avenue (at 59th Street)--the Bloomberg Tower--on behalf of our one-third owned affiliate, Alexander's. This Cesar Pelli masterpiece is rising quickly. Steel is erected to the 30th floor and curtain wall is following on pace. First delivery to our principal tenant will occur in late fall 2003, with completion expected in 2005. This building will have retail at the base, 700,000 square feet for Bloomberg, 183,000 square feet of additional office and 105 condominium residences. If shareholders would like to eat their own cooking, please visit the residential sales office--the apartments will be stunning.

Steel and curtain wall are going up at 640 Fifth Avenue (at 51st Street), where we are filling out the wedding cake by adding 47,000 square feet. Here, we will create some of the very finest office space in Manhattan overlooking the gardens of Rockefeller Center and the spires of St. Patrick's Cathedral. Three years ago, at the base of this same building, we created Hennes & Mauritz's U.S. flagship.

Scaffolding will go up within the month signaling the beginning of the re-development of the former Bradlees store at 4 Union Square South (14th Street). Sandeep has already completed retail deals here with Whole Foods and Forever 21 aggregating 73,000 square feet, which accounts for the most valuable one-third of this building.

In October, we delivered a newly built 43,000 square foot store at 34th Street and 7th Avenue to Hennes & Mauritz. This building also serves as a sign tower, hosting the first two giant display signs erected under our special 34th Street signage district.

All these are projects of our development division headed by Mel Blum and involved the collaboration of David and Sandeep for leasing. Mike and I recognize their talents and we thank them all.

In Washington, please visit Crystal City, the flagship asset of CESCR. Mike and I believe in the future of this 26 building, 7.4 million square foot complex literally contiguous to Washington's Reagan National Airport, close by the Pentagon. Here, Bob Smith, Mitchell and the team are in the first phase of construction of a new urban streetscape with retail, restaurants and entertainment venues. With road and traffic improvements, Crystal Drive will become an urban boulevard. This $42 million project will add considerable value.

- - Rents have now declined to the point where it is uneconomic to manufacture new real estate. This is a huge positive for Vornado's existing assets.

- - Real estate is a stable, sound investment that has out-performed all of the major indices, including the S&P 500, NASDAQ, the Russell 2000 and the Dow, for the one, three, five and ten-year periods ended December 31, 2002.(14) Recognition of this by investors will cause a re-pricing of public real estate from being under-valued to fair value and maybe even a bit more.

- - Cap rates have come in. Low interest rates will be with us long enough to draw cap rates down even further. Real estate may still be cheap here.

- - Vornado is a great current investment, but Vornado may be an even better warrant on future appreciation. Think about these numbers: a $50 per square foot increase in New York values creates $5 per share of shareholder value; $5 per square foot of incremental net rent in Washington creates about $750 million of shareholder value over time as leases roll.

- - My father, now 86, taught me that if you have no bad debts you're not making enough sales. The analogy here is that we do make mistakes, but our mistakes are few and smallish in relation to our business. When we make a mistake it is painfully, publicly and quickly disclosed.(15)

- - Asking rents in New York went from $13 per square foot in 1970, to $24 in 1980, to $33 in 1990, to $55 in 2000. While the ascent has not been linear, the message is clear--the passage of time is our biggest ally in value building (and I don't mean a quarter or two). And our shareholders get 7% while waiting.

Mike and I are learning that simplicity is a virtue.

/s/ Steven Roth
Steven Roth
Chairman

April 23, 2003

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(14) I am the 2002--2003 Chair of NAREIT and this is my commercial for our industry. Moreover, it's absolutely, factually correct.

(15) We made a mistake in the Primestone matter. It is now behind us. (By the way, we made a second investment here, providing mezzanine financing to Prime Group Realty Trust's Dearborn Center project as part of a bank group. Our $23.4 million investment was repaid in full on March 19, 2003, together with look-back interest resulting in a 23% yield to us over the life of the investment.)

APPENDIX

Below is a reconciliation of Net Income to Adjusted EBITDA:

($ in millions)	1999	1998	1997
Net income	202.5	152.9	61.0
Minority interest	55.0	16.2	7.3
Interest and debt expense	226.3	164.4	54.4
Depreciation and amortization	143.5	104.3	32.0
Net gain from insurance settlement and condemnation proceeding	--	(9.6)	--
Straight-lining of rents	(25.4)	(16.1)	(3.9)
Other	7.5	15.0	(0.4)
Adjusted EBITDA	609.4	427.1	150.4

Below is a reconciliation of Net Income to Funds from operations:

($ in millions)	1997
Net income	45.5
Depreciation and amortization of real property	22.4
Straight-lining of rents	(3.4)
Leasing fees received in excess of income recognition	1.7

Proportionate share of adjustments to equity in income of partially-owned entities to arrive at funds from operations: Temperature Controlled Logistics 4.2 Alexander's (2.5) Partially-owned office buildings 2.9 Hotel Pennsylvania 0.5 Charles E. Smith Commercial Realty L.P. 1.3 - -- -- Funds from operations 72.6 - -- ---

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Exhibit 99.2

EXCERPTS FROM VORNADO REALTY TRUST'S
2002 ANNUAL REPORT TO SHAREHOLDERS

* * *

SELECTED CONSOLIDATED FINANCIAL DATA VORNADO REALTY TRUST

Year Ended December 31, (in thousands, except share and per share amounts)	2002(2)	2001(2)	2000	1999	1998
OPERATING DATA					
Revenues:					
Rentals	$ 1,248,903	$ 841,999	$ 695,078	$ 591,270	$ 425,496
Expense reimbursements	159,978	133,114	120,056	96,842	74,737
Other income	26,189	10,660	10,838	8,251	9,627
Total Revenues	1,435,070	985,773	825,972	696,363	509,860
Expenses:					
Operating	541,596	398,969	318,360	282,118	207,171
Depreciation and amortization	205,826	123,862	99,846	83,585	59,227
General and administrative	98,458	72,572	47,911	40,151	28,610
Amortization of officer's deferred compensation expense	27,500	--	--	--	--
Costs of acquisitions and development not consummated	6,874	5,223	--	--	--
Total Expenses	880,254	600,626	466,117	405,854	295,008
Operating Income	554,816	385,147	359,855	290,509	214,852
Income applicable to Alexander's	29,653	25,718	17,363	11,772	3,123
Income from partially-owned entities	44,458	80,612	86,654	78,560	32,025
Interest and other investment income	31,685	54,385	32,926	18,359	24,074
Interest and debt expense	(239,525)	(173,076)	(171,398)	(141,683)	(114,686)
Net (loss) gain on disposition of wholly-owned and partially-owned assets other than real estate	(17,471)	(8,070)	--	--	9,649
Minority interest:					
Perpetual preferred unit distributions	(72,500)	(70,705)	(62,089)	(19,254)	(756)
Minority limited partnership earnings	(64,899)	(39,138)	(38,320)	(33,904)	(14,822)
Partially-owned entities	(3,185)	(2,520)	(1,965)	(1,840)	(605)
Income before gains on sales of real estate and cumulative effect of change in accounting principle	263,032	252,353	223,026	202,519	152,854
Gains on sale of real estate	--	15,495	10,965	--	--
Cumulative effect of change in accounting principle	(30,129)	(4,110)	--	--	--
Net income	232,903	263,738	233,991	202,519	152,854
Preferred share dividends	(23,167)	(36,505)	(38,690)	(33,438)	(21,690)
Net income applicable to common shares	$ 209,736	$ 227,233	$ 195,301	$ 169,081	$ 131,164
Income per share - basic	$ 1.98	$ 2.55	$ 2.26	$ 1.97	$ 1.62
Income per share - diluted	$ 1.91	$ 2.47	$ 2.20	$ 1.94	$ 1.59
Cash dividends declared for common shares	$ 2.66	$ 2.63	$ 1.97	$ 1.80	$ 1.64
BALANCE SHEET DATA					
Total assets	$9,018,179	$6,777,343	$6,403,210	$5,479,218	$4,425,779
Real estate, at cost	7,559,694	4,690,211	4,354,392	3,921,507	3,315,891
Accumulated depreciation	737,426	506,225	393,787	308,542	226,816
Debt	4,071,320	2,477,173	2,688,308	2,048,804	2,051,000
Shareholders' equity	2,627,356	2,570,372	2,078,720	2,055,368	1,782,678

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SELECTED CONSOLIDATED FINANCIAL DATA continued

VORNADO REALTY TRUST

	Year Ended December 31,				
(in thousands)	2002(2)	2001(2)(3)	2000(3)	1999	1998
OTHER DATA					
Funds from operations(1):					
Net income applicable to common shares	$ 209,736	$ 227,233	$ 195,301	$ 169,081	$ 131,164
Cumulative effect of change in accounting principle	30,129	4,110	--	--	--
Depreciation and amortization of real property	195,808	119,568	97,744	82,216	58,277
Straight-lining of property rentals for rent escalations	(27,295)	(24,314)	(28,893)	(22,881)	(14,531)
Amortization of below market leases, net	(12,634)	--	--	--	--
Leasing fees received in excess of income recognized	1,318	1,954	1,259	1,705	1,339
Net gain on sale of real estate	--	(12,445)	(10,965)	--	--
Net gain from insurance settlement and condemnation proceedings	--	(3,050)	--	--	(9,649)
Appreciation/(depreciation) of securities held in officer's deferred compensation trust	--	3,023	4,765	(340)	340
Gains on sale of securities available for sale	--	--	--	(383)	(898)
Proportionate share of adjustments to equity in income of partially-owned entities to arrive at funds from operations: Temperature Controlled Logistics	36,500	34,531	35,565	31,400	41,988
Alexander's	(2,825)	(5,980)	93	1,324	4,023
Partially-owned office buildings	2,847	1,913	2,926	50	3,561
Hotel Pennsylvania	--	--	5,779	4,866	4,083
Charles E. Smith Commercial Realty L.P.	--	17,917	15,767	12,024	2,974
Other	12,763	10,538	9,448	7,463	219
Minority interest in partially owned entities in excess of preferential distributions	(45,324)	(16,810)	(16,445)	(9,020)	(3,991)
Dilutive effect of Series A Preferred Share dividends	6,150	19,505	21,689	16,268	--
Funds from operations(1)	$ 407,173	$ 377,693	$ 334,033	$ 293,773	$ 218,899
Cash flow provided by (used in):					
Operating activities	$ 499,825	$ 387,685	$ 249,921	$ 176,895	$ 189,406
Investing activities	(24,117)	(79,722)	(699,375)	(494,204)	(1,257,367)
Financing activities	(533,092)	(179,368)	473,813	262,131	879,815

(1) 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 the National Association of Real Estate Investment Trusts ("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 (i) the effect of straight-lining of property rentals for rent escalations and leasing fee income and (ii) the exclusion of income arising from the amortization of below market leases net of above market leases.

(2) Operating results for the year ended December 31, 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, page 33 for condensed Pro Forma Operating Results for the year ended December 31, 2001 giving effect to the CESCR acquisition as if it had occurred on January 1, 2001.

(3) Funds from operations as previously reported for the year ended December 31, 2001 and 2000 have been revised to include income from the early extinguishment of debt of $1,170 in 2001 and expense from the early extinguishment of debt of $1,125 in 2000 because such items are no longer treated as extraordinary items in accordance with Generally Accepted Accounting Principles.

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*   *   *

December 31, 2002 ($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$1,248,903	$867,938	$127,561	$195,899	$ --	$ 57,505
Expense reimbursements	159,978	89,890	51,750	14,754	--	3,584
Other income	26,189	21,221	1,653	2,951	--	364
Total revenues	1,435,070	979,049	180,964	213,604	--	61,453
Operating expenses	541,596	343,723	65,455	86,022	--	46,396
Depreciation and amortization	205,826	146,746	15,507	26,716	--	16,857
General and administrative	98,458	34,346	5,036	20,382	--	38,694
Costs of acquisitions and development not consummated	6,874	--	--	--	--	6,874
Amortization of officer's deferred compensation expense	27,500	--	--	--	--	27,500
Total expenses	880,254	524,815	85,998	133,120	--	136,321
Operating income	554,816	454,234	94,966	80,484	--	(74,868)
Income applicable to Alexander's	29,653	--	--	--	--	29,653
Income from partially-owned entities	44,458	1,966	(687)	(339)	9,707	33,811
Interest and other investment income	31,685	6,472	323	507	--	24,383
Interest and debt expense	(239,525)	(141,044)	(56,643)	(22,948)	--	(18,890)
Net (loss) gain on disposition of wholly-owned and partially-owned assets other than real estate	(17,471)	--	--	2,156	--	(19,627)
Minority interest	(140,584)	(119,910)	(13,736)	(23,910)	2,093	14,879
Income before gains on sale of real estate and cumulative effect of change in accounting principle	263,032	201,718	24,223	35,950	11,800	(10,659)
Gains on sale of real estate	--	--	--	--	--	--
Cumulative effect of change in accounting principle	(30,129)	--	--	--	(15,490)	(14,639)
Net income	232,903	201,718	24,223	35,950	(3,690)	(25,298)
Cumulative effect of change in accounting principle	30,129	--	--	--	15,490	14,639
Interest and debt expense(3)	302,009	139,157	58,409	23,461	25,617	55,365
Depreciation and amortization(3)	257,707	149,361	17,532	27,006	34,474	29,334
EBITDA	822,748	490,236	100,164	86,417	71,891	74,040
Adjustments:						
Minority interest	140,584	119,910	13,736	23,910	(2,093)	(14,879)
Gains (losses) on sale of real estate(3)	(1,405)	--	--	--	2,026	(3,431)
Straight-lining of rents(3)	(29,837)	(24,352)	(1,863)	(1,772)	--	(1,850)
Amortization of below market leases, net	(12,634)	(12,469)	(165)	--	--	--
Other	1,549	--	860	323	--	366
Adjusted EBITDA(1)	$921,005	$573,325	$112,732	$108,878	$71,824	$54,246

See Notes on page 10.

December 31, 2001 ($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 841,999	$461,606	$121,023	$197,668	$ --	$ 61,702
Expense reimbursements	133,114	67,470	49,436	13,801	--	2,407
Other income	10,660	3,775	1,154	3,324	--	2,407
Total revenues	985,773	532,851	171,613	214,793	--	66,516
Operating expenses	398,969	217,581	56,547	83,107	--	41,734
Depreciation and amortization	123,862	71,425	14,767	25,397	--	12,273
General and administrative	72,572	12,421	3,576	18,081	--	38,494
Costs of acquisitions not consummated	5,223	--	--	--	--	5,223
Total expenses	600,626	301,427	74,890	126,585	--	97,724
Operating income	385,147	231,424	96,723	88,208	--	(31,208)
Income applicable to Alexander's	25,718	--	--	--	--	25,718
Income from partially-owned entities	80,612	32,746	1,914	149	17,447(4)	28,356
Interest and other investment income	54,385	6,866	608	2,045	--	44,866
Interest and debt expense	(173,076)	(54,667)	(55,358)	(33,354)	--	(29,697)
Net (loss) gain on disposition of wholly-owned and partially-owned assets other than real estate	(8,070)	--	--	160	--	(8,230)
Minority interest	(112,363)	(55,932)	(16,562)	(15,650)	(10,968)	(13,251)
Income before gains on sales of real estate and cumulative effect of change in accounting principle	252,353	160,437	27,325	41,558	6,479	16,554
Gains on sale of real estate	15,495	12,445	3,050	--	--	--
Cumulative effect of change in accounting principle	(4,110)	--	--	--	--	(4,110)
Net income	263,738	172,882	30,375	41,558	6,479	12,444
Cumulative effect of change in accounting principle	4,110	--	--	--	--	4,110
Interest and debt expense(3)	266,784	92,410	57,915	33,354	26,459	56,646
Depreciation and amortization(3)	188,859	91,085	18,957	25,397	33,815	19,605
EBITDA	723,491	356,377	107,247	100,309	66,753	92,805
Adjustments:						
Gains on sale of real estate(3)	(21,793)	(12,445)	(3,050)	--	--	(6,298)
Minority interest	112,363	55,932	16,562	15,650	10,968	13,251
Net gain on disposition of wholly-owned and partially-owned assets other than real estate	(160)	--	--	(160)	--	--
Straight-lining of rents(3)	(26,134)	(20,064)	727	(4,997)	--	(1,800)
Other	(2,715)	--	(2,337)	--	716	(1,094)
Adjusted EBITDA(1)	$ 785,052	$379,800	$119,149	$110,802	$ 78,437	$ 96,864

See Notes on Page 10.

December 31, 2000 (after giving effect to consolidation of PSA's -- see reclassifications below):

($ in thousands)	Total	Office	Retail	Merchandise Mart	Temperature Controlled Logistics	Other(2)
Rentals	$ 788,469	$406,261	$129,902	$171,001	$ --	$ 81,305
Expense reimbursements	120,074	60,767	45,490	10,654	--	3,163
Other income	17,608	5,499	2,395	4,661	--	5,063
Total revenues	926,151	472,527	177,787	186,316	--	89,521
Operating expenses	379,524	199,424	55,671	74,553	--	49,876
Depreciation and amortization	108,109	58,074	17,464	21,984	--	10,587
General and administrative	63,468	10,401	667	16,330	--	36,070
Total expenses	551,101	267,899	73,802	112,867	--	96,553
Operating income	375,050	204,628	103,985	73,449	--	(7,012)
Income applicable to Alexander's	17,363	--	--	--	--	17,363
Income from partially-owned entities	79,694	29,210	667	--	28,778(4)	21,039
Interest and other investment income	33,798	6,162	--	2,346	--	25,290
Interest and debt expense	(180,505)	(62,162)	(54,305)	(38,569)	--	(25,469)
Minority interest	(102,374)	(46,917)	(16,550)	(12,660)	(12,483)	(13,764)
Income before gains on sales of real estate	223,026	130,921	33,797	24,566	16,295	17,447
Gains on sales of real estate	10,965	8,405	2,560	--	--	--
Net income	233,991	139,326	36,357	24,566	16,295	17,447
Interest and debt expense(3)	260,573	96,224	55,741	38,566	27,424	42,618
Depreciation and amortization(3)	167,268	76,696	18,522	20,627	34,015	17,408
EBITDA	661,832	312,246	110,620	88,759	77,734	77,473
Adjustments:						
Minority interest	102,374	46,917	16,550	12,660	12,483	13,764
Gains on sale of real estate(3)	(10,965)	(8,405)	(2,560)	--	--	--
Straight-lining of rents(3)	(30,001)	(19,733)	(2,295)	(5,919)	(1,121)	(933)
Other	14,510	--	(1,654)	1,358	4,064(2)	10,742(5)
Adjusted EBITDA(1)	$ 737,750	$331,025	$120,661	$ 91,858	$ 93,160	$101,046

See Notes on page 10.

Prior to 2001, income from the Company's investments in preferred stock affiliates ("PSAs") was included in income from partially-owned entities. On January 1, 2001, the Company acquired the common stock of its PSAs and converted these entities to taxable REIT subsidiaries. Accordingly, the operations of the Hotel portion of the Hotel Pennsylvania and the operations of the management companies (which provide services to the Company's business segments and operate the Trade Show business of the Merchandise Mart division) have been consolidated effective January 1, 2001. Amounts for the year ended December 31, 2000 have been reclassified to give effect to the consolidation of these entities, as of January 1, 2000. The effect of these reclassifications in 2000 was as follows:

(i)	reduction in equity in income of partially-owned entities	$ (8,599,000)
(ii)	increase in rental revenues	64,501,000
(iii)	increase in other income	8,325,000
(iv)	increase in operating expenses	(41,233,000)
(v)	increase in depreciation and amortization	(6,906,000)
(vi)	increase in general and administrative expenses	(6,984,000)
(vii)	increase in interest and debt expense	(9,104,000)
(viii)	net impact	$ --

These reclassifications had no effect on reported Net Income or Adjusted EBITDA for the year ended December 31, 2000 and no impact on any other year.

NOTES:

(1) Adjusted 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 rent escalations, amortization of acquired below market leases net of above market leases and minority interest. Management considers Adjusted EBITDA a supplemental measure for making decisions and assessing the performance of its segments. Adjusted EBITDA should not be considered a substitute for net income or a substitute for cash flow as a measure of liquidity. Adjusted EBITDA is presented as a measure of "operating performance" which enables the reader to identify trends from period to period and may be used to compare "same store" operating performance to other companies, as well as providing a measure for determining funds available to service debt. Adjusted EBITDA may not be comparable to similarly titled measures employed by other companies. In addition, the Company has revised Adjusted EBITDA as previously reported for the year ended December 31, 2001 and 2000 to include income from the early extinguishment of debt of $1,170 in 2001 and expense from the early extinguishment of debt of $1,125 in 2000 because such items are no longer treated as Extraordinary Items in accordance with Generally Accepted Accounting Principles.

(2) Adjusted EBITDA -- Other is comprised of:

	FOR THE YEAR ENDED DECEMBER 31, (AMOUNTS IN THOUSANDS)		
	2002	2001	2000
Newkirk Master Limited Partnership:			
Equity in income	$60,756	$54,695	$43,685
Interest and other income	8,795	8,700	7,300
Hotel Pennsylvania	7,636	16,789	26,866
Alexander's	34,381	19,362	18,330
Investment income and other	31,261	44,097	34,990
Corporate general and administrative expenses	(34,743)	(33,515)	(30,125)
Primestone foreclosure and impairment losses	(35,757)	--	--
Amortization of Officer's deferred compensation expense	(27,500)	--	--
Write-off of 20 Times Square pre-development costs (2002) and World Trade Center acquisition costs (2001)	(6,874)	(5,223)	--
Net gain on sale of marketable securities	12,346	--	--
Gain on transfer of mortgages	2,096	--	--
Net gain on sale of air rights.	1,688	--	--
Palisades	161	--	--
After-tax net gain on sale of Park Laurel			

condominium
units --
15,657 --
Write-off of
net
investments
in Russian
Tea Room --
(7,347) --
Write-off of
investments
in technology
companies --
(16,513) -- -

---- TOTAL
$54,246
$96,864
$101,046 - --

--

(3) Interest and debt expense, depreciation and amortization, straight-lining of rents and gains on sale of real estate included in the reconciliation of net income to EBITDA or Adjusted ABITDA include amounts which are netted in income from partially-owned entities.

(4) Excludes rent not recognized of $19,348, $15,281 and $9,787 for the years ended December 31, 2002, 2001 and 2000.

(5) Includes the reversal of $1,266 and $4,765 of expenses in 2001 and 2000 representing the non-cash appreciation in value of shares held in a rabbi trust in connection with a deferred compensation arrangement for the Company's President.

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* * *

The following table reconciles funds from operations and net income:

	For the Year Ended December 31,	
($ in thousands)	2002	2001
Net income applicable to common shares	$209,736	$227,233
Cumulative effect of a change in accounting principle	30,129	4,110
Depreciation and amortization of real property	195,808	119,568
Straight-lining of property rentals for rent escalations, net of a $4,071 allowance in 2002	(27,295)	(24,314)
Amortization of below market leases, net	(12,634)	--
Leasing fees received in excess of income recognized	1,318	1,954
Appreciation of securities held in officer's deferred compensation trust	--	3,023
Net gain on sale of 570 Lexington Avenue through a partially-owned entity	--	(12,445)
Net gain from condemnation proceeding	--	(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	51,881	65,588
Net gain on sales of real estate	(3,431)	(6,298)
Other	835	(371)
Minority interest in excess of preferential distributions	(45,324)	(16,810)
	401,023	358,188
Series A preferred shares	6,150	19,505
Funds from operations -- diluted(2)	$407,173	$377,693

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

For the Year Ended December 31, (in thousands)	2002	2001
Weighted average shares used for determining diluted income per share	109,669	92,073
Series A preferred shares	2,931	7,646
Shares used for determining diluted funds from operations per share(2)	112,600	99,719

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 (i) effect of straight-lining of property rentals for rent escalations and leasing fee income and (ii) the exclusion of income arising from the amortization of acquired below market leases, net of above market leases.

(1) Certain items which affect comparability included in funds from operations above are as follows:

	For the Year Ended December 31,	
	2002	2001
Primestone foreclosure and impairment losses	$(35,757)	$ -
Amortization of officer's deferred compensation	(27,500)	-
Gains on sale of marketable securities	12,346	-
Gain on sale of residential condominium units	2,156	15,657
Gains on transfer of mortgages	2,096	-
Gains on sale of air rights	1,688	-
Write-off of investments in technology companies	-	(16,513)
Write-off of net investment in Russian Tea Room	-	(7,374)
Donations to Twin Towers and NYC Fireman's Funds	-	(1,250)
Write-off of 20 Times Square pre-development costs (2002) and World Trade Center acquisition costs (2001)	(6,874)	(5,223)

- Minority
interest
10,629
1,800 - ---

$(41,216)
$(12,903) -

--

(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 years ended December 31, 2002 and 2001:

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Exhibit 99.3

EXCERPT FROM VORNADO REALTY TRUST'S CURRENT REPORT ON FORM 8-K, DATED APRIL 23, 2003, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 24, 2003

* * *

The following tables reconcile net income and funds from operations as restated:

(Amounts in thousands)	2002	2001	2000
Net income applicable to common shares	$ 209,736	$ 227,233	$ 195,301
Cumulative effect of a change in accounting principle	30,129	4,110	--
Depreciation and amortization of real property	195,808	119,568	97,744
Amortization of below market leases, net	(12,634)	--	--
Appreciation of securities held in officer's deferred compensation trust	--	3,023	4,765
Net gains on sale of real estate	--	(12,445)	(10,965)
Net gain from condemnation proceeding	--	(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	51,881	65,588	63,791
Net gain on sales of real estate	(3,431)	(6,298)	--
Other	2,552	1,449	6,896
Minority interest in excess of preferential distributions	(50,498)	(20,049)	(20,043)
	423,543	379,129	337,489
Series A preferred shares	6,150	19,505	21,689
Funds from operations -- diluted	$ 429,693	$ 398,634	$ 359,178
Shares used for determining diluted funds from operations per share	112,600	99,719	96,710

* * *
